Cecabank, S.A. and subsidiaries composing the Cecabank Group

Consolidated Financial Statements and Director's Report for the Year Ended 31 December 2018 together with the Auditors' Report

Annual Accounts 2018

Independent Auditor´s Report on Consolidated Financial Statements

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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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Cecabank, S.A.:

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cecabank, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated profit and loss statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of financial instruments

Description	Procedures applied in the audit
The criteria to be applied in measuring the Group's financial instruments are determined by the classification of those instruments in the various different categories existing under the applicable regulations (see Notes 2.2 and 2.9 to the accompanying consolidated financial statements). As indicated in Note 21 to the accompanying consolidated financial statements, the Group has certain financial instruments, classified as Level 2 in the fair value hierarchy because they do not have a price that is quoted in an active market, the fair value of which is therefore determined by means of valuation techniques that may take into consideration, among other factors, directly or indirectly observable market data, as well as the use of complex valuation methods. In addition, changes in the circumstances considered, market events or changes in accounting regulations or standards may have a significant impact on the measurement of these instruments. Accordingly, we considered the measurement of the financial instruments recognised at fair value that are classified by the Group for measurement purposes as Level 2 in the fair value hierarchy to be a key matter in our audit, taking into consideration, in addition, the fact that these instruments represented a significant proportion of the Group's total assets at 31 December 2018.	In order to address this key audit matter, our work included the performance of audit procedures to evaluate the operating effectiveness of the relevant controls established by the Group in this area, as well as the conduct of substantive procedures, and we involved our internal specialists in the valuation of the aforementioned financial instruments. We performed, among others, the following audit procedures: (i) analysis of the methodology employed by the Group to measure the financial instruments, verifying, on the basis of the nature of the instruments, the alignment of that methodology with accounting regulations, (ii) evaluation of the completeness of the data by obtaining confirmations, from a sample of third parties, of the position held by the Group in those financial instruments, (iii) evaluation of the proper accounting and fair-value hierarchy classification of the financial instruments for measurement purposes, through a selective analysis of the characteristics of the financial instrument concerned, and (iv) replication of the calculations made by the Group to verify the accuracy of the measurements. Also, we evaluated whether the disclosures included in the notes to the accompanying consolidated financial statements in connection with the financial instruments are in conformity with those required by the applicable regulatory financial reporting framework.

Third-party security custody and depository services	
Description	**Procedures applied in the audit**
As indicated in Note 13.1 to the accompanying consolidated financial statements, the Group has acquired the rights arising from certain businesses involving custody and depository services for securities entrusted by third parties. At 31 December 2018, the financial instruments managed by the Group as a result of custody and depository service contracts in force amounted to EUR 133,315 million, which, in accordance with the applicable regulations, were recognised off balance sheet by the Group and are disclosed under "Transactions for the Account of Third Parties - Financial Instruments Entrusted by Third Parties" in Note 27.3 to the accompanying consolidated financial statements. In 2018 the income obtained by the Group from the provision of these services was the most significant item of the fee and commission income recognised by it (see Note 31). In addition, since these services are not devoid of operational risk, the Group's directors considered it necessary, upon commencement thereof, to set up a provision to cover this risk, which is recognised under "Provisions - Other Provisions" in the balance sheet in the accompanying consolidated financial statements (see Note 17.2 to the accompanying consolidated financial statements). As a result of the foregoing, the implications of the provision of these services for the Group's consolidated financial statements and its effects thereon, taken as a whole, were considered to be a key matter in our audit.	In order to address this key audit matter, our work included the performance of audit procedures to evaluate the operating effectiveness of the relevant controls established by the Group in this area, as well as the conduct of substantive procedures including, inter alia: i) analytical procedures to evaluate the reasonableness of the evolution of the income from these services, ii) tests of details, on a selective basis, to verify that the income from these services is consistent with the contractual terms and conditions established in the agreements in force and has been recognised in the appropriate accounting period, in accordance with the applicable recognition and measurement standards, and iii) substantive procedures, on a sampling basis, to obtain third-party confirmation of the income from these services earned in the year. With respect to the recognition of the debt securities and equity instruments entrusted by third parties, in addition to the performance of audit procedures to evaluate the operating effectiveness of the controls established in this area by the Group, our substantive audit procedures included, among others: i) tests of details, on a selective basis, to confirm depositors' balances; and ii) substantive procedures, on a selective basis, to confirm all the subcustodians' positions at year-end. Our audit procedures in relation to the provision set up to cover the aforementioned risk of these services comprised, among others: (i) the analysis of the methodology employed by management in determining this provision, (ii) the review of the communications with the supervisor in this regard, (iii) the analysis of the reasonableness of the most significant judgements used by management, in order to evaluate the reasonableness of the estimates made, and (iv) the verification of the correct recognition of, and the changes in, the accounting provision recognised in 2018, evaluating the reasonableness thereof. Also, we evaluated whether the disclosures included in the notes to the accompanying consolidated financial statements in connection with the provision of these services are in conformity with those required by the applicable regulatory financial reporting framework.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 6 and 7, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 19 February 2019.

Engagement Period

The Annual General Meeting held on 20 March 2018 appointed us as auditors for a period of one year from the year ended 31 December 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2012.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Rafael Orti Baquerizo
Registered in ROAC under no. 15998

19 February 2019

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Annual Accounts 2018

Consolidated Financial Statements:

Consolidated Balance

Consolidated Income Statemnets

Consolidated Statements of Recognised Income and Expense

Consolidated Statements of Changes in Total Equity

Consolidated Balance Sheets

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 Y 2017*

(Thousand of Euros)

ASSETS	2018	2017
Cash, cash balances at central banks and other demand deposits (Note 7)	**3.268.540**	**2.658.845**
Financial assets held for trading (Note 8.1)	**1.920.383**	**2.144.770**
Derivatives	926.943	1.031.402
Equity instruments	240.744	287.482
Debt securities	752.696	825.886
Loans and advances	-	-
Memorandum item: loanedor advanced as collateral with right to sell or pledge	*96.475*	*37.971*
Non-trading financial assets mandatorily at fair value through profit or loss (Note 8.2)	**60.413**	**-**
Equity instruments	19.093	-
Debt securities	41.320	-
Loans and advances	-	-
Memorandum item: loanedor advanced as collateral with right to sell or pledge	*33*	-
Financial assets designated at fair value through profit or loss (Note 8.3)	**-**	**256.876**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	-	256.876
Central Banks	-	-
Credit Institutions	-	256.876
Customers	-	-
Memorandum item: loanedor advanced as collateral with right to sell or pledge	-	*69.228*
Financial assets at fair value through other comprehensive income (Note 9)	**1.478.973**	**1.772.261**
Equity instruments	10.295	*38.716*
Debt securities	1.468.678	1.733.545
Loans and advances	-	-
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	*137.278*	*19.862*
Financial Assets at amortised cost (Note 10)	**2.499.151**	**2.685.286**
Debt securities	21.503	21.731
Loans and advances	2.477.648	2.663.555
Central banks	-	-
Credit institutions	1.924.448	1.758.369
Customers	553.200	905.186
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	*72.244*	*154.343*
Derivatives - hedge accouting (Note 11)	**17**	**1.723**
Fair value changes of hedged items in portfolio hedge of interest rate risk hedge of interest rate risk	**-**	**-**
Investment in subsidiaries, joint ventures and associates	**-**	**-**
Joint Ventures	-	-
Associates	-	-
Tangible assets (Note 13)	**51.179**	**52.418**
Property, plant and equipment	43.991	50.641
For own use	43.991	50.641
Leased out under an operating lease	-	-
Assignated to welfare projects	-	-
Investment property	7.188	1.777
Of which: assigned in operating lease	-	-
Memorandum item: acquired in finance lease	-	-
Intangible assets	**205.713**	**229.061**
Goodwill	-	-
Other intangible assets (Note 14)	205.713	229.061
Tax assets (Note 20)	**108.242**	**115.205**
Current tax assets	7.924	6.353
Deferred tax assets	100.318	108.852
Other assets (Note 15.1)	**56.621**	**42.977**
Insurance contracts linked to pensions	-	-
Inventories	-	-
Remainder of other assets	56.621	42.977
Non-current assets and disposable groups of items classified as held for sale (Note 12)	**3.791**	**3.787**
TOTAL ASSETS	**9.653.023**	**9.963.209**

LIABILITIES AND EQUITY	2018	2017
LIABILITIES		
Financial liabilities held for trading (Note 8.1)	**1.376.857**	**1.539.978**
Derivatives	967.023	1.146.041
Short positions	409.834	393.937
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost (Note 16)	**6.947.403**	**7.033.114**
Deposits	6.668.235	6.391.952
Central Banks	349.573	-
Credit Institutions	1.202.472	857.982
Customers	5.116.190	5.533.970
Debt securities issued	-	-
Other financial liabilities	279.168	641.162
Memorandum item: subordinated liabilities	-	-
Derivatives - hedge accounting (Note 11)	**6.898**	**1.412**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Liabilities under insurance and reinsurance contracts	**-**	**-**
Provisions (Note 17)	**122.595**	**151.843**
Pensions and other post-employment defined benefit obligations	-	-
Other long-term employee benefits	49.710	63.229
Pending legal issues and tax litigations	9.800	14.888
Commitments and guarantees given	274	206
Other provisions	62.811	73.520
Tax liabilities	**19.051**	**26.188**
Current liabilities	1.038	-
Defeerred tax liabilities (Note 20)	18.013	26.188
Share capital payable on demand	**-**	**-**
Other liabilities (Note 15.2)	**105.261**	**151.311**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**8.578.065**	**8.903.846**
EQUITY		
Shareholders equity	**1.064.741**	**1.013.882**
Share capital	112.257	112.257
Paid up capital (Note 19)	112.257	112.257
Unpaid capital which has been called up	-	-
Memorandum item: uncalled capital	-	-
Share premium (Note 19)	615.493	615.493
Equity instruments issued other than capital	-	-
Other equity items	-	-
Accumulated gains	267.914	-
Revaluation reserves	-	-
Other reserves	5.591	212.914
Profit for the year (Note 3)	63.486	73.218
(-) Interim dividends	-	-
Accumulated other comprehensive income	**9.768**	**45.058**
Items that will not be reclassified to profit or loss	14.534	18.318
Actuarial gains or losses on defined benefit pensions plans (Note 18)	*11.451*	*11.019*
Non-current assets and disposal groups classified as held for sale	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income (Note 18)	*3.083*	*7.299*
Inefficiency of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes of fair value of financial liabilities measured at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	(4.766)	26.740
Hedge of net investments in foregn operations	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges	-	-
Changes of fair value of debt instruments measured at fair value through other comprehensive income (Note 18)	*(4.766)*	*26.740*
Hedging instruments (item not allocated)	-	-
Non-current assets and disposal groups classified as held for sale (Notes 10 and 18)	-	-
Minority interests	**449**	**423**
Other cumulative overall result	-	-
Other elements	449	423
TOTAL EQUITY	**1.074.958**	**1.059.363**
TOTAL LIABILITIES AND EQUITY	**9.653.023**	**9.963.209**
MEMORANDUM ITEM		
Commitments from loans granted (Note 27.1)	**199.602**	**181.463**
Financial guarantees granted (Note 27.1)	**52**	**50**
Other obligations granted (Note 27.1)	**183.090**	**510.163**

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated balance sheet at 31 December 2018.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

(Thousands of Euros)

	Income / (Expense)	
	2018	2017
Interest income (Note 28)	**90.055**	**89.648**
Financial assets at fair value through other comprehensive income	29.145	36.742
Financial assets at amortised cost	6.346	5.073
Other interest income	54.564	47.833
Interest expenses (Note 29)	**(83.751)**	**(71.253)**
Expenses on share capital repayable on demand	**-**	**-**
A) NET INTEREST INCOME	**6.304**	**18.395**
Dividend income (Note 30)	**15.199**	**39.474**
Fee and commission income (Note 31)	**134.359**	**136.384**
Fee and commission expenses (Note 32)	**(15.172)**	**(14.941)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (Note 33)	**23.430**	**10.639**
Financial assets at amortised cost	3	3
Other financial assets and liabilities	23.427	10.636
Gains or losses on financial assets and liabilities held for trade, net (Note 33)	**(15.900)**	**(33.606)**
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or losses	(15.900)	(33.606)
Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 33)	**(4.477)**	-
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or losses	(4.477)	-
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (Note 33)	**(10)**	**(18)**
Gains or losses from hedge accounting, net (Note 33)	**(3.824)**	**(4.798)**
Exchange differences, net	**65.158**	**65.393**
Other operating income (Note 34)	**55.298**	**57.562**
Other operating expenses (Note 37)	**(9.814)**	**(9.984)**
B) GROSS INCOME	**250.551**	**264.500**
Administrative expenses	**(128.135)**	**(131.885)**
Staff costs (Note 35)	(51.412)	(51.552)
Other administrative expenses (Note 36)	(76.723)	(80.333)
Amortisation (Note 39)	**(46.283)**	**(56.881)**
Provisions and reserval of provisions (Note 16)	**12.125**	**16.909**
Impairment or reversal of impairment and gains or losses due to changes in cash flows of financial assets not measured at fair value through profit or loss or net gains or losses (-) due to changes (Notes 22 and 38)	**490**	**7.132**
Financial assets at fair value through other comprehensive income	309	302
Financial Assets at amortised cost	181	6.830
Impairment loss or reversal of impairment loss of investments in subsidiaries, joint ventures or associates	**-**	-
Impairment loss or reversal of impairment loss of non financial assets	**-**	-
Gains or losses on derecognition of non-financial assets and investments, net (Notes 13 and 14)	**(2)**	**2**
Negative goodwill recognised in profit or loss	**-**	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Note 12)	**(10)**	**8.382**
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**88.736**	**108.159**
Tax expense or income related to profit or loss from continuing operations (Note 20.2)	**(25.247)**	**(34.940)**
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**63.489**	**73.219**
Profit or loss after tax from discontinued operations	**-**	**-**
E) PROFIT FOR THE YEAR	**63.489**	**73.219**
Attributable to minority interests (non-dominant shares)	**3**	**1**
Attributable to dominant shares	**63.486**	**73.218**
F) PROFIT FOR THE YEAR	**63.489**	**73.219**

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated income statement for the year ended 31 December 2018.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

I. CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

(Thousands of Euros)

	2018	2017 (*)
PROFIT FOR THE YEAR	**63.489**	**73.219**
OTHER COMPREHENSIVE INCOME	**(29.625)**	**(15.760)**
Items that will not be reclassified to profit or loss	**1.823**	**1.557**
Actuarial gains or losses on defined benefit pension plans (Note 20 and 35)	617	2.224
Non-current assets and disposal groups held for sale	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income	1.987	-
Gains or losses from hedge accounting of equity instruments measured at fair value through other comprehensive income, net	-	-
Tax on gains related to the items that will not be reclassified	(781)	(667)
Items that may be reclassified to profit or loss	**(31.448)**	**(17.317)**
Hedge of net investments in foreign operations	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	-	-
Translation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	(44.926)	(14.390)
Valuation gains or losses taken to equity	(21.499)	(3.754)
Transferred to profit or loss	(23.427)	(10.636)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale (Note 12)	-	(10.349)
Valuation gains or losses taken to equity	-	(1.967)
Transferred to profit or loss	-	(8.382)
Other reclassifications	-	-
Tax on gains related to the items that may be reclassified in profit or loss	13.478	7.422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33.864**	**57.459**
Attributable to minority interests (non-dominant shares)	3	1
Attributable to dominant shares	33.861	57.458

(*) Only shown for comparative purposes. See Note 1.4.
The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2018.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

II. CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

(Thousands of Euros)

2018:

	SHAREHOLDERS' EQUITY											Minority Interests		
Sources of equity changes	Share capital (Note 18)	Share premium (Note 18)	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Result attributable to the owners of the dominant	(-) Interim dividends	Accumulated other comprehensive income (Note 18)	Accumulated other comprehensive income	Other elements	Total equity
Opening balance (before restatement) at 1 January 2018	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**212.914**	**-**	**73.218**	**-**	**45.058**	**-**	**423**	**1.059.363**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	5.536	-	-	-	(5.665)	-	-	(129)
Opening balance at 1 January 2018	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**218.450**	**-**	**73.218**	**-**	**39.393**	**-**	**423**	**1.059.234**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63.486**	**-**	**(29.625)**	**-**	**3**	**33.864**
Other changes in equity	**-**	**-**	**-**	**-**	**267.914**	**-**	**(212.859)**	**-**	**(73.218)**	**-**	**-**	**-**	**23**	**(18.140)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of members)	-	-	-	-	-	-	-	-	(18.304)	-	-	-	-	(18.304)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	267.828	-	(212.914)	-	(54.914)	-	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	86	-	55	-	-	-	-	-	23	164
Closing balance at 31 December 2018	**112.257**	**615.493**	**-**	**-**	**267.914**	**-**	**5.591**	**-**	**63.486**	**-**	**9.768**	**-**	**449**	**1.074.958**

2017 (*):

	SHAREHOLDERS' EQUITY											Minority Interests		
Sources of equity changes	Share capital (Note 18)	Share premium (Note 18)	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	attributable to the owners of the dominant	(-) Interim dividends	Accumulated other comprehensive income (Note 18)	Accumulated other comprehensive income	Other elements	Total equity
Opening balance (before restatement) at 1 January 2017	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**155.613**	**-**	**76.390**	**-**	**60.818**	**-**	**421**	**1.020.992**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2017	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**155.613**	**-**	**76.390**	**-**	**60.818**	**-**	**421**	**1.020.992**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73.218**	**-**	**(15.760)**	**-**	**1**	**57.459**
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**57.301**	**-**	**(76.390)**	**-**	**-**	**-**	**1**	**(19.088)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of members)	-	-	-	-	-	-	-	-	(19.089)	-	-	-	-	(19.089)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	-	57.301	-	(57.301)	-	-	-	1	1
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2017	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**212.914**	**-**	**73.218**	**-**	**45.058**	**-**	**423**	**1.059.363**

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*
(Thousands of Euros)

	Proceeds / (Payments)	
	2018	**2017 (*)**
A) CASH FLOWS FROM OPERATING ACTIVITIES	**649.676**	**713.309**
Profit for the year	**63.489**	**73.219**
Adjustments made to obtain the cash flows from operating activities	**101.841**	**113.911**
Amortisation	46.283	56.881
Other adjustments	55.558	57.030
Net (increase)/decrease in operating assets	**835.702**	**757.457**
Financial assets held for trading	215.535	(124.868)
Non trading financial Assets mandatory measured at fair value through profit and loss	31.355	
Financial assets designated at fair value through profit or loss	256.866	809.542
Financial assets at fair value through other comprehensive income	160.483	1.521.149
Financial assets at amortised cost	185.556	(1.460.611)
Other operating assets	(14.093)	12.245
Net increase/(decrease) in operating liabilities	**(338.325)**	**(195.537)**
Financial liabilities held for trading	(163.121)	(239.822)
Financial liabilities designated at fair value through profit or loss	-	(185.902)
Financial liabilities at amortised cost	(85.711)	302.469
Other operating liabilities	(89.493)	(72.282)
Income tax recovered/(paid)	**(13.031)**	**(35.741)**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(21.706)**	**(225.525)**
Payments:	**(21.706)**	**(225.525)**
Tangible assets	(1.829)	(2.227)
Intangible assets	(19.877)	(223.298)
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
Proceeds:	-	-
Tangible assets	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(18.304)**	**(19.087)**
Payments:	**(18.304)**	**(19.087)**
Dividends	(18.304)	(19.087)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	-	-
Proceeds:	-	-
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	-
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**609.666**	**468.697**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2.658.874**	**2.190.148**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 7)	**3.268.540**	**2.658.845**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 7)		
Cash	119.016	94.860
Cash balances at central banks	3.046.432	2.468.451
Other demand deposits	103.092	93.534
Less: Bank overdrafts refundable on demand	-	-

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018.

Annual Accounts 2018

Annual Accounts 2018
Consolidated Report

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2018

Cecabank, S.A. and Subsidiaries composing the Cecabank Group

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2018

1. Introduction, basis of presentation of the consolidated financial statements and other information

1.1. Introduction

Cecabank, S.A. (the "Bank" or the "Entity") is a financial institution established on October 17 2012 by public deed before the Notary Mr. Manuel Richi Alberti. The Bank is registered in the Commercial Register since 12 November 2012 and the Register of financial institutions of Bank of Spain with the code 2000.

As from the entry into force of the Single Supervisory Mechanism (SSM) on 4 November 2014, the European Central Bank (ECB) assumed responsibility for supervising European credit institutions, one of which is the Bank. The SSM is a new banking supervision system that includes the ECB and the national supervisors (the Bank of Spain in the Spanish case). In the Bank's case, the ECB is empowered to determine and monitor the application of the supervision criteria, in close cooperation with the Bank of Spain. Therefore, the Bank of Spain is responsible for supervising the Bank directly, while the ECB supervises it indirectly since it has ultimate responsibility for ensuring that the SSM works correctly.

The Bank's headquarters is located in Madrid, at Calle Alcalá, 27. Either in this address or on its website (www.cecabank.es) the Bank’s bylaws are available along with other relevant legal information.

The Confederación Española de Cajas de Ahorros (“CECA”) holds 89% of the bank’s share capital, as result of a spin-off of all its assets and liabilities carried out by CECA, except certain assets and liabilities relating to its welfare projects, to Cecabank, S.A., thereby creating the Bank in that year, which was subrogated to all the rights and obligations held by CECA until that.

The Bank bylaws set the activities that it may get involved in, establishing its economic purpose:

a) The develop of all type of activities, transactions and services inherent to the Banking business in general or related directly or indirectly with it and are allowed by the active legislation, including investment services and auxiliaries and those related with insurance mediation.

b) Providing technological, administrative or assessing services to Public Administrations as to any other public or private entity.

c) Acquisition, tenure and disposal of any real estate instrument.

The Cecabank Group (the “Group” or the “Cecabank Group”), the parent of which is Cecabank, S.A., comprised the following subsidiaries at 31 December 2018 and 2017: Trionis S.C.R.L., a company incorporated in 1990 and located in Brussels (Belgium) whose company object is to develop, maintain and operate international payment services.

In addition to Trionis S.C.R.L., at 31 December 2017, Cea Trade Services Limited and Servipagos, S.A.U. also formed part of the Group.

At the date of authorisation for issue of these consolidated financial statements, Cea Trade Services Limited was in the process of liquidation and, therefore, its assets and liabilities were recognised under “Non-Current Assets and Disposal Groups Classified as Held for Sale” and Servipagos, S.A.U. had been liquidated.

Appendix I hereto includes certain relevant financial information on these companies at 31 December 2018 and 2017. Also, Note 3 contains the Bank's condensed financial statements for 2018, which include comparative information for 2017. At 31 December 2018 and 2017, the Group did not have any investments in associates or jointly controlled entities.

Lastly, the Bank and its Group are, in turn, part of the Group the parent of which is Confederación Española de Cajas de Ahorros, with which, together with its associates, also shareholders of the Bank, it carries on a significant volume of transactions.

1.2. Basis of presentation of the consolidated financial statements

The Group's consolidated financial statements for the year 2018 were authorized for issue by its directors at the Board of Directors meeting held on 18 February 2019.

Taking into consideration the chance contemplated in the eleventh final provision of Law 62/2003, of December 30, of fiscal, administrative and social measures with respect to the accounting normative framework applicable in the formulation of consolidated annual accounts from which they have made use the Bank Administrators, the Group's consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2018 ("EU-IFRSs"), taking into account Bank of Spain Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting rules and formats ("Circular 4/2017"). Bank of Spain Circular 4/2017 implements and adapts for the Spanish credit institution industry the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for the year 2018 have been prepared taking into account all the principles, accounting standards and valuation criteria of mandatory application, so that they present fairly the equity and consolidated financial position of the Group as of 31 December 2018 and of the consolidated results of its operations and consolidated cash flows that have occurred in the Group in the financial year then ended, in accordance with the financial reporting framework that is applicable and, in particular, with the principles and accounting criteria contained therein to which reference has been made in the previous paragraph.

The annual accounts of the Group and the Bank for the year ended 31 December 2018, are pending approval by its General Meeting. However, the Bank's Board of Directors understands that these consolidated annual accounts will be approved without significant changes.

The consolidated financial statements were prepared from the accounting records kept by the Bank and by the other Group entities. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2018 may differ from those used by certain Group entities, the required adjustments and reclassifications are made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Group in the preparation of its consolidated financial statements.

The accounting principles and policies described in Note 2 were applied in the preparation of all the consolidated financial statements composing these annual consolidated financial statements.

1.3. Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Directors of the Group.

In the preparation of the Group's consolidated financial statements for 2018 estimates were made by the Group's Directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Notes 2.9, 2.13, 2.14 and 2.16).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term obligations to employees (see Note 2.11).
- The calculation of the fair value of its obligations compromises and any provisions required for contingent liabilities (see Notes 2.10 and 2.15).
- The useful life of the tangible and intangible assets (see Notes 2.13 and 2.14).
- The fair value of certain financial instruments and unquoted liabilities (see Note 2.2.3).
- The assumptions applied in the estimates of the probability of generating future taxable income that allow the recovery of the Group's deferred tax assets (see Note 2.12).

Although these estimates were made on the basis of the best information available at 31 December 2018 and at the date on which these consolidated financial statements were authorized for issue on the events analyzed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Any required changes in accounting estimates would be applied prospectively in accordance with the applicable standards, recognizing the effects of the change in estimates in the consolidated income statements for the years in question.

1.4. Information relating to 2017

The information contained in the 2018 financial statements for fiscal year 2017 is presented only for comparative purposes with the information on fiscal 2018 and, therefore, it does not represent the Group's financial statements for fiscal year 2017.

IFRS 9 – Financial Instruments, which introduced amendments to the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting (see Note 1.12), came into force on 1 January 2018. A description of the new accounting treatment used is provided in Note 2 to these financial statements.

1.4.1. Presentation of comparative information pursuant to IFRS 9

In this connection, the Group opted for the partial retrospective application of the classification and measurement impacts of IFRS 9 and did not restate prior period information. However, solely for presentation purposes and to assist comparison of the current reporting period with the comparative information for the prior period following the regulatory change, the comparative formats for the balance sheet, statement of profit or loss, statement of comprehensive income, statement of changes in total equity and statement of cash flows were modified disregarding the effects of adoption of the new classification and measurement criteria established in IFRS 9 on these financial statements. Accordingly, it should be taken into account that these formats differ from those included in the statutory financial statements for the year ended 31 December 2017. For these purposes, the most significant changes were as follows:

- Creation of the category of "Non-trading financial assets mandatorily at fair value through profit or loss".
- Replacement of the category of "Available for sale financial assets" with "Financial assets at fair value through other comprehensive income".
- Removal of the category of "Held-to-maturity investments".
- Replacement of the category of "Loans and receivables" with "Financial assets at amortised cost".

Below is the reconciliation between the balance sheet of the Group for the year ended 31 December 2017, in accordance with the format of the previous regulations (NIC 39), approved by the General Shareholders Meeting held on 20 March 2018, and the balance sheet of the Bank at 31 December 2017 amended in line with the new formats, considering only the changes relating to the transfer of the different financial instruments:

Balance:

		Thousands of Euros		
	Note	31.12.2017 (NIC 39)	Transfers	31.12.2017 (IFRS 9)
Cash, cash balances in Central Banks and other demand deposits		2,658,845	-	2,658,845
Financial assets held for negotiation		2,144,770	-	2,144,770
Non-trading financial assets mandatorily at fair value through profit or loss			-	-
Financial Assets at fair value with changes through profit or loss		256,876	-	256,876
Financial assets at fair value through other comprehensive income	(1)		1,772,261	1,772,261
Available-for-sale financial assets	(1)	1,772,261	(1,772,261)	
Financial assets at amortised cost	(2)		2,685,286	2,685,286
Loans and receivables	(2)	2,685,286	(2,685,286)	
Derivatives- Hedge Accounting		1,723	-	1,723
Changes in fair value of the hedged items of a portfolio with hedged interest rate risk		-	-	-
Assets covered by insurance or reinsurance contracts		-	-	-
Tangible assets		52,418	-	52,418
Intangible assets		229,061	-	229,061
Tax assets		115,205	-	115,205
Other assets		42,977	-	42,977
Non-current assets and disposable groups of items classified as held for sale		3,787	-	3,787
TOTAL ASSETS		**9,963,209**	**-**	**9,963,209**

	Note	31.12.2017 (NIC 39)	Transfers	31.12.2017 (IFRS 9)
		Thousands of Euros		
Financial liabilities held for negotiation		1,539,978	-	1,539,978
Financial liabilities at fair value with changes recognised in P&L		-	-	-
Financial liabilities at amortised cost		7,033,114	-	7,033,114
Derivatives- Hedge Accounting		1,412	-	1,412
Changes in fair value of the hedged items of a portfolio with hedged interest rate risk		-	-	-
Liabilities covered by insurance or reinsurance contracts		-	-	-
Provisions		151,843	-	151,843
Tax liabilities		26,188	-	26,188
Share capital payable on demand		-	-	-
Other liabilities		151,311	-	151,311
Liabilities included in disposable groups classified as held for sale		-	-	-
TOTAL LIABILITIES		8,903,846	-	8,903,846
Shareholders' equity		**1,013,882**	**-**	**1,013,882**
Share capital		112,257	-	112,257
Share premium		615,493	-	615,493
Equity instruments issued different than share capital		-	-	-
Other Equity items		-	-	-
Accumulated gains		-	-	-
Revaluation reserves		-	-	-
Other reserves		212,914	-	212,914
Less: Treasury shares		-	-	-
Profit(loss) attributable to the Parent Company owners		73,218	-	73,218
Less: Interim Dividends		-	-	-
Other accumulated comprehensive income		**45,058**	**-**	**45,058**
Items not to be transferred to profit and loss		11,019	7,299	18,318
Actuarial gains (losses) on defined benefits pension plans		*11,019*	-	*11,019*
Changes of fair value of equity instruments measured at fair value through other comprehensive income		-	-	-
Items to be transferred to profit and loss	(3)		*7,299*	*7,299*
Other accumulated comprehensive income		34,039	(7,299)	26,740
Available-for-sale financial assets		*34,039*	*(34,039)*	
Debt instruments	(4)	*26,740*	*(26,740)*	
Equity instruments	(3)	*7,299*	*(7,299)*	
Changes of fair value of debt instruments measured at fair value through other comprehensive income	(4)		*26,740*	*26,740*
Non-current assets and disposable groups of items classified as held for sale		-	-	-
Minority interest		**423**	**-**	**423**
TOTAL EQUITY		1,059,363	-	1,059,363
TOTAL EQUITY AND LIABILITIES		9,963,209	-	9,963,209

Explanatory notes to the adjusted consolidated balance sheet as at 31 December 2017

(1) The debt securities and equity instruments amounting to EUR 1,722,261 thousand included in "Available-for-Sale Financial Assets" at 31 December 2017 are classified under the new "Financial Assets at Fair Value through Other Comprehensive Income" heading.

(2) "Financial Assets at Amortised Cost" includes the balance of the former "Loans and Receivables" heading amounting to EUR 2,685,286 thousand at 31 December 2017.

(3) Transfer of the full amount of the balance classified under "Items that May Be Reclassified to Profit or Loss - Available-for-Sale Financial Assets - Equity Instruments" amounting to EUR 7,299 thousand at 31 December 2017 to the new "Items that Will Not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income" heading.

(4) Transfer of the full amount of the balance classified under "Items that May Be Reclassified to Profit or Loss - Available-for-Sale Financial Assets - Debt Instruments" amounting to EUR 26,740 thousand at 31 December 2017 to the new "Items that May Be Reclassified to Profit or Loss - Fair Value Changes of Debt Instruments Measured at Fair Value through Other Comprehensive Income" heading.

Statements of recognised income and expense

	Note	Thousands of Euros 31.12.2017 (NIC 9)	Transfers	31.12.2017 (IFRS 9)
PROFIT FOR THE YEAR		**73,219**	**-**	**73,219**
OTHER COMPREHENSIVE INCOME		**(15,760)**	**-**	**(15,760)**
Items that will not be reclassified to profit or loss		**1,557**	**-**	**1,557**
Actuarial gains or losses on defined benefit pension plans		2,224	-	2,224
Non-current assets and disposal groups held for sale		-	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income			-	-
Gains or losses from hedge accounting of equity instruments measured at fair value through other comprehensive income, net		-	-	-
Other value adjustments		-	-	-
Tax on gains related to the items that will not be reclassified		(667)	-	(667)
Items that may be reclassified to profit or loss		**(17,317)**	**-**	**(17,317)**
Hedge of net investments in foreign operations		-	-	-
Foreign currency translation		-	-	-
Cash flow hedges		-	-	-
Available for sale financial assets		(14,390)	14,390	
Valuation gains or losses taken to equity	(1)	(3,754)	3,754	
Transferred to profit or loss	(1)	(10,636)	10,636	
Other reclassifications		-	-	
Debt instruments at fair value through other comprehensive income			(14,390)	(14,390)
Valuation gains or losses taken to equity	(1)		(3,754)	(3,754)
Transferred to profit or loss	(1)		(10,636)	(10,636)
Other reclassifications			-	-
Non-current assets and disposal groups held for sale		(10,349)	-	(10,349)
Valuation gains or losses taken to equity		(1,967)	-	(1,967)
Transferred to profit or loss		(8,382)	-	(8,382)
Other reclassifications		-	-	-
Tax on gains related to the items that may be reclassified in profit or loss		7,422	-	7,422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**57,459**	**-**	**57,459**
Attributable to minority interests (non-dominant shares)		1	-	1
Attributable to dominant shares		57.458	-	57.458

Explanatory notes to the adjusted consolidated statement of recognised income and expense for the year ended 31 December 2017

(1) The balances of "Valuation Gains or Losses Taken to Equity - Available-for-Sale Financial Assets - Items that May Be Reclassified to Profit or Loss", "Transferred to Profit or Loss - Available-for-Sale Financial Assets - Items that May Be Reclassified to Profit or Loss" and "Other Reclassifications - Available-for-Sale Financial Assets - Items that May Be Reclassified to Profit or Loss" were reclassified to "Valuation Gains or Losses Taken to Equity - Debt Instruments at Fair Value through Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss", "Transferred to Profit or Loss - Debt Instruments at Fair Value through Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss" and "Other Reclassifications - Debt Instruments at Fair Value through Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss".

(2) For purposes of the presentation of the adjusted statement of comprehensive income, the valuation adjustments of the debt and equity instruments were grouped together without taking into account the effects of the application of IFRS 9 that mean that once valuation adjustments are made to equity instruments, they are not reclassified to profit or loss.

1.4.2. Effects of initial application of IFRS 9

Following disclosure of the various transfers arising from the entry into force of IFRS 9, the effects of initial application thereof in relation to the classification, measurement and impairment of financial instruments are described below, including a comparison between the Group's balance sheet as at 31 December 2017 and the Group's balance sheet as at 1 January 2018 in accordance with the legislation in force at this date:

	Thousands of Euros			
	Note	**31.12.2017**	**Classification, measurement and impairment (IFRS 9 application)**	**01.01.2018**
Cash, cash balances in Central Banks and other demand deposits		2,658,845	29	2,658,874
Financial assets held for negotiation		2,144,770	-	2,144,770
Non-trading financial assets mandatorily at fair value through profit or loss	(1), (2)	-	96,656	96,656
Financial Assets at fair value with changes through profit or loss		256,876	-	256,876
Financial assets at fair value through other comprehensive income	(1), (2)	1,772,261	(96,236)	1,676,025
Financial assets at amortised cost	(3), (4)	2,685,286	(431)	2,684,855
Derivatives- Hedge Accounting		1,723	-	1,723
Changes in fair value of the hedged items of a portfolio with hedged interest rate risk		-	-	-
Assets covered by insurance or reinsurance contracts		-	-	-
Tangible assets		52,418	-	52,418
Intangible assets		229,061	-	229,061
Tax assets	(5)	115,205	440	115,645
Other assets		42,977	-	42,977
Non-current assets and disposable groups of items classified as held for sale		3,787	-	3,787
TOTAL ASSETS		**9,963,209**	**458**	**9,963,667**

	Note	31.12.2017 (IFRS 9)	Classification, measurement and impairment (IFRS 9 application)	01.01.2018 (IFRS 9)
		Thousands of Euros		
Financial liabilities held for negotiation		1,539,978	-	1,539,978
Financial liabilities at fair value with changes recognised in P&L		-	-	-
Financial liabilities at amortised cost		7,033,114	-	7,033,114
Derivatives- Hedge Accounting		1,412	-	1,412
Changes in fair value of the hedged items of a portfolio with hedged interest rate risk		-	-	-
Liabilities covered by insurance or reinsurance contracts		-	-	-
Provisions	(4)	151,843	201	152,044
Tax liabilities	(5)	26,188	386	26,574
Share capital payable on demand		-	-	-
Other liabilities		151,311	-	151,311
TOTAL LIABILITIES		8,903,846	587	8,904,433
Shareholders' equity		**1,013,882**	**5,536**	**1,019,418**
Share capital		112,257	-	112,257
Share premium		615,493	-	615,493
Equity instruments issued different than share capital		-	-	-
Other Equity items		-	-	-
Accumulated gains		-	-	-
Revaluation reserves		-	-	-
Other reserves	(1),(2),(3),(4)	212,914	5,536	218,450
Less: Treasury shares		-	-	-
Profit(loss) attributable to the Parent Company owners		73,218	-	73,218
Less: Interim Dividends		-	-	-
Other accumulated comprehensive income	(1),(2)	**45,058**	**(5,665)**	**39,393**
Minority interests		**423**	**-**	**423**
TOTAL EQUITY		1,059,363	(129)	1,059,234
TOTAL EQUITY AND LIABILITIES		9,963,209	458	9,963,667

Explanatory notes to the balance sheet as at 1 January 2018:

(1) Transfer of equity instruments under “Financial Assets Measured at Fair Value through Other Comprehensive Income” amounting to EUR 30,305 thousand to the new “Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss” line item, for the same amount. The transfer gave rise to an increase in “Other Reserves” of EUR 5,607 thousand, net of the related tax effect, the balancing entry of which was a reduction in “Accumulated Other Comprehensive Income”.

(2) Transfer of debt instruments under “Financial Assets at Fair Value through Other Comprehensive Income” amounting to EUR 65,444 thousand to the new “Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss" line item, for EUR 66,112 thousand. This transfer gave rise to an increase in the value of assets of EUR 668 thousand and an upward adjustment to reserves of EUR 526 thousand, net of the related tax effect.

(3) Transfer of written off debt instruments classified under “Financial Assets at Amortised Cost” to the new “Non-Trading Financial Assets Mandatorily at Fair Value through Profit or Loss" line item, for EUR 239 thousand. This transfer led to an upward adjustment to reserves of EUR 167 thousand, net of the related tax effect.

(4) Adjustment due to impairment losses and provisions associated with initial application of IFRS 9 which had a negative effect of EUR 764 thousand on reserves.

(5) Tax adjustment associated with the transfers mentioned above arising from initial application of IFRS 9.

1.5. Agency Agreements

Neither at 2018 nor 2017 year-end nor at any other time during those years did the Group have any agency agreements in force, in the way in which these are contemplated in article 21 of Royal Decree 84/2015, of February 13, which develops Law 10/2014, of June 26, on the management, supervision and solvency of entities of credit.

1.6. Investments in the share capital of credit institutions

At of 31 December 2018 and 2017 the Group did not hold any ownership interests of 5% or more in the share capital or voting power of any Spanish or foreign credit institutions.

1.7. Environmental Impact

In view of the business activities carried on by the Group, it does not have a significant impact on the environment. Therefore, it was not necessary to recognize any provision in this connection the Group's financial statements for 2018 and 2017 do not contain any disclosures on environmental issues.

1.8. Capital management objectives, policies and processes

On 2 February 2016, Bank of Spain Circular 2/2016, was published to credit institutions about supervision and solvency, which contemplates the adaptation of the Spanish legal order 2013/36/EU and Regulation (EU) nº 575/2013, which is applicable to the Group.

This EU Regulation (EU) No 575/2013 lays down uniform rules that must be complied with by entities in relation to: 1) own funds requirements relating to elements of credit risk, market risk, operational risk and settlement risk; 2) requirements limiting large exposures; 3) liquidity risk coverage relating to entirely quantifiable, uniform and standardized elements of liquidity risk, after the Commission delegated act has entered into force; 4) the setting of the leverage ratio; and 5) public disclosure requirements.

The aforementioned EU Regulation introduced a review of the concept and of the components of the regulatory own funds required of entities. These consist of two elements: Tier 1 capital and Tier 2 capital. In turn, Tier 1 capital comprises Common Equity Tier 1 and Additional Tier 1 capital. Therefore, Tier 1 capital consists of instruments that are able to absorb losses when the entity is a going concern, while the elements of Tier 2 capital will absorb losses primarily when the entity is not viable.

Institutions must satisfy, with general character, the following own funds requirements at all times:

i) A Common Equity Tier 1 capital ratio of 4.5% (CET 1).

ii) A Tier 1 capital ratio (Common Equity plus Additional Tier 1) of 6%.

iii) A total capital ratio of 8%.

In addition to these requirements, pursuant to the aforementioned legislation the Group must comply with the following capital requirements:

- Hold a capital conservation buffer, which established as Common Equity Tier 1 capital equal to 0.625% of RWAs for 2016, and which will increase by an additional 0.625% each year until it reaches the required level of 2.5% of RWAs in 2019.

- Maintenance of a countercyclical capital buffer that may reach up to 2.5% of Common Equity Tier 1 (CET1) capital. As from 2016, the level to be reached by this buffer will be set by the Spanish authorities, on the basis of macroeconomic variables, whenever an excessive growth in credit which could be a source of systemic risk is observed. In this regard, at the end of 2016, the Bank of Spain announced that the countercyclical capital buffer for Spanish financial institutions would be maintained at 0% of credit risk exposure in Spain in the fourth quarter of 2016. The Group has not been designated a systemically important institution, and a capital buffer has not been established for it for 2018.

Also, in addition to the aforementioned requirements, Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions establishes the power of the Bank of Spain to require credit institutions to hold higher levels of capital than those indicated above. In this respect, on 21 December 2018, the Bank of Spain notified Cecabank, S.A. that, in general, it complied with the requirements of Article 92.1 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and set the Bank the requirement of maintaining a consolidated and individual TSCR ratio of no less than 10.23%. The Bank and its Group are also subject to the overall capital requirement (OCR) defined in Title 1.2 of the EBA/GL/2014/13 Guidelines which, in addition to the TSCR ratio, includes the combined capital buffer requirement, as defined in Articles 43 et set of Law 10/2014 and the related implementing regulations. This requirement comes into force on 1 January 2019. 19 December 2017, the Bank of Spain notified Cecabank, S.A. that it was required to maintain an overall consolidated and individual capital ratio of no less than 10.10%. At 31 December 2018, and throughout 2018, the Entity and the Group's individual and consolidated ratios exceeded the requirement for that year.

The strategic capital management objectives set by Group management are as follows:

- To comply, at all times with the applicable regulations on minimum capital requirements.
- To seek maximum capital management efficiency so that, together with other profitability and risk variables, the use of capital is considered as a key variable in any analysis related to the Group’s investment decisions.

In order to meet these objectives, the Group has in place a series of capital management policies and processes, the main cornerstones of which are as follows:

- In the Group’s strategic and operational planning, and in the analysis and follow-up of the operations of the Group to which it belongs, the impact of decisions on the Bank’s eligible capital and the use-profitability-risk relationship is considered to be a key decision-making factor.
- As part of its organizational structure the Group has monitoring and control units which at all times analyzes the level of compliance with the applicable regulations on capital, with alerts in place to guarantee compliance with the applicable regulations.

The Group’s management of its capital, as far as conceptual definitions are concerned, is in keeping with Regulation (EU) No 575/2013. With a view to ensuring that the aforementioned objectives are met, the Group performs an integrated management of these risks, in accordance with the policies and processes indicated above. In accordance with Article 19.1 of the Regulation, the Bank meets the requirements to be excluded from the scope of prudential consolidation and, accordingly, in 2018, after notifying the Bank of Spain, it ceased preparing prudential consolidated financial statements.

The Bank's Common Equity Tier 1 capital and its CET 1 plus Additional Tier 1 capital amounted to EUR 791,312 thousand at 31 December 2018, in both cases (31 December 2017: EUR 724,332 thousand), while total capital amounted to EUR 791,312 thousand at that date (31 December 2017: EUR 725,969 thousand), representing a Tier 1 capital adequacy ratio and a total capital ratio of 35,83%, at 31 December 2018 (31 December 2017: 27,43% and 27,49%), above the minimum requirements.

Common Equity Tier 1 capital includes mainly share capital, share premium, the Group's reserves net of deductions (intangible assets).

1.9. Minimum reserve ratio

Throughout the 2018 and 2017 years, the Bank, only Group entity subject to this requirement, met the minimum reserve ratio required by the applicable legislation.

At 31 December 2018 and 2017 the Bank's cash balance with Bank of Spain for these purposes amounted to EUR 3,046,432 and 2,468,451 thousand (see Note 7). This ratio is calculated on the basis of the daily ending balance held by the Bank in this account during the required period.

1.10. Deposit guarantee fund and Single Resolution Fund

a) Deposit guarantee fund

The Bank participates in the Deposit Guarantee Fund ("DGF"). The annual contribution to be made to this Fund, established by Royal Decree-Law 16/2011, of 14 October, creating the DGF, as amended by Final Provision Ten of Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment services firms (in force since 20 June 2015), is determined by the Managing Committee of the DGF and is calculated based on the amount of each entity's guaranteed deposits and its risk profile.

The purpose of the DGF is to guarantee deposits at credit institutions up to the limit envisaged in the aforementioned Royal Decree-Law. In order to achieve its objectives, the DGF is funded by the aforementioned annual contributions, the extraordinary levies the Fund makes on member entities and by the funds obtained in the securities markets, loans and any other debt transactions.

Taking the foregoing into account, in order to reinforce the equity of the DGF, Royal Decree-Law 6/2013, of 22 March, on protection of holders of certain savings and investment products and other financial measures (activated since 24 March 2013) established an extraordinary levy equal to 3 per mil of the institutions' deposits at 31 December 2012. This extraordinary levy is to be paid in two tranches:

i) Two-fifths to be paid within 20 business days from 31 December 2013. The Bank paid this contribution, which amounted to EUR 7 thousand, in the first few days of January 2014.

ii) Three-fifths to be paid within seven years in accordance with the payment schedule established by the Managing Committee of the DGF. In this regard, based on the contribution schedule approved by the Managing Committee of the DGF, the Bank paid one-seventh of this second tranche on 30 September 2014, and on 17 December 2014 the Managing Committee approved payment of the remainder of the second tranche in two disbursements, each of the same amount, on 30 June 2015 and 2016, which were settled on that date.

In addition, the Managing Committee of the DGF, at its meeting held on 12 December 2018, in accordance with Article 6 of Royal Decree-Law 16/2011, of 14 October, which created the DGF, and Article 3 of Royal Decree 2606/1996, of 20 December, on deposit guarantee funds for credit institutions, set the following annual contributions for member institutions of the DGF for 2018:

a) The total annual contribution of all of the member institutions to the deposit guarantee compartment of the DGF was set at 1.8/1,000 of the calculation basis, made up of the guaranteed cash deposits as indicated in Article 3.2-a) of Royal Decree 2606/1996 in existence at 30 June 2018, and each institution's contribution is calculated according to the amount of the guaranteed deposits and its risk profile.

b) The annual contribution of member institutions to the deposit guarantee compartment of the DGF was set at 2/1,000 of the calculation basis, made up of 5% of the amount of the guaranteed securities as indicated in Article 3.2-b) of Royal Decree 2606/1996 in existence at 31 December 2018.

   The expense incurred for the contributions accruing to the DGF, including both the accrued portion of the outstanding extraordinary levy and the ordinary contribution, amounted to EUR 118 thousand in 2018 (2017: EUR 66 thousand), which were recognised under "Other Operating Expenses" in the accompanying income statement (see Note 37).

b) Single Resolution Fund

In March 2014, the European Parliament and the Council reached a political agreement for the creation of the second pillar of Banking Union, the Single Resolution Mechanism (“SRM”). The SRM's main purpose is to ensure an orderly resolution of failing banks in the future with minimal costs to taxpayers and to the real economy. The SRM's scope of activity is identical to that of the SSM, i.e., a central authority, the Single Resolution Board (“SRB”), is ultimately responsible for deciding whether to initiate the resolution of a bank, while the operational decision is implemented in cooperation with the national resolution authorities. The SRB commenced its work as an independent EU agency on 1 January 2015.

The purpose of the rules governing banking union is to ensure that bank resolutions will be financed first of all by the banks and their shareholders and, if necessary, partly by the bank's creditors. However, another source of funding will also be available to which recourse can be had if the contributions of the shareholders and of the bank's creditors are not sufficient. This is the Single Resolution Fund (“SRF”), which is administered by the SRB. The legislation requires banks to make the contributions to the SRF over eight years.

In this regard, on 1 January 2016, Regulation (EU) No 806/2014 of the European Parliament and of the Council, of 15 July 2014, came into force. Under this Regulation the SRB replaces the national resolution authorities with respect to the management of financing arrangements for the resolution mechanisms for credit institutions and certain investment firms within the framework of the SRM. As a result, the SRB is now responsible for administering the SRF and for calculating the ex-ante contributions of institutions within its scope of application.

The SRB calculates the contributions to be paid by each institution in accordance with the information sent to each institution in an official form for the ex-ante calculation of the contribution. The amount was the result of applying the calculation methodology specified in Commission Delegated Regulation (EU) 2015/63, of 21 October 2014, based on the uniform conditions of application indicated in Council Implementing Regulation (EU) 2015/81, of 19 December 2014.

The target level for all the contributions has been set at one-eighth of 1.05% of the quarterly average of covered deposits in the eurozone in 2015, resulting in a Europe-wide contribution target for the Fund of EUR 7,008 million in 2016. Article 69 of Regulation (EU) No 806/2014 establishes that the available financial means of the Fund (at least 1% of the amount of covered deposits) must be reached within eight years from 1 January 2016.

Article 8.1 of Council Implementing Regulation (EU) 2015/81 stipulates that 60% of the contributions shall be calculated on a national basis and the remaining 40% on a basis common to all participating member States.

The expense incurred by the Bank in relation to the contribution made to the SRF in 2018 totaled EUR 3,835 thousand (EUR 4,322 thousand in 2017) and is recognized under “Other Operating Expenses” in the accompanying income statement (see Note 37).

1.11. Changes in accounting policies

The only significant change that occurred during the year 2018 is detailed in Note 1.4.

1.12. Main regulatory changes during the period from 1 January to 31 December 2018

1.12.1. New Bank of Spain Circulars

Following is a summary of the main Bank of Spain Circulars issued in 2018:

Bank of Spain Circular 1/2018, of 31 January, amending Bank of Spain Circular 5/2016, of 27 May, on the method of calculation to be used for contributions by the member entities of the Deposit Guarantee Fund for Credit Institutions to be proportionate to their risk profiles, and Bank of Spain Circular 8/2015, of 18 December, to member entities and branches belonging to the Deposit Guarantee Fund for Credit Institutions, on the information to determine the bases for calculating the contributions to the Deposit Guarantee Fund for Credit Institutions (Spanish Official State Gazette (BOE) of 9 February).

This Circular amended Bank of Spain Circular 5/2016 to adapt it to current legislation, in order to guarantee that the system of contributions to the DGF takes into account the risk profile of the member entities of an Institutional Protection Scheme (SIP). This amendment also requires the amendment of Circular 8/2015.

Bank of Spain Circular 2/2018, of 21 December, amending Bank of Spain Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting rules and formats, and Bank of Spain Circular 1/2013, of 24 May, on the Central Credit Register.

The main purpose of this Circular is to adapt Bank of Spain Circular 4/2017 to Commission Regulation (EU) 2017/1986 of 31 October 2017 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (EU-IFRS) 16, Leases.

The main difference with respect to current legislation lies in the accounting treatment of the lessee, since lessor accounting has not changed significantly.

Under current legislation, in lessee accounting a distinction is drawn between finance leases –for which the lessee recognises an asset representing the leased asset and a liability representing its obligation to make lease payments– and operating leases –for which the lessee recognises an expense taken to profit or loss on an accrual basis–. Under the new rules, the lessee is required to recognise leases in the balance sheet by recognising a lease liability and a right-of-use asset, i.e. on a similar basis to that which had hitherto been used for finance leases. Simply put, leases with an initial term of twelve months or less, and leases for which the underlying asset is of low value, may be accounted for as operating leases were under the previous approach. Therefore, a new approach to the accounting treatment for leases has not been introduced, but rather the scope for the leases that an entity is required to recognise in the balance sheet has been extended.

The directors consider that this amendment will not have a significant effect on the Group's financial statements.

The Circular also amends Bank of Spain Circular 1/2013, of 24 May, on the Central Credit Register (CCR), including minor changes in order to introduce clarifications and improvements.

1.12.2. Amendments to and adoption of new International Financial Reporting Standards and interpretations issued

The accounting polices used in preparing the consolidated financial statements for the year ended 31 December 2018 are the same as those applied in the consolidated financial statements for the year ended 31 December 2017, except for the standards and interpretations that have entered into force for use in the European Union, applicable to the years beginning on or after 1 January 2018, which are as follows:

IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39 and includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The pivotal point of the financial asset classification and measurement model is the business model within which the financial assets are held and their characteristics. The impairment model is based on expected credit losses, as opposed to the former incurred loss-based model. Lastly, the hedge accounting model aims to more closely align hedge accounting treatment with the economic management of risk and establishes fewer rules.

The entry into force of this standard on 1 January 2018 entailed an internal implementation project at the Group in which all the following affected areas participated: the financial, risk, technology and business areas, inter alia, and senior management. The impact of the entry into force of this standard is described in Note 1.4.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity shall apply to account for revenue and cash flows arising from contracts for the transfer of goods or services to customers.

Under the new standard, an entity recognises revenue from a contract with a customer when (or as) the entity satisfies its performance obligation by transferring a promised good or service to the customer, as agreed in the contract, and a good or service is transferred when (or as) the customer obtains control of that good or service. The amount of revenue recognised is an amount that reflects the payment to which the entity expects to be entitled in exchange for the goods or services transferred.

IFRS 15 supersedes IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue—Barter Transactions Involving Advertising Services.

The entry into force of this standard on 1 January 2018 did not have a significant impact on the consolidated financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments made to IFRS 2 set out requirements to be applied in three areas:

- When measuring the fair value of a cash-settled share-based payment, vesting conditions (other than market conditions) shall only be taken into account by adjusting the number of shares to be included in the transaction amount.
- When, in a transaction that would have been classified as an equity-settled share-based payment transaction in the absence of the net settlement feature, an entity withholds a number of equity instruments equal to the monetary value of the legal withholding tax obligation, the transaction shall be classified in its entirety as an equity-settled share-based payment transaction.
- When a share-based payment transaction changes its classification from cash-settled to equity-settled, the modification is accounted for on the modification date by derecognising the original liability and recognising in equity the fair value of the equity instruments granted for which goods or services have been received; any difference is recognised immediately in profit or loss.

The entry into force of this standard on 1 January 2018 did not have a significant impact on the consolidated financial statements.

Insurance Contracts (Amendments to IFRS 4)

These amendments temporarily address the accounting mismatches arising from the simultaneous application of IFRS 9 and IFRS 4 until the new insurance standard enters into force. The amendments permit issuers of insurance contracts to include them in the scope of IFRS 4. There are two options:

- Overlay approach, an option that permits any issuers of insurance contracts to recognise in equity, rather than in profit or loss, any additional accounting volatility that may arise from applying IFRS 9, with respect to IAS 39, before the future insurance contracts standard is applied.
- Deferral approach or temporary exemption, an option that permits entities whose activities are predominantly connected with insurance to defer the application of IFRS 9 and continue to apply IAS 39 until 2021.

The entry into force of this standard on 1 January 2018 did not have a significant impact on the consolidated financial statements.

Transfers of Investment Property (Amendments to IAS 40)

The amendments establish that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in the use of the property and there is evidence of such change. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

The entry into force of this standard on 1 January 2018 did not have a significant impact on the consolidated financial statements.

Annual improvements to IFRSs, 2014-2016 cycle

The annual improvements to IFRSs (2014-2016 cycle) introduced minor amendments to and clarifications of IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 28, Investments in Associates and Joint Ventures.

The entry into force of this standard on 1 January 2018 did not have a significant impact on the consolidated financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction and, therefore, the exchange rate to use to translate the related asset, expense or income on initial recognition, when an entity has previously recognised a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration, and establishes that the date of the transaction shall be the date on which the entity initially recognises the non-monetary asset or non-monetary liability.

If there are several advance payments or receipts, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The entry into force of this standard on 1 January 2018 did not have a significant impact on the consolidated financial statements.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but which had not yet come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

New standards, amendments and interpretations		
Approved for use in the European Union		
IFRS 16, Leases	Supersedes IAS 17 and the related interpretations. The main development of the new standard is that it introduces a single lessee accounting model in which all leases (with certain limited exceptions) will be recognised in the statement of financial position with an impact similar to that of the existing finance leases (depreciation of the right-of-use asset and a finance cost for the amortised cost of the lease liability).	
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	These amendments will permit measurement at amortised cost of certain financial assets which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal and interest on the principal amount outstanding.	1 January 2019
IFRIC 23, Uncertainty Over Income Tax Treatments	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity.	
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	
Not yet approved for use in the European Union		
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Clarify how to determine current service cost and net interest for the remainder of the annual reporting period when a defined benefit plan amendment, curtailment or settlement occurs.	Not yet adopted in the European Union 1 January 2019
Improvements to IFRSs, 2015-2017 cycle	Includes amendments to IFRS 3, Business Combinations; IFRS 11, Joint Arrangements, IAS 12, Income Taxes and IAS 23, Borrowing Costs.	
Definition of a Business (Amendments to IFRS 3)	Clarifications of the definition of a business.	Not yet adopted in the European Union 1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	Amendments to IAS 1 and IAS 8 to align the definition of "material" with the definition contained in the Conceptual Framework.	
IFRS 17, Insurance Contracts	Supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, the objective being to ensure that entities provide relevant and reliable information that gives a basis for users of the financial information to assess the effect that insurance contracts have on the financial statements.	Not yet adopted in the European Union 1 January 2021

2. Accounting policies and measurement bases

In preparing the Group's consolidated financial statements for 2018, the following accounting principles and policies and valuation criteria have been applied:

2.1. Investments

2.1.1. Subsidiaries

“Subsidiaries” are defined as entities over which the Group has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Bank 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 give the Bank control.

As provided for in IFRS 10, Consolidated Financial Statements, an entity controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Annex I of this consolidated report provides relevant information on these companies.

The financial statements of the subsidiaries are consolidated with those of the Group using the full consolidation method as defined in IFRS 10. Consequently, the following methods, inter alia, were applied in the consolidation process:

1. All material balances and transactions between the consolidated companies, and any material gains or losses on intra-Group transactions not realised vis-à-vis third parties, were eliminated on consolidation.
2. The value of minority interests in equity and income of subsidiaries is presented in the "Minority Interests" caption on the liability side of the consolidated balance sheet and in the "Attributable to Minority Interest" caption in the loss account and consolidated earnings, respectively, if any.
3. The variation experienced from the date of acquisition in the net assets of the consolidated subsidiaries, which is not attributable to the results of the year or to changes in their valuation adjustments, is included under "Other Reserves" in the consolidated balance sheet.
4. The consolidation of the results generated by the subsidiaries acquired in a fiscal year is carried out taking into account only those corresponding to the period between the date of acquisition and the close of that year. At the same time, the consolidation of the results generated by the subsidiaries disposed of in the year is carried out taking into account only those relating to the period between the beginning of the year and the date of disposal.

2.1.2. Joint ventures

“Joint ventures” are deemed to be those entities that are subject to joint control by two or more entities called “venturers” under an arrangement whereby none of the venturers controls the entity individually, but rather they do so jointly with the other venturers, which means that the power to direct decisions about the relevant activities of the entity requires the unanimous consent of the parties sharing control.

Shares in joint ventures are valued using the equity method defined in IAS 28.

At 31 December 2018 and 2017, the Group has not, and has not had during such years, holdings in joint ventures.

2.1.3. Associated Entities

"Associates" are defined as companies over which the Group is in a position to exercise significant influence, but not control or joint control. Significant influence generally exists when the bank holds - directly or indirectly - 20% or more of the voting power of the investee.

In general, investments in associates are accounted for using the equity method as defined in IAS 28. However, any investments in associates that qualify for classification as non-current assets held for sale are recognized, when applicable, under "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheet and are measured in accordance with the policies applicable to these assets (See Note 2.16).

At 31 December 2018 and 2017, the Group has not, and has not had during such years, holdings in Associated Entities.

2.2. Financial instruments - Initial recognition, derecognition, definitions of fair value and amortized cost and classification categories and measurement of financial assets and liabilities

2.2.1. Initial recognition of financial instruments

Financial instruments are initially recognized in the consolidated balance sheet when the Group becomes a party to the contract originating them in accordance with the terms and conditions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognized from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognized from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognized on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the spot currency market are recognized on the settlement date; equity instruments traded in Spanish secondary securities markets are recognized on the trade date and debt instruments traded in these markets are recognized on the settlement date.

2.2.2. Derecognition of financial instruments

A financial asset is derecognized when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred (see Note 2.8).

Also, a financial liability is derecognized when the obligations it generates have been extinguished or when it is purchased by the Group, with the intention either to re-sell it or to cancel it.

2.2.3. Fair value and amortized cost of financial instruments

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

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading which are traded in organized, transparent and deep markets is deemed, in case of existence, to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organized markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognized by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortized cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interest repayments and the cumulative amortization (taken to the income statement), calculated using the effective interest method, of the difference between the initial cost and the maturity amount of such financial instrument. In the case of financial assets, amortized cost furthermore includes any reductions for impairment.

At 31 December 2018 and 2017, the Group has contracted several asset repurchase transactions (see Notes 8.3 and 10), at the maturity date of which the debtors must be reimbursed the ownership of the securities that constitute the collateral. At 31 December 2018 and 2017, the fair value of the securities received as collateral in these operations of assets repurchase transactions does not differ significantly from the carrying amount of these operations.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to the present value of all its estimated cash flows of all kinds during its remaining life, disregarding future losses from credit risk. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition or arrangement date adjusted, where applicable, for the fees, premiums, discounts and transaction costs that must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined using a method similar to that for fixed rate transactions and is recalculated on each contractual interest reset date, taking into account any changes in the future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

Pursuant to IFRS 9, the classification and valuation of the financial assets is performed according to the business model considered by the Group for the management and the features of the contractual flows, as defined below:

- The business model for the management of financial assets is the mechanism in which the Group jointly manages the groups of financial assets to generate cash flows. This model may consist in holding onto these financial assets so to receive their contractual cash flows, for the sale of these assets or a combination of both objectives.
- The characteristics of the contractual cash flows of financial assets can be those whose contractual terms and conditions provide, on determined dates, cash flows and consist only of payments of principal and interest on the outstanding principal, commonly known as "Solely Payments of Principal and Interest (SPPI)" and all other characteristics.

a) Business models

There are three types of business models, which are based on the treatment of cash flows for financial instruments:

- **Amortised cost - collection of contractual cash flows:** consists of holding assets for the purpose of collecting contractual cash flows (principal and interest) on specific dates during the term of the instrument.
- **Mixed - collection of contractual cash flows and the disposal of financial assets:** this mixed business model combines the objective of holding assets to collect contractual cash flows, whose conditions cover the payments of principal and interest, and also the disposal of these assets.
- **Trade - sale of financial assets:** the business model consists of purchasing and disposal of assets. The Group makes its decisions based on the fair value of the assets and manages these in order to obtain their fair value.

b) SPPI Test

The purpose of the SPPI test is to determine whether or not, in accordance with the contractual characteristics of the instrument, cash flows are representative of only the repayment of the principal and interest, essentially understood as being the compensation for the time value of money and the credit risk of the debtor.

The main function of the test is to differentiate which products covered by the “collection of contractual cash flows” and “collection of contractual cash flows and the disposal of financial assets” business models can be measured at amortised cost and at fair value through other comprehensive income, respectively, or, on the contrary, that must be measured at fair value through profit or loss. Debt instruments that are measured at fair value through profit or loss, as well as equity instruments, are not subject to this analysis.

Specifically, financial assets based on its business model and the SPPI test can be classified as:

- **Financial assets at amortised cost:** when the instrument is managed in order to generate cash flows in the form of contractual collections during the life of the instrument while passing the SPPI test.
- **Financial assets at fair value through other comprehensive income:** when the instrument is managed to generate cash flows, i) in the form of contractual collections during the life of the instrument or ii) through their sale while passing the SPPI test.
- **Financial assets held at fair value through profit and loss:** when the instrument is managed to generate cash flows through their sale or when it does not pass the SPPI test based on the business models of the previous sections. There are two categories for these assets:
  - **Financial assets held for trading**. This subcategory includes instruments that have any of the following characteristics: i) they are held for the purpose of converting them into cash in the short term; ii) they are part of a group of financial instruments identified and jointly managed and there is evidence of recent actions to achieve short-term profit taking and iii) they are derivative instruments that do not meet the definition of a financial guarantee agreement nor have they been classified as hedging instruments.
  - **Non-trading financial assets mandatorily at fair value through profit or loss.** This subcategory includes the rest of financial assets.

The Group may decide at the time of the initial recognition, and irrevocably, to include any equity instruments that cannot be classified as held for trading in the “Financial assets at fair value through other comprehensive income” portfolio. This option will be carried out on an instrument by instrument basis. Also, during the initial recognition, and irrevocably, the Group may choose to designate any financial asset as fair value through profit or loss, and by doing so eliminates or significantly reduces any inconsistency in the valuation or recognition (accounting asymmetry) that would otherwise arise, for the valuation of assets or liabilities, or the recognition of their gains and losses, on different bases.

Regardless of the frequency and importance of sales, certain types of sales are not incompatible with the category held to receive contractual cash flows: such as sales due to a reduction in credit quality, sales close to the expiration of operations, so that any changes to market prices would not have a significant effect on the cash flows of the financial asset, sales in response to a change in the regulatory or taxation rules, sales in response to an internal restructuring or significant business combination, derivative sales during the execution of a liquidity crisis plan when the crisis event is not reasonably expected.

On 1 January 2018, the Group defined the business models and segmented its portfolio of financial instruments for the purpose of performing the SPPI tests, while distinguishing the following: i) families of instruments that group together fully homogeneous products ("umbrella families") in such a way that, while testing a sample of portfolio products, a conclusion could be drawn whether or not the other products of the same family pass the test and ii) products, due to their nature, requiring an individual analysis ("case by case") that the Group has to make for all the SPPI tests.

Nevertheless, financial instruments that should be considered as non-current assets and disposal groups classified as held for sale are recognised in the financial statements as explained in section 2.16 of this Note.

As for the classification of financial liabilities, they are included for the purpose of valuation in some of the following three portfolios:

- **Financial liabilities at fair value through profit or loss:** this category includes financial liabilities designated as such from initial recognition, the fair value of which may be determined reliably, and which meet the same conditions than for the financial assets at fair value with changes in profit or loss previously described.

- **Financial liabilities held for trading:** include those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from sales of temporary purchased assets under non-optional repurchase agreements or borrowed securities, and derivatives other than as hedging instruments.

- **Financial liabilities at amortised cost:** this category includes all financial instruments except for those qualified for being included in the other portfolios.

2.3. Reclassification between financial instrument portfolios

These occur only and exclusively when there is a change in the business model that manages financial assets, in accordance with the regulations in force. This reclassification is done prospectively on the date of reclassification, without it being appropriate to state any gains, losses or interests previously recognised again. Generally, the business model is not changed very often.

2.4. Hedge accounting and mitigation of risk

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate. When these transactions meet the requirements stipulated in IAS 39, they qualify for hedge accounting.

When the Group designates a transaction as a hedge it does so upon initial recognition of it, documenting it appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the Group analyses whether, from the beginning to the end of the term defined for the hedge, the Group can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

The hedging operations carried out by the Group are classified in the fair value hedge category. These cover exposure to changes in the fair value of financial assets and liabilities or firm commitments not yet recognized, or an identified portion of such assets, liabilities or commitments, attributable to a particular risk and whenever they affect to the consolidated income statement.

In relation to the financial instruments designated as hedged items and hedge accounting in fair value hedges such as those made by the Group, the differences produced in fair value, both in the hedged items and in the hedged items (in this case, those associated with the risk covered) are recognised directly under "Gains or losses arising from the accounting of hedges, net" in the consolidated income statement (see Note 33).

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements for hedge accounting or the designation as a hedge is revoked.

When, as explained in the preceding paragraph, hedge accounting is discontinued for a fair value hedge, in the case of hedged items carried at amortized cost, the value adjustments made as a result of the hedge accounting described above are recognized in the consolidated income statement through maturity of the hedged items, using the effective interest rate recalculated as at the date of discontinuation of hedge accounting.

Note 11 details the nature of the main positions hedged by the Group and the financial hedging instruments used.

2.5. Foreign currency transactions

2.5.1. Functional currency

The functional and reporting currency of the Group is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”.

The detail, by currency and item, of the equivalent value in thousands of euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2018 and 2017, taking into account the nature of the items that comprise them and the most significant currencies in which they are denominated, is as follows:

Nature of Foreign Currency Balances:	Equivalent Value in Thousands of Euros (*)			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Amount in US Dollars-				
Cash	58,538	-	39,865	-
Financial assets and liabilities held for trading	277	279	12,927	642
Financial assets at fair value through other comprehensive income	-	-	34,560	-
Demand deposits and financial assets at amortised cost	322,460	-	298,947	-
Financial liabilities at amortized cost	-	1,404,522	-	1,316,105
Other assets and liabilities	-	-	1,334	1,334
	381,275	1,404,801	387,633	1,318,081
Balances in Japanese yen-				
Cash	888	-	610	-
Demand deposits and financial assets at amortised cost	47,593	-	35,042	-
Financial liabilities at amortized cost	-	163,946	-	234,938
	48,481	163,946	35,652	234,938
Balances in pounds sterling-				
Cash	33,118	-	27,217	-
Financial assets/liabilities held for trading	-	-	278	140
Demand deposit and financial assets at amortised cost	36,450	-	37,121	-
Financial liabilities at amortized cost	-	182,668	-	87,867
Other assets and liabilities	102	126	95	184
	69,670	182,794	64,711	88,191
Balances in Swiss francs-				
Cash	2,244	-	3,900	-
Demand deposit and financial assets at amortised cost	5,164	-	5,117	-
Financial liabilities at amortized cost	-	35,185	-	53,369
Other assets and liabilities	-	-	-	8
	7,408	35,185	9,017	53,377
Balances in Norwegian krone-				
Cash	1,028	-	789	-
Demand deposit and financial assets at amortised cost	3,336	-	2,460	-
Financial liabilities at amortized cost	-	11,529	-	15,815
	4,364	11,529	3,249	15,815
Balances in Swedish krone-				
Cash	654	-	584	-
Demand deposit and financial assets at amortised cost	8,764	-	1,786	-
Financial liabilities at amortized cost	-	24,662	-	19,484
	9,418	24,662	2,370	19,484
Balances in other currencies-				
Cash	7,216	-	7,375	-
Demand deposits and loans and receivables	21,252	-	25,702	-
Financial liabilities at amortized cost	-	54,336	-	53,081
	28,468	54,336	33,077	53,081
Total foreign currency balances	**549,084**	**1,877,253**	**535,709**	**1,782,967**

(*) Countervalue calculated using exchange rates at 31 December 2018 and 2017, respectively.

In addition to the currency positions recognized in the consolidated balance sheets at 31 December 2018 and 2017 shown in the preceding table, the Group recognized various currency derivatives and forward foreign currency contracts which are used to manage the exchange rate risk to which it is exposed and which should be considered together with the balance sheet positions for a correct understanding of the Group's exposure to such risks (see Note 23).

2.5.2. Translation of foreign currency balances

Translation of foreign currency to the functional currency: foreign currency transactions performed by Group companies are initially recognized in the financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, the following rules are applied:

- Monetary assets and liabilities are translated at the closing rate, which is taken to be the average spot exchange rate at the date of the financial statements.
- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.
- Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined.
- Income and expenses are translated at the exchange rate prevailing at the transaction date.

2.5.3. Exchange rates

The exchange rates used by the Group in translating the foreign currency balances to euros for the purpose of preparing the consolidated financial statements, taking into account the methods mentioned above, were those published by the European Central Bank.

2.5.4 Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances (using the aforementioned translation methods) to the functional currency of the Group are generally recognized at their net amount under "Exchange Differences (net)" in the consolidated income statement, except for exchange differences arising on financial instruments classified at fair value through profit or loss, which are recorded in the income statement without differentiating them from other variations that may be measured at fair value under "Gains or losses on financial assets and financial liabilities designated at fair value through profit or loss, net", depending on the category in which they are classified.

However, exchange differences arising on non-monetary items measured at fair value through equity are recognized, where appropriate, in equity under "Accumulated Other Comprehensive Income – Items that May Be Reclassified to Profit or Loss" in the balance sheet until they are realized. Exchange differences recognized in the Group's equity are taken to the consolidated income statement when realized.

2.6. Recognition of Income and Expenses

The most significant accounting criteria used by the Group to recognize its income and expenses are summarized as follows:

2.6.1. Interest income, interest expenses, dividends and similar items

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies, are recognized as income when the Group's right to receive them arises.

2.6.2. Commissions, fees and similar items

Commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognized in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Commission income and expenses relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognized, in case of existence, in the consolidated income statement when collected or paid.
- Those arising from transactions or services that are performed over a period of time, such as fees and commissions arising from custody services, are recognized in the consolidated income statement over the life of these transactions or services.
- Those relating to services provided in a single act are recognized in the consolidated income statement when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

2.7. Offsetting

Asset and liability balances must be offset and, therefore, the net amount thereof is presented in the consolidated balance sheet only when they arise from transactions in which, contractually or by law, offsetting is permitted and the Group intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

In this regard, the presentation required by the applicable legislation in these consolidated financial statements in respect of the financial assets subject to valuation adjustments for decline in value or impairment, i.e. net of these adjustments, is not deemed to be “offsetting”.

2.8. Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards of the transferred assets to third parties - unconditional sale of financial assets, sale of financial assets with a repurchase agreement at its fair value at the repurchase date, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders and other similar cases, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

  It is considered that the Group substantially transfers the risks and benefits if the risks and rewards transferred represent the majority of the total risks and rewards of the transferred assets.

- If the Group retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the credit losses on the securitized assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized, without offsetting:
    - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost, or, if the aforementioned requirements for classification of other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability (see Note 2.2.4).
    - The income from the transferred financial asset not derecognized and any expense incurred on the new financial liability.
- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or another type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:
    - If the transferor does not retain control, the transferred financial asset is derecognized and any right or obligation retained or created in the transfer is recognized.
    - If the transferor retains control, it continues to recognize the transferred financial asset in the consolidated balance sheet for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the cash flows they generate have been extinguished or when substantially all the significant inherent risks and rewards have been transferred to third parties.

Notes 27.2 and 27.4 contain a summary of the main circumstances of the principal transfers of assets outstanding at 2018 and 2017 year-end which did not lead to the derecognition of the related assets (securities lending transactions and repurchase agreements under non-optional repurchase agreements).

2.9 Impairment of financial assets

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:

- 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.
- 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 period in which the impairment becomes evident. Except for financial assets at fair value through other comprehensive income, which accounting will be recognize against “other comprehensive income”. The reversal, if any, of previously recognized impairment losses is recognized in the income statement for the period in which the impairment is reversed or reduced to accumulated other comprehensive income.

When the recovery of any recognized amount is considered unlikely, the amount is written off ("written-off asset"), without prejudice to any actions that the Group may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

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

2.9.1. Debt instruments carried at amortized cost

The amount of an impairment loss incurred on a debt instrument carried at amortized cost is equal to the positive difference between its carrying amount and the all the cash flows at the effective original interest rate. The market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

The expected credit losses will be the weighted average of the credit losses, using as weights the respective risks of default events. The following distinction will be taken into account: i) Expected credit losses in the life of the operation: these are the expected credit losses resulting from all possible events of default during the entire expected life of the operation. ii) Expected credit losses in twelve months: they are the part of the credit losses expected during the life of the operation that corresponds to the expected credit losses resulting from the events of default that may occur in the operation in the following twelve from the reference date.

The hedging amount for impairment shall be calculated according to whether or not there has been a significant increase in the credit risk since initial recognition and whether or not default has occurred. Accordingly, impairment hedging shall be equal to:

- The expected twelve-month credit losses when the risk of default has not significantly increased since initial recognition.
- The lifetime expected credit losses if the risk of default has significantly increased since initial recognition.
- Expected credit losses when default has occurred.

Financial instruments are grouped into three categories based on the impairment method applied, in accordance with the following structure:

- Stage 1 – Normal risk: those transactions the credit risk of which has not significantly increased since initial recognition. Impairment hedging shall be equal to the twelve-month expected credit losses. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.
- Stage 2 – Normal risk under special surveillance: those transactions the credit risk of which has significantly increased since initial recognition, but without default. Impairment hedging shall be equal to the lifetime expected credit losses of the transaction. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.
- Stage 3 – Non-performing: credit-impaired transactions, i.e. there has been default. Hedging shall be equal to the expected credit losses. Interest revenue shall be calculated by applying the effective interest rate at amortised cost (i.e. adjusted for an impairment allowance) of the financial instrument.

The measurement of whether or not there has been any significant increase in credit risk must be based on reasonable and supportable information that is available free of charge or disproportionate effort, which shall indicate the credit risk increases since initial recognition and must reflect historical, actual and forward-looking information.

The definitions established to measure the significant credit risk are in keeping with the following criteria:

- Adverse changes in the financial situation, such as a significant increase in debt levels, as well as significant increases in debt service ratios.
- Significant falls in turnover or, in recurring cash flows.
- Significant narrowing of operating margins.

- Significant changes in the cost of credit risk, due to changes in this risk subsequent to initial recognition.
- A real or expected reduction of the internal or external credit rating of the operation or of the owner thereof.
- Adverse changes in the economy, in market conditions or worsening of the operation owner’s financing terms.
- Business slowdown or unfavorable trends in the owner's operations, which may cause a significant change in their ability to meet their payment obligations.
- For operations with real guarantee, significant worsening of the relationship between the risk amount and the value of the guarantee.
- Significant increases in the credit risk of other operations of the same owner.

In any case, Stage 2 is considered with respect to instruments in which any of the following circumstances occur:

- Defaults of over 30 days.
- Financial instruments that are subject to special surveillance by the risk units because they show negative signs in their credit quality, although there is no objective evidence of impairment.
- Refinances or restructuring operations that do not show impairment evidence.

Method to calculate expected losses

The measurement process for possible impairment losses for these instruments that involve the risk of insolvency for obligors (credit risk) is done:

- Individually, for all debt instruments classified as doubtful risks and which are significant by exceeding a certain threshold or for which specific information from the borrower that allows carrying out its evaluation is available.
- Collectively, for operations classified as normal risk, by applying the alternative solutions contained in Appendix 9 to Circular 4/2017, calculated on the bases of the parameters established by the Banco de España based on sector information and its accrued experience.

The amount for impairment losses, estimated in accordance with the criteria set forth above, are registered in the headings “Impairment losses or reversals on financial assets not at fair value through profit or loss – Financial assets at amortised cost”.

2.9.2. Debt instruments classified as financial assets at fair value through other comprehensive income

The amount of the impairment losses on debt instruments included in the portfolio of financial assets at fair value through other comprehensive income is determined on the basis of the criteria described in section 2.9.1 above for debt instruments carried at amortised cost, and is recognised in “Other Comprehensive Income - Items that May Be Reclassified to Profit or Loss - Fair Value Changes of Debt Instruments Measured at Fair Value through Other Comprehensive Income”.

The amount of any impairment losses on equity instruments included in the portfolio of financial assets at fair value through other comprehensive income is the positive difference between their acquisition cost and their fair value less any impairment loss previously recognised in the statement of profit or loss. Any impairment losses must be recognised under “Other Comprehensive Income - Items that Will not Be Reclassified to Profit or Loss - Fair Value Changes of Equity Instruments Measured at Fair Value through Other Comprehensive Income”.

2.10. Financial guarantees and provisions for financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the Group, etc.

In accordance with EU-IFRSs, the financial guarantees provided by the Group are treated as financial instruments.

The Group initially recognises the financial guarantees provided on the liability side of the consolidated balance sheet at their fair value (plus any transaction costs directly attributable to them), which is generally the amount of the premium received plus, where appropriate, the present value of the fees, commissions and interest receivable from those contracts over their term and, as a balancing entry, it recognises, on the asset side of the consolidated balance sheet, the amount of the fees, commissions and similar interest received at inception of the transactions and the amounts receivable relating to the present value of the fees, commissions and interest outstanding. Subsequent to their initial recognition, these contracts are recognised on the liability side of the consolidated balance sheet at the higher of the following two amounts:

- The amount determined in accordance with IAS 37. In this connection, financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost (described in Note 2.9 above).
- The amount initially recognised for these instruments, less the amortisation of this amount which, in accordance with IFRS 15, is recognised in profit or loss on a straight-line basis over the term of these contracts.

The provisions made for these transactions are recognised under "Provisions - Commitments and guarantees granted" on the liability side of the consolidated balance sheet (see Note 17). These provisions are recognised and reversed with a charge or credit, respectively, to "Provisions or reversal of provisions" in the consolidated income statement.

If, based on the foregoing, a provision is required for these financial guarantees, the unearned commissions associated with these transactions recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" on the liability side of the consolidated balance sheet are reclassified to the appropriate provision.

2.11. Staff costs

2.11.1. Short-term remuneration

Short-term employee remuneration consists of monetary and non-monetary remuneration such as wages, salaries and social security contributions earned in the year and paid or payable to employees in the twelve months following the end of the reporting period.

Short-term employee remuneration is generally recognized as staff costs in the consolidated income statement for the period in which the employees have rendered their services. It is measured at the undiscounted amount payable for the services received, and it is recognized while the employees render their services at the Group, as an accrued expense after deducting any amounts already paid.

2.11.2. Pension Obligations

Under the Collective Labour Agreement currently in force and some labour intern agreement, the Group is required to supplement the social security benefits accruing to its employees or their beneficiary right holders in the event of retirement, disability, death of spouse or death of parent. The Bank is the only Group entity that has significant obligations of this nature and, therefore, the information on the obligations shown below relates to the Bank.

The Bank’s post-employment obligations to its employees are deemed to be "defined contribution plans" when the Bank makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as “defined benefit plans”.

The Bank has set up an external fund known as the “Cecabank Employees' Pension Plan”, which is managed by Caser Pensiones, Entidad Gestora de Fondos de Pensiones, S.A; at the same time, Cecabank has several insurance policies suitable to externalize agreement due to pension obligations.

The external fund, in turn, comprises three subplans: a defined benefit plan (for employees hired by the Bank prior to 30 May 1986 who opted not to convert their benefits into defined contribution benefits and for early retirees) and two defined contribution retirement benefit subplans (for employees hired by the CECA prior to 30 May 1986 who opted to convert their benefits into defined contribution benefits, as described below, for employees hired by the Ceca or Bank after 29 May 1986, and for early retirees in this group). The pension plan also includes the obligations to the beneficiaries of the benefits.

In 2010, the Control Committee of the CECA Employees’ Pension Plan, pursuant to the obligations previously acquired, resolved to take out an insurance policy to cover the supplementary vested pension income payable to the beneficiaries of the pension plan of defined benefit. The policy is in line with the benefits payable to the group of beneficiaries of the pension plan in order to ensure these obligations are met.

Note 35 to these financial statements presents additional information on these obligations with regard to reconciliations, sensitivities and other disclosures required by the legislation applicable to the Bank.

At 31 December 2018, the Bank's total accrued pension obligations to current and retired employees amounted to EUR 171,878 thousand (31 December 2017: EUR 188,352 thousand). These obligations are covered by the aforementioned external pension fund and insurance policies, the fair value of which was EUR 180,067 thousand at 31 December 2018 (31 December 2017: EUR 195,859 thousand) and, therefore, the Bank recognized a “Net Asset for Pensions” of EUR 8,189 thousand under “Other Assets” in the accompanying balance sheet as at 31 December 2018 (31 December 2017: EUR 7,507 thousand) (see Notes 15.1 and 35).

Recognition of defined benefit post-employment obligations

The accounting treatment of the defined benefit obligations is as follows:

a) The legal obligations assumed by the Group are taken into consideration according to the formal terms and conditions of the plans.

b) The present value of the legal obligations is calculated at the reporting date by a qualified actuary, together with the fair value estimates of the plan assets.

c) The fair value of the plan assets, which, pursuant to the requirements established in the applicable legislation, meet this definition at the reporting date, is deducted from the present value of the obligations.

d) If the figure obtained in c) above is positive, it is recognized as a provision for defined benefit pension funds.

e) If the figure obtained in c) above is negative, it is recognized as "other assets". The Group measures, where appropriate, the recognized asset at the lower of the following two values:

   i) The figure obtained in c) above, in absolute terms.

   ii) The present value of the cash flows available to the Bank, in the form of plan redemptions or reductions in future contributions to the plan.

f) Any changes in the recognized provision are recognized when they occur in line with d) above (or, where appropriate, the asset according to e) above) as follows:

   i) In the consolidated income statement: the cost of the services rendered by the employees, those referring to both the year in question and prior years not recognized in those years, the net interest on the provision, and the gain or loss arising upon settlement. When these amounts are to form part of the cost of an asset pursuant to applicable legislation, these amounts are recognized additionally as “other operating income”.

   ii) In the consolidated statement of changes in equity: the new measurements of the provision as a result of the actuarial gains and losses, of the return on any plan assets not included in the net interest on the provision, and changes in the present value of the asset as a result of the changes in the present of the cash flows available to the entity, which are not included in the net interest on the provision. The amounts recognized in the statement of changes in equity should not be reclassified to the income statement in a future year.

As regards the preceding paragraph, it should be noted that the actuarial gains and losses arising on the valuation of the defined benefit pension obligations have been recognized by the Group in the period in which they arise with a charge or credit, as applicable, to “Accumulated Other Comprehensive Income – Items that Will Not Be Reclassified to Profit or Loss” in the accompanying consolidated balance sheets.

The defined contribution obligations are generally recognized at the amount of the contributions made by the Group in the year in exchange for the services rendered by employees in the same period, and are recognized as an expense for the year. In 2018 the portion of the accrued expense for the contributions to the external pension fund relating to defined contribution obligations amounted to EUR 717 thousand (2017: EUR 917 thousand), and this amount was recognized under “Administrative Expenses - Staff Costs” in the consolidated income statement. In addition, in 2018 EUR 3 thousand were reimbursed relating to the insurance policy of an employee who left the Bank’s employ (2017: EUR 133 thousands) (see Note 35).

Furthermore, contributions to the pension plan in excess of the current legal and tax ceilings are covered by two insurance policies taken out with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (“Caser”). No accrual and payment of any premium occurred in 2018.

Additionally, the premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 181 thousand (2017: EUR 429 thousand), and this amount was recognized under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 35).

2.11.3. Other long-term benefits

2.11.3.1. Early retirements

Through several agreements entered into in previous years by the Bank and by CECA (to which Cecabank, S.A. was subrogated by virtue of the spin-off of CECA's activity to the Bank as indicated in Note 1 above) and the Workplace Trade Union Branch and the representatives of the Works Council, various pre-retirement offers were made to the employees. The following paragraphs contain a summary of the main features of these agreements:

Pre-retirement agreements prior to 2013

On 7 April 2011, an agreement was entered into between the CECA, the Workplace Trade Union Branch and the representatives of the Workers' Committee, under which a Pre-Retirement Plan was established for all employees who at 31 December 2011 were at least 55 years of age and had been in the CECA employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 13 May 2011. As a result of the spin-off mentioned in section 1.1, the Bank was subrogated to these obligations.

25 June 2012, an agreement additional to the one mentioned in the previous paragraph was entered into between the entity, the Workplace Trade Union Branch and the representatives of the Works Council, under which a Pre-Retirement Plan was established for all employees who at 31 December 2012 were at least 53 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 20 July 2012. This agreement also includes other measures such as termination benefits for the group of employees not included in the pre-retirement plans mentioned above (for which the deadline for participating was 30 September 2012), unpaid leave and reduced working hours (the deadline for participating was 30 October 2012).

Pre-retirement agreements in 2013

Also, on 29 October 2013, another agreement was entered into between the Bank, the Workplace Trade Union Branch and the representatives of the Works Council, to extend the agreement entered into on 25 June 2012 for a maximum of 129 employees who at 31 December 2013 were at least 50 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 12 November 2013. 54 employees availed themselves of this offer. The pre-retirements are taking effect between 1 December 2013 and 31 March 2014. The period of pre-retirement begins on the date of termination of the employment contract and ends on the date on which the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement. In addition, regardless of the chosen form of payment, the employees who avail themselves of this offer are entitled to receive a gross incentive of EUR 16,000 in a single payment. Also, any employees who would have been paid a 25-year service bonus had they remained in the entity's employ until 31 March 2014 continue to be entitled to receive this bonus.

For the participants of pension sub-plans two and three integrated in ‘Cecabank employees Pensions plan, the Bank will continue to make contributions to the employee pension plan and the policies provided for in the insurance protocol relating to this plan, where appropriate, solely for retirement cover. The amount of this contribution will be the same as that made in the year immediately prior to the pre-retirement, and will be made until the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first. In particular, the participants of sub-plan three will continue to be entitled to the contributions provided for in the Caser policy, for past service, until the age of 65. In the case of the employees who are participants in defined benefit sub-plan one, for retirement cover, the Bank will continue to make the contributions required to maintain coverage of the retirement benefit established by the Bank until the date on which pre-retirement benefits cease to be paid, and the benefits received in the twelve months prior to retirement. Alternatively, participants in sub-plan one who take pre-retirement pursuant to the pre-retirement plan may transfer their consolidated rights in the plan at the pre-retirement date to sub-plan three and convert the benefit regime into a defined contribution regime. For these participants, contributions are not payable to the Caser policy provided for in the insurance protocol of the Bank's Employees Pension Plan.

Social Security Special Agreement payments are payable by the employees, although the Bank will pay these amounts into the employees' salary until they meet the established age requirements and limits. The Special Agreement will be entered into at the employees' maximum contribution rate on the date immediately preceding the retirement date, with a maximum limit of the contribution base that would have been applicable to the employees had they remained in the Bank's employ.

Pre-retirement agreements in 2015

On 18 December 2015, the Board of Directors of the Bank approved a formal pre-retirement plan for certain employees of the Bank who met certain requirements, and this fact was communicated to all the employees on 23 December 2015 by the Works Council.

This plan was formalized in a collective agreement signed in 2016 between the Bank, the Workplace Trade Union Branch and the representatives of the Works Council, using as a basis the pre-retirement plan of 29 October 2013, which established a three-year period (2016-2018) for pre-retirements to take place. Employees aged 56 or over prior to 31 December 2018 with at least ten years' service at the date of departure from the Bank can avail themselves of the plan.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement.

With regard to the accounting criteria applied to these aforementioned pre-retirement obligations, it should be noted that they are the same as those explained in Note 2.11.2 for the defined benefit post-employment obligations, except for the fact that the actuarial gains and losses are recognized directly in the Bank's income statement in the year in which they are disclosed.

The obligations in respect of future salaries, future social security costs and study aids relating to early retirees corresponding to commitments given in the preceding paragraphs as well as the obligations for future contributions to the Pension Plan (all of which were considered as defined benefit obligations) were covered by an internal provision amounting to EUR 49,710 thousand (EUR 63,229 thousand at 31 December 2017), which was recognized under “Provisions - Other long-term employee benefits” in the balance sheet (see Notes 17 and 35) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 7 April 2011, 25 June 2012 and 29 October 2013 and 18 December 2015. At 31 December 2018 and 2017 this provision covered the full amount of the Bank's early retirement obligations at those dates.

Note 35 to these notes to the financial statements includes additional information relating to these obligations.

2.11.3.2. Death and disability

The commitments assumed by the Group for death or disability of current employees for the period they remain active are included in the benefits covered by the aforementioned external pension fund.

2.11.3.3. Long-service bonuses

The Group has undertaken to pay a bonus to employees reaching 25 years of service at the Bank.

The amount paid in this connection at 2018 year-end was approximately EUR 9 thousand (2017 year-end: EUR 20 thousand) and is recognized under “Administrative Expenses - Staff Costs” in the accompanying consolidated income statement.

2.11.4. Termination benefits

Any termination benefits are recognized as a staff cost only when the Entity is demonstrably committed to terminating the employment relationship with an employee or group of employees.

The termination benefit expense charged to profit or loss in 2018, amounting to EUR 785 thousand, is recognized under "Administrative Expenses - Staff Costs" in the consolidated statement of profit or loss (see Note 35). At 31 December 2017, no expense was recognized in this connection.

Also, the Group has agreements with some of its executives and/or directors to pay them certain benefits in the event that they are terminated without just cause. The amount of the benefit, which in any case would not have a material effect on the Group, would be charged to the income statement when the decision to terminate the employment of the executive or director was made.

Under current legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying consolidated financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

2.11.5. Loans to employees

Under the collective labour agreement in force and the additional agreements entered into in 2008 and 2016 with the Bank's employees, employees are entitled to apply for mortgage loans from the Bank for a maximum period of 40 years and a variable interest rate, which will remain fixed during each natural semester.

Under the applicable industry collective labour agreement and pursuant to collective agreements reached by the Bank implementing it, employees of the Bank may, in specific cases, apply for interest free advances and other "welfare" loans or loans for the expansion of their residence, with a repayment period of 10 and 15 years, respectively, at the Euribor interest rate.

In the event of exceptional circumstances requiring an employee of the Bank to apply for a type of loan that does not fully or partially comply with the regulations stipulated in the industry collective labour agreement, or its implementing regulations, the employee may apply for the loan indicating the exceptional circumstances.

These loans are recognized at amortized cost under "financial assets at amortized cost - Loans and Advances to Customers" in the consolidated balance sheet.

There are no other significant agreements of this nature for the Group to further maintained by the Bank.

2.12. Income tax

The income tax expense is recognized in the consolidated income statement, except when it results from a transaction recognized directly in the Group´s equity, in which case the income tax is also recognized in the Group´s equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities (deferred taxes) recognized as a result of temporary differences and tax credit and tax loss carry forwards (see Note 20).

The Group considers that there is a temporary difference when there is a difference between the carrying amount of an asset or liability and its tax base expected to reverse in the future. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the balance sheet date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in over 12 months from the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognized.

The Group only recognizes deferred tax assets arising from deductible temporary differences and from tax credit and for tax loss carry forwards when the following conditions are met:

- If it is considered probable that the Group will obtain sufficient future taxable profit against which the deferred tax assets can be utilised; or they are deferred tax assets that the Group might in the future have the right to convert into credits receivable from the tax authorities pursuant to Article 130 of Spanish Income Tax Law 27/2014, of 27 November (called “deferred tax monetisable assets”); and

- In the case of any deferred tax assets arising from tax loss carryforwards, the tax losses result from identifiable causes which are unlikely to recur.

No deferred tax assets or liabilities are recognized if they arise from the initial recognition of an asset or liability (except in the case of a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognized are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The Group files consolidated tax returns pursuant to Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, as part of tax group 0508/12, the parent of which is CECA. For each entity that files consolidated tax returns, the Group recognises the income tax expense that the entity would have had to pay if it had filed an individual tax return, adjusted for the tax losses generated by each entity from which other Group entities benefit, taking into consideration the consolidated tax adjustments to be made.

2.13. Tangible assets

2.13.1. Property, plant and equipment for own use

Property, plant and equipment for own use includes the assets that are held by the Group for present or future administrative purposes other than those of welfare projects, or for the production or supply of goods and services and which are expected to be used for more than one year. Property, plant and equipment for own use is stated in the consolidated balance sheet at cost less:

- The related accumulated depreciation, and
- Any estimated impairment losses (net carrying amount higher than recoverable amount).

Depreciation is calculated by the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The tangible asset depreciation charge is recognized under "Amortisation" in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Property	2% to 4%
Furniture and office equipment	10% to 15%
Computer hardware	15% to 25%
Fixtures	8% to 12%
Transport equipment	16%

The Group assesses at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life must be re-estimated). When necessary, the carrying amount of property, plant and equipment for own use is reduced with a charge to "Impairment or reversal of impairment on non-financial assets" in the consolidated income statement.

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the Group recognizes the reversal of the impairment loss recognized in prior periods with the related credit to "Impairment or reversal of impairment on non-financial assets" in the consolidated income statement and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least once a year with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognized in the income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognized as an expense under "Administrative Expenses – Other General Administrative Expenses" in the consolidated income statement in the year in which they are incurred.

Assets for own use that are no longer intended for such use and for which there is a sale plan by the Management, which is estimated to be carried out within a maximum period of one year, are classified as non-current assets held for sale and are valued according to the criteria indicated in Note 2.16.

2.13.2. Investment property

The “Investment Property” in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

The criteria used to recognize the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognize any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1).

2.14. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the Group. Only intangible assets whose cost can be estimated reasonably objectively and from which the Group considers it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

The annual intangible asset amortization charge is recognized under “Amortization” in the consolidated income statement.

2.14.1. Other intangible assets

Intangible assets are recognized in the balance sheet at acquisition or production cost, less the related accumulated amortization and any accumulated impairment losses.

"Intangible Assets - Other Intangible Assets" includes, primarily, the acquisition cost, net of accumulated amortization and impairment.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which range from three to ten years for computer software, depending on the asset concerned.

For their part, the management derivative rights of the depository business and custody of third party securities recognized as intangible assets are amortized over the term of the contracts in which they are acquired, using the straight-line method or a diminishing balance method.

The Group assesses at the reporting date whether there is any internal or external indication that an intangible asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future amortization charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated). This reduction of the carrying amount of intangible assets is recognized, if necessary, with a charge to “Impairment or Reversal of Impairment on Non-Financial Assets” in the consolidated income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the reversal of impairment losses recognized in prior years are similar to those used for property, plant and equipment for own use (see Note 2.13.1).

2.15. Provisions and contingent liabilities

The Group’s financial statements include all the material provisions, if any, required to cover certain risks to which the Group is exposed as a result of its business activity and which are certain as to their nature but uncertain as to their amount and/or timing. The contingent liabilities are not recognized in annual accounts, but it is informed about them, if exists.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed its case and adjusted, where appropriate, at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

The provisions considered necessary pursuant to the foregoing criteria and their eventual reversal, should the reasons for their recognition disappear, are recognized with a charge or credit, respectively, to “Provisions or (reserval) of provisions” in the consolidated income statement.

2.15.1. Litigation and/ or claims in process

At the end of 2018, certain litigation and claims were in process against the Group arising from the ordinary course of its operations. The Group's legal advisers and directors consider that the outcome of the litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

2.16. Non-current assets and disposal groups classified as held for sale

“Non-current assets and disposal groups classified as held for sale” in the consolidated balance sheet includes the carrying amount of items - individual items, disposal groups or items forming part of a business unit earmarked for disposal (“discontinued operations”) - which, because of their nature, are estimated to have a realization or recovery period exceeding one year, but are earmarked for disposal by the Group and whose sale in their present condition is highly probable to be completed within one year from the date of the financial statements.

Investments in associates or joint ventures that meet the requirements set forth in the foregoing paragraph are also considered to be non-current assets held for sale.

Therefore, the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably be recovered through the proceeds from their disposal rather than from continuing use.

Specifically, property or other non-current assets received by the Group as total or partial settlement of its debtors' payment obligations to it are deemed to be non-current assets held for sale, unless the Group has decided use them and classify them as investment property (see Note 2.13.2).

In general, non-current assets held for sale are measured at the lower of their carrying amount calculated as at the classification date and their fair value less estimated costs to sell. Tangible and intangible assets that are depreciable and amortizable by nature are not depreciated or amortized during the time they remain classified in this category.

If the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to “Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations” in the income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognized and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to “Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations” in the consolidated income statement.

The gains or losses arising on the sale of non-current assets held for sale are presented under “Profit or Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations” in the consolidated income statement.

Despite the foregoing, financial assets, assets arising from remuneration to employees and any deferred tax assets that are part of a disposal group or of a discontinued operation are not measured as described in the preceding paragraphs, but rather in accordance with the accounting policies and rules applicable to these items, which were explained in previous sections of Note 2.

2.17. Consolidated Cash flow statements

The following terms are used in the consolidated cash flow statements with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be financing activity. Activities performed with the various financial instrument categories detailed in Note 2.2.4 above are classified, for the purpose of this statement, as operating activities.
- Investing activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments if any.
- Financing activities: includes the cash flows from activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

For cash flow statement preparation purposes, the balance of "Cash, cash balances at central banks and other demand deposits" on the asset side of the balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

2.18. Consolidated Statement of changes in equity

The consolidated statement of changes in equity presented in these financial statements shows the total changes therein in equity during the year. This information is disclosed to turn in two statements: the consolidated statement of recognized income and expense and the consolidated statement of changes in total equity. The following explains the main features of the information contained in both parts of the statement:

2.18.1. Consolidated Statement of recognized income and expense

The consolidated statement of recognized income and expense presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognized in the consolidated income statement for the year and the other income and expenses recognized, in accordance with current regulations, directly in equity, making a distinction among the latter, in turn, between items that may be reclassified to the consolidated income statement, pursuant to applicable legislation, and those that may not.

Accordingly, this statement presents:

a) Profit for the year.

b) The net amount of income and expense recognized that will not be reclassified into income.

c) The net amount of income and expense recognized that can be reclassified into income.

d) The total of income and expense recognized, calculated as the sum of (a+b+c).

The changes in income and expenses recognized in equity under "Valuation Adjustments", which may be reclassified to the consolidated income statement, are broken down as follows:

a) Revaluation gains/(losses): includes the amount of the income, net of the expenses incurred in the year, recognized directly in equity. The amounts recognized in the year under "Valuation Adjustments" are recorded in this line item, even though they are transferred in the same year to the consolidated income statement, to the initial value of other assets or liabilities, or are reclassified into another line item.

b) Amounts transferred to the consolidated income statement: includes the amount of the revaluation gains and losses previously recognized in equity, albeit in the same year, which are recognized in the consolidated income statement.

c) Amount transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognized in equity, albeit in the same year, which are recognized in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items are presented at their gross amount, including at the end of both the elements that can be reclassified as a result in a separate item and the corresponding income tax.

2.18.2. Consolidated Statement of changes in total equity

The consolidated statement of changes in total equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes in the year are grouped together on the basis of their nature into the following items:

a) Effects of corrections of errors and changes in accounting policies: this category includes the adjustments to equity arising as a result of the retrospective restatement of the financial statements, making a distinction between the adjustments that relate to changes in accounting policies and those relating to corrections of errors.

b) Total comprehensive income for the year: this category includes the amount of the line item with the same name in the statement of recognised income and expense relating to the same date.

c) Other changes in equity: includes the changes recognised directly in equity relating to increases and reductions in capital or other equity instruments (including the expenses incurred in such transactions), the distribution of dividends or shareholder remuneration, the reclassification of financial instruments from equity to liabilities or vice-versa, transfers among equity items which, due to their nature, were not included in other line items, increases or decreases in equity resulting from business combinations, share-based payments, and any other increase or decrease in equity that cannot be included in the aforementioned categories.

3. Cecabank, S.A.

Cecabank is the parent of the Group. Its separate financial statements are prepared by applying the accounting principles and rules included in Bank of Spain Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting rules and formats and subsequent amendments.

The financial statements of the Bank, for 2018 and 2017, for informative purpose, are as follows:

Balances (Thousands of Euros):

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2018 Y 2017*

(Thousand of Euros)

ASSETS	2018	2017
Cash, cash balances at central banks and other demand deposits (Note 7)	**3.268.540**	**2.658.845**
Financial assets held for trading (Note 8.1)	**1.920.383**	**2.144.770**
Derivatives	926.943	1.031.402
Equity instruments	240.744	287.482
Debt securities	752.696	825.886
Loans and advances	-	-
Memorandum item: loanedor advanced as collateral with right to sell or pledge	*96.475*	*37.971*
Non-trading financial assets mandatorily at fair value through profit or loss (Note 8.2)	**60.413**	**-**
Equity instruments	19.093	-
Debt securities	41.320	-
Loans and advances	-	-
Memorandum item: loanedor advanced as collateral with right to sell or pledge	*33*	-
Financial assets designated at fair value through profit or loss (Note 8.3)	**-**	**256.876**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	-	256.876
Central Banks	-	-
Credit Institutions	-	256.876
Customers	-	-
Memorandum item: loanedor advanced as collateral with right to sell or pledge	-	*69.228*
Financial assets at fair value through other comprehensive income (Note 9)	**1.478.973**	**1.772.261**
Equity instruments	10.295	*38.716*
Debt securities	1.468.678	1.733.545
Loans and advances	-	-
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	*137.278*	*19.862*
Financial Assets at amortised cost (Note 10)	**2.499.151**	**2.685.286**
Debt securities	21.503	21.731
Loans and advances	2.477.648	2.663.555
Central banks	-	-
Credit institutions	1.924.448	1.758.369
Customers	553.200	905.186
Memorandum item: lent or delivered as guarantee with a right of sale or pledged	*72.244*	*154.343*
Derivatives - hedge accouting (Note 11)	**17**	**1.723**
Fair value changes of hedged items in portfolio hedge of interest rate risk hedge of interest rate risk	**-**	**-**
Investment in subsidiaries, joint ventures and associates	**-**	**-**
Joint Ventures	-	-
Associates	-	-
Tangible assets (Note 13)	**51.179**	**52.418**
Property, plant and equipment	43.991	50.641
For own use	43.991	50.641
Leased out under an operating lease	-	-
Assignated to welfare projects	-	-
Investment property	7.188	1.777
Of which: assigned in operating lease	-	-
Memorandum item: acquired in finance lease	-	-
Intangible assets	**205.713**	**229.061**
Goodwill	-	-
Other intangible assets (Note 14)	205.713	229.061
Tax assets (Note 20)	**108.242**	**115.205**
Current tax assets	7.924	6.353
Deferred tax assets	100.318	108.852
Other assets (Note 15.1)	**56.621**	**42.977**
Insurance contracts linked to pensions	-	-
Inventories	-	-
Remainder of other assets	56.621	42.977
Non-current assets and disposable groups of items classified as held for sale (Note 12)	**3.791**	**3.787**
TOTAL ASSETS	**9.653.023**	**9.963.209**

LIABILITIES AND EQUITY	2018	2017
LIABILITIES		
Financial liabilities held for trading (Note 8.1)	**1.376.857**	**1.539.978**
Derivatives	967.023	1.146.041
Short positions	409.834	393.937
Deposits	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost (Note 16)	**6.947.403**	**7.033.114**
Deposits	6.668.235	6.391.952
Central Banks	349.573	-
Credit Institutions	1.202.472	857.982
Customers	5.116.190	5.533.970
Debt securities issued	-	-
Other financial liabilities	279.168	641.162
Memorandum item: subordinated liabilities	-	-
Derivatives - hedge accounting (Note 11)	**6.898**	**1.412**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**-**	**-**
Liabilities under insurance and reinsurance contracts	**-**	**-**
Provisions (Note 17)	**122.595**	**151.843**
Pensions and other post-employment defined benefit obligations	-	-
Other long-term employee benefits	49.710	63.229
Pending legal issues and tax litigations	9.800	14.888
Commitments and guarantees given	274	206
Other provisions	62.811	73.520
Tax liabilities	**19.051**	**26.188**
Current liabilities	1.038	-
Deferred tax liabilities (Note 20)	18.013	26.188
Share capital payable on demand	**-**	**-**
Other liabilities (Note 15.2)	**105.261**	**151.311**
Liabilities included in disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**8.578.065**	**8.903.846**
EQUITY		
Shareholders equity	**1.064.741**	**1.013.882**
Share capital	112.257	112.257
Paid up capital (Note 19)	112.257	112.257
Unpaid capital which has been called up	-	-
Memorandum item: uncalled capital	-	-
Share premium (Note 19)	615.493	615.493
Equity instruments issued other than capital	-	-
Other equity items	-	-
Accumulated gains	267.914	-
Revaluation reserves	-	-
Other reserves	5.591	212.914
Profit for the year (Note 3)	63.486	73.218
(-) Interim dividends	-	-
Accumulated other comprehensive income	**9.768**	**45.058**
Items that will not be reclassified to profit or loss	14.534	18.318
Actuarial gains or losses on defined benefit pensions plans (Note 18)	*11.451*	*11.019*
Non-current assets and disposal groups classified as held for sale	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income (Note 18)	*3.083*	*7.299*
Inefficiency of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes of fair value of financial liabilities measured at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	(4.766)	26.740
Hedge of net investments in foregn operations	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges	-	-
Changes of fair value of debt instruments measured at fair value through other comprehensive income (Note 18)	*(4.766)*	*26.740*
Hedging instruments (item not allocated)	-	-
Non-current assets and disposal groups classified as held for sale (Notes 10 and 18)	-	-
Minority interests	**449**	**423**
Other cumulative overall result	-	-
Other elements	449	423
TOTAL EQUITY	**1.074.958**	**1.059.363**
TOTAL LIABILITIES AND EQUITY	**9.653.023**	**9.963.209**
MEMORANDUM ITEM		
Commitments from loans granted (Note 27.1)	**199.602**	**181.463**
Financial guarantees granted (Note 27.1)	**52**	**50**
Other obligations granted (Note 27.1)	**183.090**	**510.163**

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated balance sheet at 31 December 2018.

Income Statements (Thousands of Euros):

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*
(Thousands of Euros)

	Income / (Expense)	
	2018	**2017**
Interest income (Note 28)	**90.055**	**89.648**
Financial assets at fair value through other comprehensive income	29.145	36.742
Financial assets at amortised cost	6.346	5.073
Other interest income	54.564	47.833
Interest expenses (Note 29)	**(83.751)**	**(71.253)**
Expenses on share capital repayable on demand	-	-
A) NET INTEREST INCOME	**6.304**	**18.395**
Dividend income (Note 30)	**15.199**	**39.474**
Fee and commission income (Note 31)	**134.359**	**136.384**
Fee and commission expenses (Note 32)	**(15.172)**	**(14.941)**
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (Note 33)	**23.430**	**10.639**
Financial assets at amortised cost	3	3
Other financial assets and liabilities	23.427	10.636
Gains or losses on financial assets and liabilities held for trade, net (Note 33)	**(15.900)**	**(33.606)**
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or losses	(15.900)	(33.606)
Gain or losses on non-trading financial assets mandatorily at fair value through profit or loss, net (Note 33)	**(4.477)**	-
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortised cost	-	-
Other gains or losses	(4.477)	-
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net (Note 33)	**(10)**	**(18)**
Gains or losses from hedge accounting, net (Note 33)	**(3.824)**	**(4.798)**
Exchange differences, net	**65.158**	**65.393**
Other operating income (Note 34)	**55.298**	**57.562**
Other operating expenses (Note 37)	**(9.814)**	**(9.984)**
B) GROSS INCOME	**250.551**	**264.500**
Administrative expenses	**(128.135)**	**(131.885)**
Staff costs (Note 35)	(51.412)	(51.552)
Other administrative expenses (Note 36)	(76.723)	(80.333)
Amortisation (Note 39)	**(46.283)**	**(56.881)**
Provisions and reserval of provisions (Note 16)	**12.125**	**16.909**
Impairment or reversal of impairment and gains or losses due to changes in cash flows of financial assets not measured at fair value through profit or loss or net gains or losses (-) due to changes (Notes 22 and 38)	490	7.132
Financial assets at fair value through other comprehensive income	309	302
Financial Assets at amortised cost	181	6.830
Impairment loss or reversal of impairment loss of investments in subsidiaries, joint ventures or associates	-	-
Impairment loss or reversal of impairment loss of non financial assets	-	-
Gains or losses on derecognition of non-financial assets and investments, net (Notes 13 and 14)	**(2)**	**2**
Negative goodwill recognised in profit or loss	-	-
Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Note 12)	**(10)**	**8.382**
C) PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**88.736**	**108.159**
Tax expense or income related to profit or loss from continuing operations (Note 20.2)	**(25.247)**	**(34.940)**
D) PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**63.489**	**73.219**
Profit or loss after tax from discontinued operations	-	-
E) PROFIT FOR THE YEAR	**63.489**	**73.219**
Attributable to minority interests (non-dominant shares)	**3**	**1**
Attributable to dominant shares	**63.486**	**73.218**
F) PROFIT FOR THE YEAR	**63.489**	**73.219**

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated income statement for the year ended 31 December 2018.

Statements of recognised income and expense (Thousands of Euros):

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

I. CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

(Thousands of Euros)

	2018	2017 (*)
PROFIT FOR THE YEAR	**63.489**	**73.219**
OTHER COMPREHENSIVE INCOME	**(29.625)**	**(15.760)**
Items that will not be reclassified to profit or loss	**1.823**	**1.557**
Actuarial gains or losses on defined benefit pension plans (Note 20 and 35)	617	2.224
Non-current assets and disposal groups held for sale	-	-
Changes of fair value of equity instruments measured at fair value through other comprehensive income	1.987	-
Gains or losses from hedge accounting of equity instruments measured at fair value through other comprehensive income, net	-	-
Tax on gains related to the items that will not be reclassified	(781)	(667)
Items that may be reclassified to profit or loss	**(31.448)**	**(17.317)**
Hedge of net investments in foreign operations	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	-	-
Translation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges	-	-
Valuation gains or losses taken to equity	-	-
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Debt instruments at fair value through other comprehensive income	(44.926)	(14.390)
Valuation gains or losses taken to equity	(21.499)	(3.754)
Transferred to profit or loss	(23.427)	(10.636)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale (Note 12)	-	(10.349)
Valuation gains or losses taken to equity	-	(1.967)
Transferred to profit or loss	-	(8.382)
Other reclassifications	-	-
Tax on gains related to the items that may be reclassified in profit or loss	13.478	7.422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**33.864**	**57.459**
Attributable to minority interests (non-dominant shares)	3	1
Attributable to dominant shares	33.861	57.458

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2018.

Statements of changes in equity (Thousands of Euros):

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

II. CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*

(Thousands of Euros)

2018:

	SHAREHOLDERS' EQUITY											Minority Interests		
Sources of equity changes	Share capital (Note 18)	Share premium (Note 18)	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Result attributable to the owners of the dominant	(-) Interim dividends	Accumulated other comprehensive income (Note 18)	Accumulated other comprehensive income	Other elements	Total equity
Opening balance (before restatement) at 1 January 2018	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**212.914**	**-**	**73.218**	**-**	**45.058**	**-**	**423**	**1.059.363**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	5.536	-	-	-	(5.665)	-	-	(129)
Opening balance at 1 January 2018	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**218.450**	**-**	**73.218**	**-**	**39.393**	**-**	**423**	**1.059.234**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63.486**	**-**	**(29.625)**	**-**	**3**	**33.864**
Other changes in equity	**-**	**-**	**-**	**-**	**267.914**	**-**	**(212.859)**	**-**	**(73.218)**	**-**	**-**	**-**	**23**	**(18.140)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of members)	-	-	-	-	-	-	-	-	(18.304)	-	-	-	-	(18.304)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	267.828	-	(212.914)	-	(54.914)	-	-	-	-	-
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	86	-	55	-	-	-	-	-	23	164
Closing balance at 31 December 2018	**112.257**	**615.493**	**-**	**-**	**267.914**	**-**	**5.591**	**-**	**63.486**	**-**	**9.768**	**-**	**449**	**1.074.958**

2017 (*):

	SHAREHOLDERS' EQUITY											Minority Interests		
Sources of equity changes	Share capital (Note 18)	Share premium (Note 18)	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	attributable to the owners of the dominant	(-) Interim dividends	Accumulated other comprehensive income (Note 18)	Accumulated other comprehensive income	Other elements	Total equity
Opening balance (before restatement) at 1 January 2017	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**155.613**	**-**	**76.390**	**-**	**60.818**	**-**	**421**	**1.020.992**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2017	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**155.613**	**-**	**76.390**	**-**	**60.818**	**-**	**421**	**1.020.992**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73.218**	**-**	**(15.760)**	**-**	**1**	**57.459**
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**57.301**	**-**	**(76.390)**	**-**	**-**	**-**	**1**	**(19.088)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or remuneration of members)	-	-	-	-	-	-	-	-	(19.089)	-	-	-	-	(19.089)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	-	57.301	-	(57.301)	-	-	-	1	1
Equity increase or decrease resulting from business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance at 31 December 2017	**112.257**	**615.493**	**-**	**-**	**-**	**-**	**212.914**	**-**	**73.218**	**-**	**45.058**	**-**	**423**	**1.059.363**

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2018.

Statements of Cash Flows (Thousands of Euros):

Translation of Financial Statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 42). In the event of a discrepancy, the Spanish-language version prevails.

CECABANK,S.A. AND SUBSIDIARIES COMPOSING THE CECABANK GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017*
(Thousands of Euros)

	Proceeds / (Payments)	
	2018	2017 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	**649.676**	**713.309**
Profit for the year	**63.489**	**73.219**
Adjustments made to obtain the cash flows from operating activities	**101.841**	**113.911**
Amortisation	46.283	56.881
Other adjustments	55.558	57.030
Net (increase)/decrease in operating assets	**835.702**	**757.457**
Financial assets held for trading	215.535	(124.868)
Non trading financial Assets mandatory measured at fair value through profit and loss	31.355	
Financial assets designated at fair value through profit or loss	256.866	809.542
Financial assets at fair value through other comprehensive income	160.483	1.521.149
Financial assets at amortised cost	185.556	(1.460.611)
Other operating assets	(14.093)	12.245
Net increase/(decrease) in operating liabilities	**(338.325)**	**(195.537)**
Financial liabilities held for trading	(163.121)	(239.822)
Financial liabilities designated at fair value through profit or loss	-	(185.902)
Financial liabilities at amortised cost	(85.711)	302.469
Other operating liabilities	(89.493)	(72.282)
Income tax recovered/(paid)	**(13.031)**	**(35.741)**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(21.706)**	**(225.525)**
Payments:	**(21.706)**	**(225.525)**
Tangible assets	(1.829)	(2.227)
Intangible assets	(19.877)	(223.298)
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
Proceeds:	-	-
Tangible assets	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other proceeds related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(18.304)**	**(19.087)**
Payments:	**(18.304)**	**(19.087)**
Dividends	(18.304)	(19.087)
Subordinated liabilities	-	-
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	-	-
Proceeds:	-	-
Subordinated liabilities	-	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other proceeds related to financing activities	-	-
D) EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**609.666**	**468.697**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2.658.874**	**2.190.148**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 7)	**3.268.540**	**2.658.845**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 7)		
Cash	119.016	94.860
Cash balances at central banks	3.046.432	2.468.451
Other demand deposits	103.092	93.534
Less: Bank overdrafts refundable on demand	-	-

(*) Only shown for comparative purposes. See Note 1.4.

The accompanying Notes 1 to 42 and Appendixes I and II, included in the consolidated Memorandum adjunted, are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018.

4. Distribution of the Group's profit

The proposal for the distribution of the Bank's net profit for the year 2018, which the Board of Directors will propose to the General Shareholders' Meeting for approval, is as follows (the balances for the year 2017 are presented exclusively for comparative purposes):

	Thousands of Euros	
	2018	**2017**
Voluntary Reserve	42,541	54,914
Dividends	20,953	18,304
Net profit for the year	**63,494**	**73,218**

5. Information by business segments

Cecabank, S.A.'s wholesale business, which is carried on in Spain, represents substantially all the Group's activities, of which the retail business accounts for less than 1%.

Below is a breakdown of the main ordinary revenues for the 2018 and 2017 financial years of customers external to the Group broken down by geographical areas in which they have their origin:

2018:

	Thousands of Euros			
	Spain	**Rest of Europe**	**Rest of the World**	**Total**
Interest income (Note 28)	90,055	-	-	90,055
Commission income (Note 31)	134,359	-	-	134,359
Gains/losses on financial assets and liabilities (net) (Note 33)	(781)	-	-	-
Other operating income (Note 34)	48,267	7,031	-	55,298

2017:

	Thousands of Euros			
	Spain	**Rest of Europe**	**Rest of the World**	**Total**
Interest income (Note 28)	89,641	7	-	89,648
Commission income (Note 31)	136,286	-	98	136,384
Gains/losses on financial assets and liabilities (net) (Note 33)	(27,783)	-	-	(27,783)
Other operating income (Note 34)	50,758	6,804	-	57,562

Note 26 contains information on geographical distribution, by counterparty, of the Group's main activities.

At 31 December 2018 and 2017 and in those years, the Group did not have any single customer which individually accounted for 10% or more of its revenue.

6. Remuneration of directors and senior executives

6.1. Remuneration of directors

The members of the Board of Directors of the Bank receive, on account of their attendance at the meetings of the Council and, as the case may be, those of their support committees, the breakdown of which for the 2018 and 2017 financial years is shown in the following table:

	Thousands of Euros	
	2018	2017
Aguirre Loaso, José Luis	-	14
Azuaga Moreno, Manuel	29	24
Cánovas Páez, Joaquín	2	18
Carbó Valverde, Santiago	52	37
García Lurueña, Francisco Javier	39	26
Gómez de Miguel, José Manuel	56	46
Iglesias Ruiz, Víctor Manuel	29	6
Massanell Lavilla, Antonio	-	18
Méndez Álvarez-Cedrón, José María	23	18
Motellón García, Carmen	46	30
Pano Riera, Javier	10	-
Ruano Mochales, Jesús	29	22
Salaverría Monfort, Julia	56	41
Sarro Álvarez, María del Mar	43	41
	414	**341**

Fees in connection with the abovementioned concepts regarding the 2018 financial period, which are related to the participation in Cecabank S.A's management board of an executive of Bankia S.A, and directly debited to this entity, amounted to EUR 31 thousand (2017: EUR 21 thousand).

Note 40 details Bank's other balances with its directors and entities or individuals related to them.

The above allowances have been fully paid by Cecabank, and the Directors of the Bank have not received any remuneration from any other Group company.

6.2. Remuneration of senior executives and of members of the Board of Directors

For the purposes of the preparation of these financial statements, the Bank's senior executives were considered to be the members of the Management Committee, which comprised 8 members at 31 December 2018 and 2017.

The remuneration earned by the senior executives and the members of the Board of Directors in their capacity as executives of the Bank totalled EUR 2,465 thousand in 2018, of which EUR 2,301 thousand related to short-term remuneration for 2018, including the amount that will be paid by Phantom Shares (see note 35) and EUR 164 thousand related to post-employment benefits (EUR 2,827 thousand in 2017, of which EUR 2,545 thousand related to short-term remuneration and EUR 282 thousand to post-employment benefits).

At 31 December 2018, the vested pension rights of the senior executives and Board members in their capacity as Bank executives amounted to EUR 3,584 thousand (31 December 2017: EUR 3,057 thousand).

With regard to former members of the Entity's Board of Directors and senior executives (two people at 31 December 2018 and at 31 December 2017 three people), in 2018 they received EUR 754 thousand in pre-retirement benefits (2017: EUR 776 thousand). At 31 December 2018, these persons' vested rights amounted to EUR 118 thousand (2017: EUR 124 thousand). These amounts arose as a result of the Bank's obligations to the employees who in 2012 and 2011 availed themselves of the pre-retirement plans offered to employees who met certain objective conditions (see Note 2.11.3).

At 31 December 2018, there were pension commitments, similar obligations or other long term commitments assumed by the Bank with current or former members of the Board of Directors and senior executives amounting to EUR 1,102 thousand (1,757 thousand euros at 31 December 2017).

The Group has taken out accident insurance for directors and third-party liability insurance for directors and senior executives under the customary terms and conditions for these insurance policies. The premium for 2018 amounted to EUR 145 thousand (2017: EUR 144 thousand).

Note 40 to these financial statements provides disclosures of the amounts of the demand deposits held with the Group by senior executives and Board members and of the loans granted to them by the Group.

6.3. Transparency obligations

Article 229 of the Consolidated Spanish Limited Liability Companies Law establishes that the directors must disclose any direct or indirect conflict they might have with the interests of the company in which they discharge their duties as directors.

On one occasion in 2018 a director of Cecabank, S.A. refrained from discussing and voting on an item on the agenda. Specifically, a Board member was absent during the discussion on the approval of a financial transaction at the Board of Directors meeting held on 28 May 2018.

In 2017 the Bank's directors, as defined in the Spanish Limited Liability Companies Law, notified the Board of Directors of three conflict situations, direct or indirect conflict of interest that they (or any persons related to them) might have with respect to the Bank.

7. Cash, Cash Balances at Central Banks and other demand deposits

The breakdown of the balance of “Cash, Cash Balances at Central Banks and other demand deposits” in the consolidated balances sheet at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Cash	119,016	94,860
Cash balances at central banks (Note 1.9) (*)	3,046,432	2,468,451
Other demand deposits	103,092	95,534
	3,268,540	**2,658,845**

(*)This balance corresponds entirely to the balance in cash at the Bank of Spain.

Note 21 includes information on the fair value of these instruments at 31 December 2018 and 2017. Note 24 provides information on the liquidity risk associated with financial instruments, including information on the maturities of these assets.

The balance of “Cash, Cash Balances at Central Banks and other demand deposits” at 31 December 2018 and 2017 represents the maximum exposure to credit risk assumed by the Group in relation to these instruments.

At 31 December 2018 and 2017, there were no assets with uncollected past-due amounts or impaired classified under “Cash, Cash Balances at Central Banks and other demand deposits”.

8. Financial instruments through profit or loss

8.1. Financial assets and liabilities held for trading - debtor and creditor portfolio

8.1.1. Financial assets and liabilities held for trading - Breakdown

Following is a detail of the balances of “Financial Assets/Liabilities Held for Trading” in the consolidated balances sheets at 31 December 2018 and 2017:

	Thousands of Euros			
	Asset Balances		Liability Balances	
	2018	2017	2018	2017
Debt securities	752,696	825,886	-	-
Equity instruments	240,744	287,482	-	-
Trading derivatives-				
Derivatives traded in organised markets	94	122	755	46
OTC derivatives	926,849	1,031,280	966,268	1,145,995
Short positions	-	-	409,834	393,937
	1,920,383	2,144,770	1,376,857	1,539,978

Note 22 discloses information on the credit risk assumed by the Group in relation to the financial assets, other than equity instruments, included in this category. In addition, Notes 23 and 24 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category.

Note 21 provides information on the fair value of the financial instruments included in this category. Note 26 includes information on the concentration of risk relating to the financial assets held for trading. Note 25 shows information on the exposure to interest rate risk.

8.1.2. Financial assets and liabilities held for trading - Trading derivatives

Following is a breakdown, by type of risk, of the fair value of the trading derivatives arranged by the Group and of their notional amount (on the basis of which the future payments and collections on these derivatives are calculated) at 31 December 2018 and 2017:

	Thousands of Euros					
	2018			2017		
	Fair Value		Notional Amount	Fair Value		Notional Amount
	Asset Balances	Liability Balances		Asset Balances	Liability Balances	
Interest rate risk	877,672	927,813	28,874,217	945,520	1,032,588	41,777,855
Foreign currency risk	49,177	36,452	6,735,465	85,760	110,915	4,595,635
Share price risk	94	2,758	378,705	122	46	350,487
Credit Risk	-	-	-	-	2,492	20,000
	926,943	967,023	35,988,387	1,031,402	1,146,041	46,743,977

The notional amount of the contracts entered into does not reflect the actual risk assumed by the Group for these contracts, since the net position in these financial instruments is the result of offsetting and/or combining them and of offsetting and/or combining them with other asset or liability positions.

8.1.3. Financial liabilities held for trading - Short positions

The detail, by type of transaction, of the balance of this item in the consolidated balance sheets at 31 December 2018 and 2017:

	Thousands of Euros	
	2018	2017
Classification:		
For securities lending-		
Equity instruments	11	-
Overdrafts on disposals-		
Debt securities	409,823	393,937
	409,834	**393,937**

“Short Positions - Short Sales – Debt Instruments” in the foregoing table includes the fair value of the Group’s debt instruments purchased under reverse repurchase agreements and, therefore, under non-optional resale as such not recognized on the asset side of the balance sheet, which have been sold and will be repurchased by the Group before maturity of the reverse repurchase agreement in which they are used as collateral, in order for the Group to return them at the maturity date.

8.2. Non trading financial asset mandatorily at fair value through profit or loss

The detail, by nature, of the financial assets included in “Non trading financial asset mandatorily at fair value through profit or loss” in the balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Equity instruments	19,093	-
Debt securities	41,320	-
	60,413	**-**

Note 22 includes information on the Group’s exposure to credit risk at 31 December 2018 and 2017 associated with these financial instruments other than equity instruments .

Note 21 discloses information on the fair value of these financial instruments at 31 December 2018 and 2017. Note 23 provides information on the exposure to market risk of these financial instruments. Note 25 includes information about the exposure to interest rates.

Note 24 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2018 and 2017, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 26 includes information on the concentration risk relating to these financial instruments at 31 December 2018 and 2017.

8.3. Financial assets and liabilities designated at fair value through profit or loss

This heading includes reverse repurchase agreements arranged by the Group which are managed jointly with interest rate derivatives and financial instruments classified in the held-for-trading category.

The detail, by nature, of the financial assets included in “Financial assets and liabilities designated at fair value through profit or loss” in the balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Loans and advances from credit institutions-		
Repurchase agreements with credit institutions	-	256,932
Valuation adjustments-		
Accrued interest	-	(66)
Valuation gains or losses	-	10
	-	(56)
	-	**256,876**
	-	256,876

The changes in 2018 with respect to 2017 were due to the amounts that matured in 2018.

Note 22 contains information on the Group's exposure to credit risk associated with these financial instruments at 31 December 2018 and 2017.

Note 21 discloses information on the fair value of the financial instruments included at 31 December 2018 and 2017. Note 23 provides information on the market risk associated with these financial instruments and Note 25 contains information on interest rate risk.

Note 24 includes information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2018 and 2017, which provides disclosures on the term to maturity at those dates of the financial assets included in this category.

Note 26 contains information on the concentration risk of these financial instruments at 31 December 2018 and 2017.

9. Financial assets at fair value through other comprehensive income

Following is a detail of the balances of “Financial assets at fair value through other comprehensive income” in the balance sheets at 31 December 2018 and 2017:

	Thousands of Euros	
	2018	2017
Debt securities-		
Spanish public sector securities	307,951	813,028
Of which:		
Treasury bills	-	150,266
Government debt securities	307,951	662,762
Securities of other Public agencies	953,081	557,832
Other securities	201,810	306,709
	1,462,842	1,677,569
Valuation adjustments-		
Accrued interest	8,476	19,408
Valuation gains or losses and other	(2,029)	37,670
Impairment losses	(611)	(1,102)
	5,836	55,976
	1,468,678	**1,733,545**
Equity instruments-		
Shares quoted in organized markets	-	25,557
Shares not quoted in organized markets	23,391	34,376
	23,391	59,933
Valuation adjustments-		
Valuation gains or losses and other	4,405	10,477
Impairment losses	(17,501)	(31,694)
	(13,096)	(21,217)
	10,295	**38,716**
	1,478,973	**1,772,261**

Note 21 contains certain information on the fair value of the financial instruments included in this category.

Note 22 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 23 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 25 discloses certain information on interest rate risk.

Note 24 shows information on the Group’s exposure to liquidity risk, which includes information on the term maturity of these financial assets at 31 December 2018 and 2017. Note 26 includes information on the concentration risk associated to these financial assets.

10. Financial assets at amortised cost

Following is a detail of the financial assets included in this section in the consolidated balance sheets at 31 December 2018 and 2017:

	Thousands of Euros	
	2018	**2017**
Debt instruments-		
Debt securities issued by Spanish public sector		
Spanish publics	23,150	-
Non-performing assets	-	50,984
	23,150	50,984
Valuation adjustments-		
Impairment losses	(1,743)	(29,253)
Accrued interest	96	-
	(1,647)	(29,253)
	21,503	**21,731**
Loans and advances to credit institutions-		
Reverse repurchase agreements	1,238,907	968,241
Other term lonas	11,709	4,084
Advances different from loans	674,139	786,403
Non-performing assets	34	78
	1,924,789	1,758,806
Valuation adjustments-		
Impairment losses	(60)	(79)
Accrued interest	(281)	(358)
	(341)	(437)
	1,924,448	**1,758,369**
Loans and advances to customers-		
On demand	10,750	2,480
Credit card debt	590	623
Trade receivables	15,991	34,979
Reverse repurchase agreements	108,220	382,419
Other term loans	143,725	168,830
Advances different from loans	258,967	301,097
Non-performing assets	870	55,498
	539,113	945,926
Valuation adjustments-		
Impairment losses	(584)	(54,893)
Adquisition Premium	12,772	13,563
Accrued interest	1,899	590
	14,087	(40,740)
	553,200	**905,186**
	2,499,151	**2,685,286**

"Financial Assets at Amortised Cost - Loans and Advances to Customers" includes mortgage loans to customers with a carrying amount of EUR 44,821 thousand at 31 December 2018 (31 December 2017: EUR 46,143 thousand).

Note 21 provides information on the fair value at 31 December 2018 and 2017 of the financial assets included in this category. Note 22 discloses certain relevant information on the credit risk relating to the financial assets included in this financial instrument category at 31 December 2018 and 2017.

Note 23 includes information on the market risk associated with these financial assets at 31 December 2018 and 2017. Note 24 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2018 and 2017, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 26 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2018 and 2017. Note 25 shows information on the exposure to interest rate risk.

11. Hedging derivatives

The Group has entered into financial derivatives transactions with various counterparties of recognized creditworthiness which are considered fair value and cash flow hedges of certain balance sheet positions against fluctuations in market interest rates.

The Group's hedged consolidated balance sheet positions relate to fixed-rate debt instruments (guaranteed issues, government bonds and treasury bills). These securities are issued by the Spanish government, Spanish private sector financial institutions and other resident sectors.

Given that the positions giving rise to the risk are long-term transactions tied to a fixed interest rate, the main aim of the hedge is to change the returns of the hedged items from fixed to floating and, accordingly, their performance to changes in market interest rates. To this end, the Group uses OTC interest rate derivatives (basically swaps such as call money swaps).

The Group uses call money swaps to hedge each group of debt instruments, which are grouped on the basis of their sensitivity to changes in interest rates, and documents the related efficiency analyses of the hedges to verify that, at inception and throughout the life of these hedges, the Group can expect, prospectively, that the changes in fair value of the hedged items attributable to the hedged risk will be almost fully offset by changes in the fair value of the hedging instruments and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item. The aforementioned hedges are highly effective.

Following is a detail, by instrument, of the fair value of the hedging instruments in fair value hedges:

	Thousands of Euros			
	2018		2017	
	Asset balances	Liability balances	Asset balances	Liability balances
Hedged instrument				
Available-for-sale assets	17	6,898	1,723	1,412
	17	**6,898**	**1,723**	**1,412**

Gains/losses on hedging instruments and hedged items are recognized under "Gains or losses from hedge accounting, net" in the consolidated income statement (see Note 33).

The Note 21 discloses information on the fair value of these hedging derivatives at 31 December 2018 and 2017. Note 22 includes certain information on the credit risk associated with these derivatives at 31 December 2018 and 2017.

12. Non-current assets and disposal groups classified as held for sale

The breakdown of the balance of "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Real properties	2,772	2,772
Equity instruments	1,019	1,015
	3,791	3,787

The changes in 2018 and 2017 in the items included in this heading in the consolidated balance sheets, and the related impairment losses, were as follows:

	Thousands of Euros	
	2018	**2017**
Cost:		
Balances at 1 January	16,412	29,397
Disposals	-	(13,041)
Transfers	4	56
Balances at 31 December	**16,416**	**16,412**
Impairment losses:	**(12,625)**	
Balances at 1 January	-	(11,287)
Additions	-	(1,338)
Disposals	-	-
Transfers	-	-
Balances at 31 December	(12,625)	(12,625)
Net Balances at 31 December	3,791	3,787

The Group holds 14.44% of the share capital of Ahorro Corporación, S.A. (in liquidation). At 31 December 2018 and 2017, the carrying amount of this ownership interest was EUR 1,015 thousand.

Also, the Group owns all the shares of CEA Trade Services Limited, a company that was in liquidation at the date of formal preparation of these financial statements. As a result of the position of this subsidiary, taking into consideration how this investment is expected to be recovered, in 2018 the Group reclassified all the assets and liabilities of this company to "Non-Current Assets and Disposal Groups Classified as Held for Sale" in the consolidated balance sheet.

The expenses arising from this liquidation process, amounting to EUR 10 thousand, are recognised under "Profit or Loss from Non-Current Assets and Disposal Groups Classified as Held for Sale Not Qualifying as Discontinued Operations" in the statement of the consolidated profit or loss for 2018.

The Group continues to actively manage the items included under this heading that have been classified as such for more than one year (all of which are properties), with a view to selling them at short term. Although the situation in the Spanish property market makes it difficult to dispose of these assets, the Group's management of these assets is aimed at selling them at short term, and the Group has reasonable expectations of achieving this; accordingly, since the other requirements established in Bank of Spain Circular 4/2017 in this connection have been met, the assets continue to be classified and measured as non-current assets held for sale.

13. Tangible assets

The changes in 2018 and 2017 in "Tangible Assets" in the consolidated balance sheets were as follow:

	Thousands of Euros				
	Property, Plant and Equipment for Own Use				
	Land and Buildings	Furniture, Fixtures and Vehicles	IT Equipment and Related Fixtures	Investment Property	Total
Cost:					
Balance at 1 January 2017	**71,036**	**28,045**	**11,441**	**2,246**	**112,768**
Additions	-	929	1,295	3	2,227
Disposals	-	(4,716)	(316)	-	(5,032)
Transfers	-	(71)	-	-	(71)
Balance at 31 December 2017	**71,036**	**24,187**	**12,420**	**2,249**	**109,892**
Additions	-	839	990	-	1,829
Disposals	-	(301)	(212)	-	(513)
Transfers	(8,656)	-	-	8,656	-
Balance at 31 December 2018	**62,380**	**24,725**	**13,198**	**10,905**	**111,208**
Accumulated depreciation:					
Balance at 1 January 2017	**(26,054)**	**(24,187)**	**(8,914)**	**(411)**	**(59,566)**
Charge for the year (Note 39)	(883)	(973)	(1,038)	(61)	(2,955)
Disposals	-	4,716	316	-	5,032
Transfers	-	15	-	-	15
Balance at 31 December 2017	**(26,937)**	**(20,429)**	**(9,636)**	**(472)**	**(57,474)**
Charge for the year (Note 39)	(858)	(865)	(1,212)	(123)	(3,058)
Disposals	-	301	202	-	503
Transfers	3,122	-	-	(3,122)	-
Balance at 31 December 2018	**(24,673)**	**(20,993)**	**(10,646)**	**(3,717)**	**(60,029)**
Tangible assets, net:					
Net balance at 31 December 2017	**44,099**	**3,758**	**2,784**	**1,777**	**52,418**
Net balance at 31 December 2018	**37,707**	**3,732**	**2,552**	**7,188**	**51,179**

At 31 December 2018 and 2017, property, plant and equipment for own use totaling (gross) approximately EUR 26,107 and 24,466 thousand had been depreciated in full.

Either at 31 December 2018 or at 31 December 2017, the tangible assets owned by the Group were not impaired or there were no changes in this connection in those years.

In 2018 the rental income earned from investment property owned by the Group amounted to EUR 1,279 thousand (2017: EUR 1,173 thousand) (see Note 34).

In 2018, the gains on disposals arising under “Property, Plant and Equipment – For Own Use” totaled EUR 2 thousand, recognized under “Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net” in the income statement for 2018 (2017: losses of EUR 2 thousand).

14. Intangible assets

14.1. Other intangible assets

The balance of this heading includes basically rights arising from the acquisition of certain depository businesses relating to collective investment undertakings and pension funds, as well as, to a lesser extent, computer software developed by the Group, which is amortised as indicated in Note 2.14 above. The detail of “Other Intangible Assets” in the consolidated balance sheets as at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Intangible assets with finite useful life	320,611	322,373
Less:		
Accumulated amortization	(114,898)	(93,312)
Total net	**205,713**	**229,061**

At 31 December 2018 the balance of fully amortized intangible assets (computer applications) and in use was 7,891 thousands of euros (7,848 thousands of euros at 2017).

The changes in 2018 and 2017 in the consolidated balance sheets were as follows:

	Thousands of Euros
Cost:	
Balance at 1 January 2017	**282,057**
Additions and transfers	223,298
Disposals	(182,982)
Balance at 31 December 2017	**322,373**
Additions and transfers	19,877
Disposals and other movements	(21,639)
Balance at 31 December 2018	**320,611**
Accumulated amortization:	
Balance at 1 January 2017	**(177,821)**
Charge for the year (Note 39)	(53,926)
Disposals and other movements	138,435
Balance at 31 December 2017	**(93,312)**
Charge for the year (Note 39)	(43,225)
Disposals and other movements	21,639
Balance at 31 December 2018	**(114,898)**
Intangible assets, net:	
Net balance at 31 December 2017	**229,061**
Net balance at 31 December 2018	**205,713**

The additions in 2018 and 2017 in the foregoing table relate mainly to the capitalisation of the cost of the new depository contracts that arose following the renewal of the rights and obligations resulting from businesses acquired in prior years for the management of depository and custody services for securities entrusted by third parties, as well as to the variable payments made as a result of the achievement of certain contractual objectives and to the inclusion in the cost of guaranteed amounts originating from those businesses. Parallel to this capitalisation, in 2018 and 2017 the Group derecognised the amortisation and impairment losses associated with the contracts that were renewed or derecognited, which had been amortised in full.

15. Other assets and liabilities

15.1. Other Assets

The breakdown of the balance of “Other Assets” and “Other Liabilities” in the consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Other assets-		
Prepayments-		
Fees and commissions receivable	11,371	12,698
Non-accrued expenses	238	118
Other prepayments	1,335	1,261
Other assets-		
Transactions in transit	23,120	14,613
Nets Assets Post-Employment plans (Notes 2.11.2 and 35)	8,189	7,507
Other	12,368	6,780
	56,621	42,977
	56,621	**42,977**

“Prepayments and Accrued Income – Fees and Commissions Receivable” includes the accrued commissions receivable by the Group in relation to various services provided, basically in relation to the payment methods business and the custody business for collective investment undertakings and pension funds.

“Other assets - Other assets - Transactions in Transit” mainly include temporary balances which relate basically to securities underwriting transactions and other unsettled OTC transactions.

15.2. Other liabilities

The composition of the balance of these consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Accrued expenses and deferred income-		
Fees and commissions payable	1,387	1,932
Accrued expenses	47,100	47,356
Accrued revenues	1,274	2,036
Other liabilities-		
Transactions in transit	53,815	94,301
Other	1,685	5,686
	105,261	**151,311**

“Other Liabilities - Transactions in Transit” in the above table relates mainly to temporary balances consisting basically of share subscription transactions and other transactions performed on organized markets pending settlement.

The balance of the heading "Accruals - Accrued expenses " of "Other liabilities" in the foregoing table includes , among other items, as of December 31, 2018, balances amounting to 19,833 thousand euros (EUR 22,676 thousand at 31 December 2017) that originate in variable remuneration paid by the outstanding staff.

16. Financial liabilities at amortised cost

16.1. Breakdown

The detail of the items composing this heading in the consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Deposits-		
Central Banks	349,238	-
Deposits from credit institutions	1,202,934	858,371
Customer deposits	5,115,619	5,533,372
	6,667,791	6,391,743
Valuation adjustments	444	209
	6,668,235	6,391,952
Other financial liabilities	279,168	641,162
	6,947,403	7,033,114

Note 21 provides information on the fair value of these financial liabilities. Note 24 presents information on the residual maturity periods of these liabilities in relation to the liquidity risk associated with the Group's financial instruments.

16.2. Financial liabilities at amortised cost - Deposits from credit institutions

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
By geographical location:		
Spain	349,573	-
	349,573	-
By type of instrument:		
Time deposits-		
Time deposits	349,238	-
	349,238	-
Valuation adjustments	335	-
	349,573	-

16.3. Financial liabilities at amortized cost - Customer deposits

The breakdown, by geographical area of residence of the counterparty, type of instrument and type of counterparty, of the balances of this item in the consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
By geographical location:		
Spain	711,358	548,992
Other EMU countries	327,552	188,589
Rest of the world	163,562	120,401
	1,202,472	**857,982**
By type of instrument:		
Demand deposits and other-		
Other accounts	692,899	562,876
Time deposits-		
Time deposits	279,187	149,707
Repurchase agreements	230,848	145,788
	1,202,934	858,371
Valuation adjustments	(462)	(389)
	1,202,472	**857,982**

16.4. Financial liabilities at amortized cost - Other financial liabilities

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
By geographical location:		
Spain	5,103,171	5,428,493
Other EMU countries	7,708	5,006
Rest of the world	5,311	100,471
	5,116,190	**5,533,970**
By counterparty:		
Resident public sector	232,486	233,239
Non-resident public sector	100	217
Other resident sectors	4,870,115	5,194,595
Other non-resident sectors	12,918	5,756
Central counterparties	-	99,565
	5,115,619	5,533,372
Valuation adjustments	571	598
	5,116,190	**5,533,970**
By type of instrument:		
Current accounts	4,316,764	4,757,928
Other demand deposits	135,214	92,505
Fixed-term deposits	587,185	580,364
Repurchase agreements	76,456	102,575
	5,115,619	5,533,372
Valuation adjustments	571	598
	5,116,190	**5,533,970**

16.5. Financial liabilities at amortised cost - Other financial liabilities

The breakdown of the balance of this item in the balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Payment obligations	15,233	32,671
Collateral received	208	198
Special accounts	21,416	20,477
Other	242,311	587,816
	279,168	**641,162**

At 31 December 2018, "Other" in the foregoing table included, among other items, balances amounting to EUR 128,984 thousand (31 December 2017: EUR 446,722 thousand) arising from means of payment procedures that certain credit institutions carry out through the Group. These balances are temporary and are settled on the first business day following the date on which they arose.

In addition, the account "Other" in the previous table includes, at 31 December 2018, the amount of loan repayments granted to Public Administrations, under the agreement formalized with the Official Credit Institute to implement the Fund's plan for the Financing of the Payment to Suppliers of Public Administrations, pending payment of this Institute, amounting to 53,770 thousand euros (2017: EUR 54,206 thousand).

17. Provisions

17.1. Provisions or reversal of provisions

The detail, according to the purpose of the net provisions recognized, of this item in the consolidated income statement for 2018 and 2017 are as follows:

	Thousands of Euros	
	Net Additions/ (Reversals)	
	2018	**2017**
Additions to/ (Reversal of) provisions for pensions and similar obligations (Notes 17.2 and 35)	(423)	211
Additions to/ (Reversal of) for commitments and guarantees granted (Note 17.2)	(133)	72
Additions to/ (Reversal of) for procedural issues and procedural tax litigation (Note 17.2)	(972)	3,321
Additions to/ (Reversal of) other provisions (Note 17.2)	(10,597)	(20,513)
	(12,125)	**(16,909)**

17.2. Provisions – changes and breakdown

The changes in the balances of these items in the consolidated balance sheets at 31 December 2018 and 2017 were as follows:

	Thousands of Euros			
	Other long-term employee remunerations (Note 35)	**Commitments and guarantees granted (Notes 2.10, 22 and 27.1)**	**Procedural issues and tax litigation proceedings (Note 20.1)**	**Other provisions**
Balances at 1 January 2017	76,166	134	19,663	94,071
Net addition/ (reversal) charged/ (credited) to income (Note 17.1)	211	72	3,321	(20,513)
Other net movements	(13,148)	-	(8,096)	(38)
Balances at 31 December 2017	**63,229**	**206**	**14,888**	**73,520**
Net addition/ (reversal) charged/ (credited) to income (Note 17.1)	(423)	(133)	(972)	(10,597)
Other net movements	(13,096)	201	(4,116)	(112)
Balances at 31 December 2018	**49,710**	**274**	**9,800**	**62,811**

“Other Changes, Net” under “Other Long-Term Employee Benefits” in 2018 consists mainly of the benefits paid to participants in the defined benefit plans totaling EUR 13,164 thousand (2017: EUR 13,200 thousand) (see Note 35).

As a result of previous tax audits, at 31 December 2018 and 2017 the Group’s directors had recognised a provision for the taxes that had been audited, in respect of the years not yet reviewed. These amounts account for a significant portion of the balance recognised under “Pending Legal Issues and Tax Litigation”.

“Other Provisions” at 31 December 2018 includes basically the amount recorded, based on a internal model developed by the bank, to cater for the operational risk to which the directors consider the Group to be exposed as a result of the provision of custody and depository services for securities entrusted by third parties, as well as the provisions recognised in relation to operations involving certain interest rate derivatives. “Other Provisions - Other Changes, Net” in 2018 includes the amounts used as a result of the derecognition from the Group’s balance sheet of certain derivative instruments relating to the aforementioned operations.

18. Other accumulated net income

18.1. Items that may be reclassified to profit or loss - Changes of fair value of debt instruments measured at fair value through other comprehensive income

This item in the consolidated balance sheets at 31 December 2018 and 2017 includes the amount, net accumulated of the related tax effect, of changes in the fair value of debt instruments measured at fair value through other comprehensive income (see Note 9) which, as stated in Note 2.2, should be recognized in the Group's equity; these changes are recognized in the consolidated income statements when the assets which gave rise to them are sold or when these assets become impaired. The accompanying consolidated statements of recognized income and expense show the changes in 2018 and 2017 in this item in the consolidated balance sheets at 31 December 2018 and 2017.

18.2. Items that will not be reclassified to profit or loss – Actuarial gains and losses from defined benefit pension obligations

This heading in the consolidated balance sheets at 31 December 2018 and 2017 included the net cumulative amount, adjusted for the related tax effect, of the actuarial gains and losses arising from the measurement of the provision for defined benefit pension obligations (see Notes 2.11.2 and 35). The accompanying consolidated statement of changes of equity shows the changes in 2018 and 2017 in this item in the consolidate balance sheets at 31 December 2018 and 2017.

18.3. Items that will not be reclassified to profit or loss - Changes of fair value of debt instruments measured at fair value through other comprehensive income

This heading in the consolidated balance sheets as at 31 December 2018 and 2017 includes the net accumulated amount, adjusted by the related tax effect, of changes in the fair value of equity instruments classified as financial assets measured at fair value through other comprehensive income since their acquisition (see Note 9), which, as indicated in Note 2.2, should be classified in the Bank's equity. These changes are recognised under “Other Reserves” when the assets which gave rise to the changes are sold. The accompanying consolidated statement of changes in equity reflects the changes that took place in this heading of the consolidated balance sheets as at 31 December 2018 and 2017.

19. Capital and Share Premium

19.1. Capital

At 31 December 2018 and 2017, the Bank's share capital consisted of 112,256,540 fully subscribed and paid registered shares of EUR 1 par value each, all with the same dividend and voting rights. At 31 December 2018 and 2017, 89% of the Bank's share capital was held by Confederación Española de Cajas de Ahorros. The remaining 11% is owned by other financial entities.

The Bank made a significant volume of transactions with its major shareholder and the Group in which it forms part (see Note 40).

The Bank's shares are not listed on official stock markets. Except CECA´s 89% ownership interest in the Bank's share capital, no entity holds more than 10% of the Bank's share capital. There are no rights on founder's shares, “rights” bonds, convertible debentures or similar securities or rights issued by the Bank or the Group. There are no payments payable on the Bank's shares, amounts authorised by the General Meeting of Shareholders for carrying out capital increases, or capital increases in progress. In 2018 and 2017 there were no increases in the number of shares issued by the Bank.

19.2. Share Premium

According to the Spanish Limited Liability Companies Law, it is explicitly permitted the use of the balance of this reserve to increase capital and it establishes no specific restrictions as to its use. The balance of the share premium at 31 December 2018 and 2017 amounted to 615,493 thousand euros which is formed by the effect of the capital investment described in Note 19.1 above and the recording in 2012 of the Segregation of Cecabank's equity mentioned above (see Note 1.1).

20. Tax matters

The Bank is part of the Tax Consolidation Group number 508/12 established on 1 January 2012, being the Confederación Española de Cajas de Ahorros the parent company.

Group companies file their tax returns, in accordance with applicable tax rules.

20.1. Years open for review by the tax authorities

In 2017, as a result of an audit conducted by the tax authorities, tax assessments were issued for the years until 2013 inclusive, most of which were signed on an uncontested basis. At 31th December, 2018, the amounts settled by the aforementioned inspection have been fully paid.

In addition, since the returns filed by the Bank in the last four years are open for review by the tax authorities, from the end of the voluntary filing period for income tax and for the other taxes, the Bank's directors consider that the impact of the varying interpretations that can be made of certain tax legislation applicable to the transactions performed by the Bank in the years not yet reviewed will not have a material effect on the figures included in the accompanying financial statements.

20.2. Tax expense or income related to profit or loss from continuing operation

The detail of "Tax expense or income related to profit or loss from continuing operation" in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros Expenses/(Revenues)	
	2018	2017
Income tax expense for the year (Note 20.3)	25,447	31,627
Prior years' and other adjustments	(200)	3,313
	25,247	34,940

20.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expenses recognized for 2018 and 2017 to the accounting profit before tax multiplied by the tax rate applicable to the Bank, and the income tax charge recognized at 31 December 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Accounting profit before tax	88,736	108,159
Tax rate	30%	30%
	26,621	32,448
Permanent differences:		
Increases	191	1,190
Decreases	(916)	(1,866)
Total	25,896	31,772
(Tax credits)/(Tax relief)	(449)	(145)
Income tax expense for the year (Note 20.2)	25,447	31,627
Temporary differences effect:		
Increases	2,699	8,569
Decreases	(17,689)	(21,877)
Tax with holdings and prepayments	(13,031)	(23,941)
Income tax charge for the year	(2,574)	(5,622)

The current income tax charge shown in the above table is recognized under "Tax Assets-Current Tax Assets" in the balance sheet attached at 31 December 2018 and 2017.

20.4. Tax recognized in equity

In addition to the income tax recognized in the income statement, in 2018 and 2017 the Group recognized the following deferred amounts of income tax in equity during those periods:

	Thousands of Euros	
	Increase/Decrease in Equity	
	2018	**2017**
Tax effect of actuarial gains and losses on pension plans to defined benefit	(185)	(667)
Tax effect of unrealised gains or losses on equity instruments at fair value through other comprehensive income	(596)	(1.104)
Tax effect of unrealised gains or losses on debt instruments measured at fair value through other comprehensive income	13,478	5,421
Tax effect of unrealized gains and losses on non-current assets held for sale and disposal groups held for sale (Note 10)	-	3,105
	12,697	6,755

20.5. Deferred taxes

Pursuant to the tax legislation in force, in 2018 and 2017 certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes recognized in the consolidated balance sheets at 31 December 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	**2017**
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	7,625	11,370
Additions to provisions	21,535	25,252
Impairment losses	60,925	67,559
Other	10,233	4,671
	100,318	108,852

EUR 28,291 thousand of the total deferred tax assets recognized at 31 December 2018 (31 December 2017: EUR 29,578 thousand) relate to assets that meet the conditions of Article 130 of Spanish Income Tax Law 27/2014, of 27 November, to give rise to a possible right to convert them into credits receivable from the tax authorities.

	Thousands of Euros	
	2018	**2017**
Deferred tax liabilities arising from:		
Revaluation of property	7,937	7,998
Additions and contributions to pension provisions and funds and to provisions for other long-term obligations to employees	2,456	2,252
Other	7,620	15,938
	18,013	26,188

20.6. Tax credit for reinvestment of extraordinary benefits

The amount of the income qualifying for the reinvestment tax credit and deductions for each year is as follows:

Year	Thousands of Euros		
	Income qualifying	Rent accredited	Deduction
2010(*)	10,681	4,448	534
2011(*)	846	1,820	218
2012	-	5,259	631
	11,527	11,527	1,383

(*) Income generated and reinvestments accredited by the Confederación Española de Cajas de Ahorros, before the spin-off performed in 2012.

20.7 Revaluation of assets

The Bank does not availed itself of the process for revaluing the tax value of certain properties as defined by Law 16/2012, of 27 December, adopting various tax measures aimed at consolidating public finances and boosting economic activity, which enables entities, provided certain requirements are met, to revalue certain assets on their balance sheets.

21. Fair value

21.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2018 and 2017 is broken down, by class of financial asset and liability, in this Note, into the following levels:

- **LEVEL 1**: financial instruments whose fair value determined by reference to their quoted price in active markets.
- **LEVEL 2:** financial instruments whose fair value estimated by reference to quoted prices in organized markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- **LEVEL 3**: instruments whose fair value estimated using valuation techniques in which certain significant inputs are not based on observable market data.

The most objective reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market (“quoted price” or “market price”). If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and of commonly used valuation techniques.

The methodology used to calculate fair value for each class of financial assets and liabilities is as follows:

- Trading derivatives and hedging derivatives:
  - Financial derivatives traded in organized, transparent and deep markets: fair value is deemed to be their daily quoted price.
  - OTC derivatives or derivatives traded in scantly deep or transparent organized markets: fair value is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques accepted in the financial markets: "net present value" (NPV), option pricing models, etc.
- Debt instruments:
  - Quoted debt instruments: their fair value was generally determined on the basis of price quotations on official markets, at the Bank of Spain Book-Entry Trading Central Office, on the Spanish AIAF fixed-income market, etc., or by applying prices obtained from information service providers, mainly Bloomberg and Reuters, which construct their quotes on the basis of prices reported by contributors.
  - Unquoted debt instruments: their fair value was determined fair value is determined theoretically using discounted cash flow-based valuation techniques and, depending on the specific instrument, the corresponding valuation model recognised by the financial markets.
- Equity instruments:
  - Quoted equity instruments: their fair value was determined taking into account their price quotations on official markets.
  - Unquoted equity instruments: their fair value was determined taking into consideration valuations performed by independent experts, incorporating internal control with respect to the valuation thereof, or using internal valuation directly. In both cases the following were used:
    - Discounted cash flows.
    - Multiples of comparable listed companies.
    - Adjusted Net Asset Value (NAV).
- Loans and receivables – loans and advances to customers:
  - The Group considered the fair value of these financial assets to be the same as their carrying amount, since, as a result of their maturity and interest rate features and the early repayment clause of most transactions, there are no material differences between the two values.
- Financial liabilities at amortised cost:
  - The Group considered the fair value of these financial liabilities to be the same as their carrying amount, since, as a result of their maturity and interest rate features, there are no material differences between the two values.

For the purposes of Levels 2 and 3, the prices were obtained using standard quantitative models fed by market data, which are either directly observable or can be calibrated or calculated using observable data. The most widely used models are the Shifted lognormal, Libor Market and Hull-White models for derivatives interest rates, the Black - Scholes model for derivatives equities and foreign currency, and the Jarrow-Turnbull credit Black adapted and LHP models for credit products; the most common directly observable data are the interest rate, exchange rate and certain implied volatilities and correlations.

The fair value of the Group's financial instruments at 31 December 2018 and 2017, broken down as indicated above, is as follows:

Financial assets – fair value at 31 December 2018-

	Thousands of Euros													
	Cash, cash balances at central banks and other demand deposits (Note 7)		Financial Assets Held for Trading (Note 8.1)		Non trading financial assets mandatorily at fair value through profit or loss (Note 8.2)		Financial assets at fair value through profit or loss (Note 8.3)		Financial assets at fair value through other comprehensive income (Note 9)		Financial assets at amortized cost (Note 10)		Derivatives - hedge accounting (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:														
Debt instruments	-	-	694,393	694,393	-	-	-	-	1,276,682	1,276,682	-	-	-	-
Equity instruments	-	-	240,744	240,744	5,143	5,143	-	-	-	-	-	-	-	-
Derivatives	-	-	94	94	-	-	-	-	-	-	-	-	-	-
	-	-	935,231	935,231	5,143	5,143	-	-	1,276,682	1,276,682	-	-	-	-
Level 2:														
Cash and balances with central banks and other demand deposits	3,268,540	3,268,540	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	-	-	-	-	-	-	1,924,448	1,924,448	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	553,200	553,200	-	-
Debt instruments	-	-	58,303	58,303	41,320	41,320	-	-	191,996	191,996	21,503	21,503	-	-
Equity instruments	-	-	-	-	13,950	13,950	-	-	10,295	10,295	-	-	-	-
Trading derivatives	-	-	926,849	926,849	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-	17	17
	3,268,540	3,268,540	985,152	985,152	55,270	55,270	-	-	202,291	202,291	2,499,151	2,499,151	17	17
Level 3:														
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,268,540	3,268,540	1,920,383	1,920,383	60,413	60,413	-	-	1,478,973	1,478,973	2,499,151	2,499,151	17	17

Financial assets – fair value at 31 December 2017-

	Thousands of Euros													
	Cash, cash balances at central banks and other demand deposits (Note 7)		Financial Assets Held for Trading (Note 8.1)		Non trading financial assets mandatorily at fair value through profit or loss (Note 8.2)		Financial assets at fair value through profit or loss (Note 8.3)		Financial assets at fair value through other comprehensive income (Note 9)		Financial assets at amortized cost (Note 10)		Derivatives - hedge accounting (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:														
Debt instruments	-	-	735,781	735,781	-	-	-	-	1,588,093	1,588,093	-	-	-	-
Equity instruments	-	-	287,482	287,482	-	-	-	-	19,005	19,005	-	-	-	-
Derivatives	-	-	122	122	-	-	-	-	-	-	-	-	-	-
	-	-	1,023,385	1,023,385	-	-	-	-	1,607,098	1,607,098	-	-	-	-
Level 2:														
Cash and balances with central banks and other demand deposits	2,658,845	2,658,845	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	-	-	256,876	256,876	-	-	1,758,369	1,758,369	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-	-	-	905,186	905,186	-	-
Debt instruments	-	-	90,105	90,105	-	-	-	-	145,452	145,452	21,731	21,731	-	-
Equity instruments	-	-	-	-	-	-	-	-	19,711	19,711	-	-	-	-
Trading derivatives	-	-	1,031,280	1,031,280	-	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-	1,723	1,723
	2,658,845	2,658,845	1,121,385	1,121,385	-	-	256,876	256,876	165,163	165,163	2,685,286	2,685,286	1,723	1,723
Level 3:														
Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,658,845	2,658,845	2,144,770	2,144,770	-	-	256,876	256,876	1,772,261	1,772,261	2,685,286	2,685,286	1,723	1,723

Financial liabilities – fair value at 31 December 2018

	Thousands of Euros							
	Financial liabilities held for trading (Note 8.1)		Financial liabilities at fair value through profit or loss (Note 8.2)		Financial liabilities at amortised cost (Note 16)		Derivatives - hedge accounting (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:								
Trading derivatives	755	755	-	-	-	-	-	-
Short positions	409,834	409,834	-	-	-	-	-	-
	410,589	410,589	-	-	-	-	-	-
Level 2:								
Deposits from central banks	-	-	-	-	349,573	349,573	-	-
Deposits from credit institutions	-	-	-	-	1,202,472	1,202,472	-	-
Customer deposits	-	-	-	-	5,116,190	5,116,190	-	-
Trading derivatives	966,268	966,268	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	279,168	279,168	-	-
Hedging derivatives	-	-	-	-	-	-	6,898	6,898
	966,268	966,268	-	-	6,947,403	6,947,403	6,898	6,898
Level 3:								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	**1,376,857**	**1,376,857**	**-**	**-**	**6,947,403**	**6,947,403**	**6,898**	**6,898**

Financial liabilities – fair value at 31 December 2017-

	Thousands of Euros							
	Financial Liabilities Held for Trading (Note 8.1)		**Financial Liabilities at Fair Value Through Profit or Loss (Note 8.2)**		**Financial Liabilities at Amortised Cost (Note 16)**		**Derivatives - hedge accounting (Note 11)**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Level 1:								
Trading derivatives	46	46	-	-	-	-	-	-
Short positions	393,937	393,937	-	-	-	-	-	-
	393,983	393,983	-	-	-	-	-	-
Level 2:								
Deposits from central banks	-	-	-	-	-	-	-	-
Deposits from credit institutions	-	-	-	-	857,982	857,982	-	-
Customer deposits	-	-	-	-	5,533,970	5,533,970	-	-
Trading derivatives	1,145,995	1,145,995	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	641,162	641,162	-	-
Hedging derivatives	-	-	-	-	-	-	1,412	1,412
	1,145,995	1,145,995	-	-	7,033,114	7,033,114	1,412	1,412
Level 3:								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	**1,539,978**	**1,539,978**	-	-	**7,033,114**	**7,033,114**	**1,412**	**1,412**

For the purposes of the criteria explained in the foregoing paragraphs, an input is considered to be significant if it is important in determining the fair value in its entirety.

The level of the aforementioned fair value hierarchy (levels 1, 2 or 3) within which the measurement of each of the Group's financial instruments is categorized is determined on the basis of the lowest level input that is significant to the estimate of its fair value.

In 2018 and 2017, there were no material transfers between the various hierarchy levels, or significant changes in the measurement of unquoted equity instruments included in the available-for-sale financial assets portfolio.

21.2. Fair value of tangible assets

The only tangible assets (own-use properties and property investments) owned by the Group whose fair value differs from their carrying amount are the properties owned by it. At 31 December 2018, the carrying amount of these properties amounted to EUR 44,950 thousand (31 December 2017: EUR 45,876 thousand) and their estimated fair value at that date was EUR 58,405 thousand at 31 December 2018 and 2017.

The aforementioned fair value was estimated by Instituto de Valoraciones, S.A. using generally accepted valuation techniques.

22. Exposure to credit risk

22.1. Credit risk management objectives, policies and processes

Credit risk is defined as the risk that affects, or might affect, results or capital as a result of non-compliance by a borrower with its contractual obligations, or of the borrower failing to act as agreed.

The Group has established certain procedures for the correct management of credit risk, the main features of which are as follows:

Credit risk analysis

At Cecabank Group, the process of assessing the credit quality of counterparties is closely linked with the assignment of limits. Thus, the Group assigns internal ratings to the various potential counterparties. This internal rating, together with the external agencies' ratings, contributes to the establishment of the maximum risk to be assumed with each entity. It also constitutes the basis for the acceptance and monitoring of risk.

The rating is the result of an analysis of various quantitative and qualitative factors which are assessed independently and receive a specific weighting for the calculating of the final rating. The final rating results from an independent assessment performed by the Group's analysts, which brings together the perception of the credit quality of the entities with which the Group wishes to transact business.

Credit risk monitoring and control

Credit risk is monitored through active portfolio management. The main aim is to detect, sufficiently in advance, any counterparties whose creditworthiness might be deteriorating. Systematic monitoring allows the whole of the portfolio to be classified into standard risk counterparties and counterparties under special surveillance.

As in risk analysis, ratings constitute another element for the risk monitoring process together with other variables including the country and type of business, among others.

In addition, as part of the monitoring of the credit risk and the adequacy of the contractual documentation supporting these operations is actively managed and monitored in conjunction with the Legal Department.

The control process comprises all the activities relating to the permanent checking of compliance with the established credit, counterparty and settlement risk limits, the management and reporting of overruns and the maintenance and update of parameterizations of products, customers, countries, economic groups, ratings, contractual offsetting agreements and financial guarantees in the control tools.

Risk limit structure

The Group's general credit risk limit structure is divided into two major groups. On one hand, there are the limits individually assigned to a counterparty. There are also a series of limits associated with certain activities, as country risk limits and operating limits for private-sector fixed-income securities and equity securities, among others.

Credit Risk Measurement Methodology

Cecabank calculates credit risk exposure by applying the standardized approach provided in current regulations. Also, for products subject to counterparty risk, the Group values the position at the market prices of the various transactions, to which it adds certain add-ons which, applied to the notional amounts, include in the measurement the potential risk of each transaction until maturity.

The management tools provide real-time information on the utilization of credit risk limits for each counterparty and economic group, thus facilitating the ongoing monitoring of any change and/or overrun of these limits.

In accordance with current legislation, the existence of guarantees and collateral reduces the credit risk of transactions for which they are provided.

Concentration risk

With regard to credit risk, concentration risk is an essential management tool. Is constantly monitors the extent of its credit risk concentration under various salient classifications: country, rating, sector, economic group, guaranties, etc.

The Group uses conservative risk criteria for the management of concentration risk which enable it to manage the available limits sufficiently comfortably with respect to the legally established concentration limits.

According to the regulation in force, no position exceeded the large exposure threshold. At 31 December 2018 and 2017.

At 31 December 2018, with regard to distribution by country, the largest exposure was located in Spain (75.66%), followed by the other European Union countries (23.16%) rising the exposure in the other countries of the world to 1.18%. At 31 December 2017, the distribution by country was 81.77%, 16.92%, and 1.31% respectively.

In Note 26 information on the risk of geographical concentration of the Group as of December 31, 2018 and 2017 is presented.

Regarding the high level of industry concentration, it is due to the Group's focus and the conducting of many activities, operations and services within the banking business in general, or indirectly related to it. Also, the risks in the financial services industry account for more than 95% of the total risk exposure (excluding government exposure), although when evaluating this level of industry concentration it should be taken into account that this exposure is to a highly regulated and supervised segment.

22.2. Maximum credit risk exposure level

The followings tables show the maximum level of exposure to credit risk assumed by the Group at 31 December 2018 and 2017 by class and category of financial instrument, without deducting the collateral or other guarantees received:

31 December 2018:

	Thousands of Euros							
	Assets							
	Financial asset held for trading (Note 8.1) (1)	Non trading financial assets mandatorily at fair value through profit or loss (Note 8.2)	Financial asset at fair value through profit or loss (Note 8.3)	Financial assets at fair value through other comprehensive income (Note 9)	Financial assets at amortised cost (Note 10)	Derivatives - hedge accounting (Note 11)	Memorandum Items	Total
1. Loans and receivables -								
1.1 Loans and credits to credit institutions	-	-	-	-	**1,924,789**	-	-	**1,924,789**
- On demand	-	-	-	-	-	-	-	-
- Reverse repurchase agreements	-	-	-	-	1,238,907	-	-	1,238,907
- Other term loans	-	-	-	-	11,709	-	-	11,709
- Advances different from loans	-	-	-	-	674,139	-		674,139
- Non-performing assets	-	-	-	-	34	-	-	34
1.2 Debt instruments	**752,696**	**41,320**	-	**1,462,842**	**23,150**	-	-	**2,280,008**
- Government debt securities	409,951	-	-	307,951	-	-	-	717,902
- Treasury bills	-	-	-	-	-	-	-	-
- Other public agencies	9,774	-	-	-	-	-	-	9,774
- Non-resident Public sector	117,328	-	-	953,081	-	-	-	1,070,409
- Spanish credit institutions	44,222	-	-	29,897	-	-	-	74,119
- Credit institutions not resident in Spain	81,503	-	-	39,988	-	-	-	121,491
- Private sector (Spain)	8,501	-	-	88,901	-	-	-	97,402
- Private sector (rest of the world)	81,417	41,320	-	43,024	23,150	-	-	188,911
- Non-performing assets	-	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	-	-	-	**539,113**	-	-	**539,113**
- On demand	-	-	-	-	10,750	-	-	10,750
- Credit card debt	-	-	-	-	590	-	-	590
- Trade receivables	-	-	-	-	15,991	-	-	15,991
- Reverse repurchase agreement	-	-	-	-	108,220	-	-	108,220
- Other term loans	-	-	-	-	143,725	-	-	143,725
- Advances different from loans	-	-	-	-	258,967	-	-	258,967
- Non-performing assets	-	-	-	-	870	-		870
Total debt instruments	752,696	41,320	-	1,462,842	2,487,052	-	-	4,743,910
2. Contingent liabilities -								
Financial guarantees (Note 27.1)	-	-	-	-	-	-	70,397	70,397
Total contingent liabilities	-	-	-	-	-	-	**70,397**	**70,397**
3. Other exposures -								
Derivatives	926,943	-	-	-	-	17	-	926,960
Drawable by third parties (Note 27.1)	-	-	-	-	-	-	199,602	199,602
Total other exposures	**926,943**	-	-	-	-	**17**	**199,602**	**1,126,562**
4. Less: impairment losses recognized	-	-	-	**(611)**	**(2,387)**	-	**(274)**	**(3,272)**
Maximum level of credit risk exposure (1+2+3+4)	**1,679,639**	**41,320**	-	**1,462,231**	**2,484,665**	**17**	**269,725**	**5,937,597**
Valuation adjustments	-	-	-	6,447	14,486	-	-	20,933
Total carrying amount	**1,679,639**	**41,320**	-	**1,468,678**	**2,499,151**	**17**	**269,725**	**5,958,530**

(1) The maximum credit risk exposure of the instruments included in the table above was taken to be their fair value at 31 December 2018.

31 December 2017:

	Thousands of Euros							
	Assets							
	Financial assets held for trading (Note 8.1) (1)	Non trading financial assets mandatorily at fair value through profit or loss (Note 8.2)	Financial assets designated at fair value through profit or loss (Note 8.3)	Available-for-sale financial assets (Note 9)	Loans and receivables (Note 10)	Derivatives - hedge accounting (Note 11)	Off-balance-sheet exposures	Total
1. Loans and receivables-								
1.1 Loans and credits to credit institutions	-	-	**256,932**	-	**1,758,806**	-	-	**2,015,738**
- On demand	-	-	-	-	-	-	-	-
- Reverse repurchase agreements	-	-	256,932	-	968,241	-	-	1,225,173
- Other term loans	-	-	-	-	4,084	-	-	4,084
- Advances different from loans	-	-	-	-	786,403	-	-	786,403
- Non-performing assets	-	-	-	-	78	-	-	78
1.2 Debt securities	**825,886**	-	-	**1,677,569**	**50,984**	-	-	**2,554,439**
- Government debt securities	615,146	-	-	662,762	-	-	-	1,277,908
- Treasury bills	-	-	-	150,266	-	-	-	150,266
- Other public agencies	17,765	-	-	15,129	-	-	-	32,894
- Non-resident Public sector	46,963	-	-	542,703	-	-	-	589,666
- Spanish credit institutions	71,813	-	-	24,822	-	-	-	96,635
- Credit institutions not resident in Spain	10,100	-	-	15,046	-	-	-	25,146
- Private sector (Spain)	16,751	-	-	190,463	-	-	-	207,214
- Private sector (rest of the world)	47,348	-	-	76,378	-	-	-	123,726
- Non-performing assets	-	-	-	-	50,984	-	-	50,984
1.3 Loans and credits to customers	-	-	-	-	**945,926**	-	-	**945,926**
- On demand	-	-	-	-	2,480	-	-	2,480
- Credit card debt	-	-	-	-	623	-	-	623
- Trade receivables	-	-	-	-	34,979	-	-	34,979
- Reverse repurchase agreement	-	-	-	-	382,419	-	-	382,419
- Other term loans	-	-	-	-	168,830	-	-	168,830
- Advances different from loans	-	-	-	-	301,907	-	-	301,907
- Non-performing assets	-	-	-	-	55,498	-	-	55,498
Total debt instruments	**825,886**	-	**256,932**	**1,677,569**	**2,755,716**	-	-	**5,516,103**
2. Contingent liabilities								
Financial guarantees and other indemnities (Note 27.1)	-	-	-	-	-	-	67,214	67,214
Total contingent liabilities	-	-	-	-	-	-	**67,214**	**67,214**
3. Other exposures-								
Derivatives	1,031,402	-	-	-	-	1,723	-	1,033,125
Drawable by third parties (Note 27.1)	-	-	-	-	-	-	181,463	181,463
Total other exposures	**1,031,402**	-	-	-	-	**1,723**	**181,463**	**1,214,588**
4. Less: impairment losses recognised	-	-	-	**(1,102)**	**(84,225)**	-	**(206)**	**(85,533)**
Maximum level of credit risk exposure (1+2+3+4)	**1,857,288**	-	**256,932**	**1,676,467**	**2,671,491**	**1,723**	**248,471**	**6,712,372**
Valuation adjustments	-	-	(56)	57,078	13,795	-	-	70,817
Total carrying amount	**1,857,288**	-	**256,876**	**1,733,545**	**2,685,286**	**1,723**	**248,471**	**6,783,189**

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2017.

With respect to the credit derivatives arranged by the Group, the foregoing tables only include the fair value at December 31, 2018 and 2017 of those derivatives with a debit balance, without considering the existence of offset agreements.

The contingent liabilities are presented at the maximum amount guaranteed by the Group. In general, it is considered that most of these balances will expire without any actual financing obligation arising for the Group. The collateral on these transactions must also be taken into account (see Note 22.3 below). The balances of the contingent liabilities are presented at the maximum amounts available by the counterparties.

22.3. Collateral received and other credit enhancements

The general policy with regard to the arrangement of transactions involving financial derivative products, repos, sell/buy backs and securities lending is to enter into contractual netting agreements drafted by national or international associations. These agreements enable the transactions performed thereunder to be terminated and settled early in the event of default by the counterparty in such a way that the parties can only claim the net balance resulting from the settlement of such transactions.

Derivative financial instruments are arranged using ISDA Master Agreements, which are subject to the laws of England and Wales or the State of New York, or the Framework Agreement for Financial Transactions (CMOF) which is subject to Spanish law, depending on the counterparty. Financial guarantee agreements, namely the Credit Support Annex for ISDA Master Agreements and Appendix III for CMOFs, are entered into to hedge derivative financial instruments exceeding certain risk levels.

Standard Global Master Repurchase Agreements (GMRA) are entered into for repo and sell/buy back transactions, while standard European Master Agreement (EMA) or Global Master Securities Lending Agreements (GMSLA) are used for securities lending transactions. The clauses of these types of contractual netting agreements include regulations on the financial guarantees or spreads on the transactions.

Following is a detail of the Group's maximum credit risk exposure to each financial instrument class secured by collateral or other credit enhancements in addition to the personal guarantee of the borrower, disregarding recognized impairment losses, at 31 December 2018 and 2017:

31 December 2018:

	Thousands of Euros							
	Government -backed	Secured by Spanish Government Debt Securities	Secured by Other Fixed-Income Securities	Secured by Shares	Netting Agreements	Secured by Mortgage	Guaranteed by Credit Institutions	Total
1. Financial assets at amortised cost								
1.1 Loans and advances to credit institutions	**-**	**481,718**	**604,947**	**152,242**	**-**	**-**	**-**	**1,238,907**
- Reverse repurchase agreements	-	481,718	604,947	152,242	-	-	-	1,238,907
- Deposits provided as guarantee for securities lending	-	-	-	-	-	-	-	-
- Time deposits	-	-	-	-	-	-	-	-
1.2 Debt instruments	**114,721**	**-**	**-**	**-**	**-**	**-**	**-**	**114,721**
1.3 Loans and advances to customers	**-**	**90,007**	**18,213**	**-**	**-**	**44,821**	**-**	**153,041**
- Reverse repurchase agreements	-	90,007	18,213	-	-	-	-	108,220
- Mortgage loans	-	-	-	-	-	44,821	-	44,821
- Deposits provided as guarantee for securities lending	-	-	-	-	-	-	-	-
- Loans with other collateral	-	-	-	-	-	-	-	-
Total debt instruments	**114,721**	**571,725**	**623,160**	**152,242**	**-**	**44,821**	**-**	**1,506,669**
2. Contingent liabilities-								
Financial guarantees and other indemnities	-	-	-	-	-	-	-	-
Documentary credits	-	-	-	-	-	-	-	-
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Other exposures-								
Derivatives (*)	-	-	-	-	1,092,608	-	-	1,092,608
Total other exposures	**-**	**-**	**-**	**-**	**1,092,608**	**-**	**-**	**1,092,608**
Total amount covered	**114,721**	**571,725**	**623,160**	**152,242**	**1,092,608**	**44,821**	**-**	**2,599,277**

(*) These EUR 1,092,608 thousand represented the fair value of derivatives (with asset balances) entered into with netting agreements, although the existence of these agreements was not taken into account in order to reduce the value of their credit risk exposure. This amount relates to IRSs which have matching liability balances for the same amount with the same counterparty. Since the requirements established in Note 2.7 are met, they are presented at their net amount in the balance sheet.

31 December 2017:

	Thousands of Euros							
	Guaranteed by the State	Collateral comprising Spanish government debt	Collateral comprising other fixed-income securities	Collateral comprising shares	Netting agreements	With mortgage guarantee	Guaranteed by credit institutions	Total
1. Loans and receivables-								
1.1 Loans and credits to credit institutions	**-**	**131,819**	**125,112**	**968,242**	**-**	**-**	**-**	**1,225,173**
- Reverse repurchase agreements	-	131,819	125,112	968,242	-	-	-	1,225,173
- Deposits provided as guarantee for securities lending	-	-	-	-	-	-	-	-
- Time deposits	-	-	-	-	-	-	-	-
1.2 Debt securities	**92,575**	**-**	**-**	**-**	**-**	**-**	**-**	**92,575**
1.3 Loans and credits to customers	**-**	**303,921**	**78,498**	**-**	**-**	**46,143**	**-**	**428,562**
- Reverse repurchase agreements	-	303,921	78,498	-	-	-	-	382,419
- Mortgage loans	-	-	-	-	-	46,143	-	46,143
- Deposits provided as guarantee for securities lending	-	-	-	-	-	-	-	-
- Loans with other collateral	-	-	-	-	-	-	-	-
Total debt instruments	**92,575**	**435,740**	**203,610**	**968,242**	**-**	**46,143**	**-**	**1,746,310**
2. Contingent liabilities-								
Financial guarantees and other indemnities	-	-	-	-	-	-	-	-
Documentary credits	-	-	-	-	-	-	-	-
Total contingent liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Other exposures-								
Derivatives (*)	-	-	-	-	1,283,295	-	-	1,283,295
Total other exposures	**-**	**-**	**-**	**-**	**1,283,295**	**-**	**-**	**1,283,295**
Total amount covered	**92,575**	**435,740**	**203,610**	**968,242**	**1,283,295**	**46,143**	**-**	**3,029,605**

(*) These EUR 1,283,295 thousand represented the fair value of derivatives (with asset balances) entered into with netting agreements, although the existence of these agreements was not taken into account in order to reduce the value of their credit risk exposure. Of this amount, EUR 1,283,295 thousand relate to IRSs which have matching liability balances for the same amount with the same counterparty. Since the requirements established in Note 2.7 are met, they are presented at their net amount in the balance sheet.

22.4. Credit quality of unimpaired, non-past-due financial assets

22.4.1. Analysis of credit risk exposure by credit rating

At 31 December 2018, 81.3% of the exposure had been rated by a credit rating agency recognized by the Bank of Spain (74.2% at 31 December 2017). The distribution, by rating, of the rated exposure is as follows:

Level	Rating (*)	Percentage	
		2018	2017
1	AAA-AA	9.8%	7.1%
2	A	24.3%	33.9%
3	BBB	55%	44.0%
4	BB	10.4%	12.8%
5	B	0.5%	2.2%
6	CCC and below	-	-
	Total	100%	100%

(*) The exposures were classified taking the most conservative of the ratings granted by the two rating agencies used to manage the Bank's risk: Moody's and S&P.

This distribution of rated exposure excludes positions in government debt securities and guaranteed debt, and that corresponding to central counterparties, all of which are exempt for the purposes of the large risk limits.

22.4.2. Classification of credit risk exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (excluding impairment losses and other valuation adjustments recognized) in connection with financial assets not past-due or impaired at 31 December 2018 and 2017:

31 December 2018:

	Thousands of Euros										
	Resident Public Sector	**Resident Credit Institutions**	**Other resident financial companies**	**Resident non financial companies**	**Resident Households**	**Non-resident Public Sector**	**Non-Resident Credit Institutions**	Other non-resident financial companies	Non-Resident non financial companies	Non-Resident Households	**Total**
1. Financial assets at amortised cost											
1.1 Loans and credits to credit institutions	**-**	**1,666,849**	**-**	**-**	**-**	**-**	**257,906**	**-**	**-**	**-**	**1,924,755**
- On demand	-	-	-	-	-	-	-	-	-	-	-
- Reverse repurchase agreements	-	1,143,486	-	-	-	-	95,421	-	-	-	1,238,907
- Other term loans	-	11,709	-	-	-	-	-	-	-	-	11,709
- Advances different from loans	-	511,654	-	-	-	-	162,485	-	-	-	674,139
1.2 Debt instruments	**717,902**	**74,119**	**41,200**	**157,485**	**-**	**1,070,409**	**121,491**	**22,512**	**74,890**	**-**	**2,280,008**
1.3 Loans and advances to customers	**80,203**	**-**	**372,536**	**7,091**	**49,139**	**-**	**-**	**13,117**	**16,017**	**140**	**538,243**
- On demand	-	-	10,734	-	16	-	-	-	-	-	10,750
- Credit card debt	-	-	6	-	582	-	-	-	-	2	590
- Trade receivables	-	-	-	-	-	-	-	-	15,991	-	15,991
- Reverse repurchase agreements	-	-	108,220	-	-	-	-	-	-	-	108,220
- Other term loans	80,000	-	7,292	5,919	48,537	-	-	1,813	26	138	143,725
- Advances different from loans	203	-	246,284	1,172	4	-	-	11,304	-	-	258,967
Total debt instruments	798,105	1,740,968	413,736	164,576	49,139	1,070,409	379,397	35,629	90,907	140	4,743,006
2, Contingent liabilities-											
Financial guarntees and other indomenities	-	63,690	6,707	-	-	-	-	-	-	-	70,397
Total contingent liabilities	-	63,690	6,707	-	-	-	-	-	-	-	70,397
3, Other exposures-											
Derivatives	-	80,909	357,218	6,572	-	-	482,262	-	-	-	926,961
Contingent commitments	100,000	-	-	88,421	1,206	-	-	-	9,975	-	199,602
Total other exposures	100,000	80,909	357,218	94,993	1,206	-	482,262	-	9,975	-	1,126,563
Total	898,105	1,885,567	777,661	259,569	50,345	1,070,409	861,659	35,629	100,882	140	5,939,966

31 December 2017:

	Thousands of Euros							
	Resident Public Sector	**Resident Credit Institutions**	**Other Resident Entities**	**Other Residents**	**Non-resident Public Sector**	**Non-Resident Credit Institutions**	**Other non-Resident Sectors**	**Total**
1. Debt instruments-								
1.1 Loans and advances to credit institutions	**-**	**1,849,603**	**-**	**-**	**-**	**166,057**	**-**	**2,015,660**
- Reverse repurchase agreements	-	1,213,954	-	-	-	11,219	-	1,225,173
- Time deposits	-	32,652	-	-	-	-	-	32,652
- Deposits provided as guarantee for securities lending	-	259,211	-	-	-	141,244	-	400,455
- Other accounts	-	343,786	-	-	-	13,594	-	357,380
- Other								
1.2 Debt instruments	**1,461,068**	**96,635**	**-**	**207,214**	**589,666**	**25,146**	**123,726**	**2,503,455**
1.3 Loans and advances to customers	**100,000**	**-**	**14,790**	**689,777**	**13**	**-**	**85,848**	**890,428**
- Reverse repurchase agreements	-	-	-	303,921	-	-	78,498	382,419
- Deposits provided as guarantee for securities lending	-	-	-	-	-	-	-	-
- Other loans and credits	100,000	-	14,790	57,991	13	-	3,910	176,704
- Mortgage loans	-	-	-	46,143	-	-	-	46,143
- Other assets	-	-	-	281,722	-	-	3,440	285,162
Total debt instruments	**1,561,068**	**1,946,238**	**14,790**	**896,991**	**589,679**	**191,203**	**209,574**	**5,409,543**
2. Contingent liabilities-								
Financial guarantees and other indemnities	-	63,784	-	3,387	-	-	43	67,214
Documentary credit	-	-	-	-	-	-	-	-
Total contingent liabilities	**-**	**63,784**	**-**	**3,387**	**-**	**-**	**43**	**67,214**
3. Other exposures-								
Derivatives	-	149,652	351,326	2,306	-	529,841	-	1,033,125
Contingent commitments	25,000	-	-	146,478	-	-	9,985	181,463
Total other exposures	**25,000**	**149,652**	**351,326**	**148,784**	**-**	**529,841**	**9,985**	**1,214,588**
Total	**1,586,068**	**2,159,674**	**366,116**	**1,049,162**	**589,679**	**721,044**	**219,602**	**6,691,345**

Also, as stated in the applicable legislation, presented below is the distribution of the loans to customers by type of counterpart (book value), with certain information about your warranties as of 31 December 2018 and 2017:

31 December 2018:

	Thousands of euros							
				Credit with real estate collateral. Carrying amount on amount of the latest available valuation (*Loan to value)*				
	TOTAL	**Of which: real estate collateral**	**Of which: Other real guarantees**	**Less or equal to 40%**	**More than 40% and less or equal than 60%**	**More than 60% and less or equal than 80%**	**More than 80% and less or equal than 100%**	**More than 100%**
Public Administrations	**80,203**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial institutions and individual entrepreneurs (financial business activity)	**385,653**	**-**	**108,197**	**-**	**-**	**-**	**108,197**	**-**
Non-financial entities and individual entrepreneurs (non-financial business activity)	**23,108**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Construction and property development	-	-	-	-	-	-	-	-
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	23,108	-	-	-	-	-	-	-
Big enterprises	23,107	-	-	-	-	-	-	-
SMEs and individual entrepreneurs	1	-	-	-	-	-	-	-
Rest of households	**49,279**	**44,821**	**-**	**12,066**	**12,946**	**9,937**	**5,698**	**4,174**
Houses	44,206	44,581	-	12,066	12,706	9,937	5,698	4,174
Consumption	2,641	-	-	-	-	-	-	-
Other purposes	2,432	240	-	-	240	-	-	-
Subtotal	**538,243**	**44,821**	**108,197**	**12,066**	**12,946**	**9,937**	**113,895**	**4,174**
Minus: Value adjustments for impairment of assets not attributable to specific operations	**(347)**							
Total	**537,896**	**44,821**	**108,197**	**12,066**	**12,946**	**9,937**	**113,895**	**4,174**

31 December 2017:

	Thousands of Euros							
				Credit with real estate collateral. Carrying amount on amount of the latest available valuation. (*Loan to value)*				
	TOTAL	Of which: real estate collateral	Of which: Other real guarantees	Less or equal to 40%	More than 40% and less or equal than 60%	More than 60% and less or equal than 80%	More than 80% and less or equal than 100%	More than 100%
Public Administrations	**100,013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial institutions and individual entrepreneurs (financial business activity)	**700,634**	**-**	**382,187**	**-**	**-**	**-**	**-**	**382,187**
Non-financial entities and individual entrepreneurs (non-financial business activity)	**37,467**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Construction and property development	-	-	-	-	-	-	-	-
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	37,467	-	-	-	-	-	-	-
Big enterprises	37,458	-	-	-	-	-	-	-
SMEs and individual entrepreneurs	9	-	-	-	-	-	-	-
Rest of households	**52,314**	**46,526**	**-**	**8,482**	**6,716**	**15,808**	**10,734**	**4,786**
Houses	46,877	46,143	-	8,401	6,716	15,808	10,432	4,786
Consumption	2,345	-	-	-	-	-	-	-
Other purposes	3,092	383	-	81	-	-	302	-
Subtotal	**890,428**	**46,526**	**382,187**	**8,482**	**6,716**	**15,808**	**10,734**	**386,973**
Minus: Value adjustments for impairment of assets not attributable to specific operations	**(168)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**890,260**	**46,526**	**382,187**	**8,482**	**6,716**	**15,808**	**10,734**	**386,973**

22.5. Information on non-performing loans ratios

In view of the activities carried on by the Group and the risk profile assumed by it, its non-performing loans ratios, measured as non-performing assets as a percentage of total credit risk, is 0.01% at 31 December 2018 (1.57% at 31 December 2017).

22.6. Financial assets renegotiated in the year

At 31 December 2018 and 2017, the Group had only two refinanced transactions, both of which related to a single employee and which arose due to the defaulted repayments on the loans which this employee had been granted by the Entity. The gross carrying amount of these transactions at 31 December 2018 was EUR 389 thousand, with a specific allowance of EUR 149 thousand (31 December 2017: EUR 406 thousand and EUR 104 thousand, respectively).

22.7. Impaired assets

Following is a detail, by method used to calculate impairment losses (non-performing assets), of the financial assets considered to be impaired due to credit risk at 31 December 2018 and 2017:

	Thousands of Euros					
	31 December 2018			31 December 2017		
	Financial Assets Individually Assessed as Impaired	Financial Assets Collectively Assessed as Impaired	Total Impaired Assets	Financial Assets Individually Assessed as Impaired	Financial Assets Collectively Assessed as Impaired	Total Impaired Assets
1. Loans and receivables-						
1.1 Loans and advances to credit institutions (Note 8)	34	-	34	78	-	78
1.2 Debt instruments (Note 8)	-	-	-	50,984	-	50,984
1.3 Loans and advances to customers (Note 8)	228	642	870	54,743	755	55,498
Total debt instruments	**262**	**642**	**904**	**105,805**	**755**	**106,560**
2. Contingent liabilities-						
2.1 Financial bank guarantees and other bonds (Note 27.1)	-	-	-	-	-	-
2.2 Documentary credits (Note 27.1)	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-
3. Other exposures-						
3.1 Derivatives (Note 6.1)	-	-	-	-	-	-
3.2 Contingent commitments (Note 27.1)	-	-	-	-	-	-
Total other exposures	-	-	-	-	-	-
Total	**262**	**642**	**904**	**105,805**	**755**	**106,560**

Assets (secured loans) presented by the Group in the foregoing table as “individually impaired” at 31 December 2018 and 2017 were classified on the basis of an analysis of each such transaction, taking into account factors such as the financial position and solvency of the debtors, adverse changes in the fair value of the assets, giving rise to impairment, and other evidence justifying their classification as individually impaired under current legislation.

In connection with the information provided in the foregoing tables, it should be noted that financial assets classified as at fair value through profit or loss which might be impaired due to credit risk were not included, since when such assets are measured at fair value, any impairment losses are recognized as an adjustment to fair value in the Group’s financial statements.

All the transactions considered by the Group to be impaired at 31 December 2018 were classified under the “Loans and advances to credit institutions” and “loans and advances to customers” category for EUR 904 thousand. The transactions considered by the Group to be impaired at 31 December 2017 were classified in "Loans and Receivables" for EUR 106,560 thousand.

22.8. Changes in, and distribution of, impairment losses

Following are the changes in the impairment losses due to credit risk recognized by the Group in 2018 and 2017:

2018:

	Thousands of Euros					
	Balance at 1 January 2018	**Net Additions (Reversals) Charged (Credited) to Income (*)**	**Transfers Between Items**	**Amounts Used in the Year**	**Other Movements (**)**	**Balance at 31 December 2018**
1. Impairment losses not specifically identified						
1.1 Loans and receivables-						
- Loans and advances to credit institutions	-	26	-	-	-	26
- Debt instruments	1,102	(302)	-	-	1,554	2,354
- Loans and advances to customers	168	(234)	-	-	422	356
Total debt securities	1,270	(510)	-	-	1,976	2,736
1.2 Contingent risks -						
- Financial bank guarantees (Note 17.2)	206	(133)	-	-	201	274
Total Contingent Risks	206	(133)	-	-	201	274
1.3 Other exposures -	-	-	-	-	-	-
Total	**1,476**	**(643)**	**-**	**-**	**2,177**	**3,010**
2. Specifically identified impairment losses						
2.1 Debt securities -						
- Loans and advances to credit institutions	79	(44)	-	-	(1)	34
- Debt instruments	29,253	(7)	-	(29,246)	-	-
- Loans and advances to customers	54,725	71	-	(54,725)	157	228
Total debt instruments	84,057	20	-	(83,971)	156	262
2.2 Contingent Risks -	-	-	-	-	-	-
Total Contingent Risks	-	-	-	-	-	-
2.3 Other exposures -	-	-	-	-	-	-
Total	**84,057**	**20**	**-**	**(83,971)**	**156**	**262**
Total impairment losses (1+2)	**85,533**	**(623)**	**-**	**(83,971)**	**2,333**	**3,272**

(*) The total balance of “Net Additions/(Reversals) Charged/(Credited) to Income”, representing a recovery of EUR 490 thousand, was recognized with a credit to “Impairment or Reversal of Impairment on Financial Assets Not Measured at Fair Value through Profit or Loss” (see Note 38) in the income statement for 2018. The remaining EUR 133 thousand are recognised under “Provisions or Reversal of Provisions” in the statement of profit or loss for 2018 (see Note 17).
(**) Relates to the increase in the specifically identified impairment losses on debt securities as a result of adjustments made for exchange differences, and to the effects of initial application of IFRS 9 (see Note 1.4).

2017:

	Thousands of Euros					
	Balance at 1 January 2017	**Net Additions (Reversals) Charged (Credited) to Income (*)**	**Transfers Between Items**	**Amounts Used in the Year**	**Other Movements (**)**	**Balance at 31 December 2017**
1. Impairment losses not specifically identified						
1.1. Debt securities						
- Loans and advances to credit institutions	98	(48)	-	(50)	-	-
- Debt instruments	1,404	(302)	-	-	-	1,102
- Loans and advances to customers	4,739	(4,409)	-	-	(162)	168
Total debt securities	6,241	(4,759)	-	(50)	(162)	1,270
1.2 Contingent risks -						
- Financial bank guarantees (Note 17.2)	134	72	-	-	-	206
Total Contingent Risks	134	72	-	-	-	206
1.3 Other exposures -	-	-	-	-	-	-
Total	**6,375**	**(4,687)**	**-**	**(50)**	**(162)**	**1,476**
2. Specifically identified impairment losses						
2.1 Debt securities -						
- Loans and advances to credit institutions	51	28	-	-	-	79
- Debt instruments	34,231	(2,282)	-	-	(2,696)	29,253
- Loans and advances to customers	54,916	(191)	-	-	-	54,725
Total debt instruments	89,198	(2,445)	-	-	(2,696)	84,057
2.2 Contingent Risks -	-	-	-	-	-	-
Total Contingent Risks	-	-	-	-	-	-
2.3 Other exposures -	-	-	-	-	-	-
Total	**89,198**	**(2,445)**	**-**	**-**	**(2,696)**	**84,057**
Total impairment losses (1+2)	**95,573**	**(7,132)**	**-**	**(50)**	**(2,858)**	**85,533**

(*) The total balance of "Net Additions/(Reversals) Charged/(Credited) to Income", representing a recovery of EUR 7,132 thousand, was recognized with a credit to "Impairment Losses on Financial Assets (Net)" (see Note 38) in the income statement for 2017.
(**) There was a decrease in the specifically identified impairment losses on debt instruments as a result of adjustments made for exchange differences.

Following is a detail, by financial instrument category, of the impairment losses recognized by the Group due to credit risk at 31 December 2018 and 2017:

31 December 2018:

	Thousands of Euros			
	Financial assets at fair value through other comprehensive income (Note 9)	**Financial assets at amortised cost (Note 10)**	**Provisions for Contingent Liabilities and Commitments (Note 17.2)**	**Total**
1. Impairment losses not specifically identified				
1.1 Debt securities-				
- Loans and advances to credit institutions	-	26	-	26
- Debt instruments	611	1,743	-	2,354
- Loans and advances to customers	-	356	-	356
Total debt securities	611	2,125	-	2,736
1.2 Contingent Risks -				
- Financial bank guarantees	-	-	274	274
Total contingent liabilities	-	-	274	274
1.3 Other exposures -	-	-	-	-
Total	611	2,125	274	3,010
2. Specifically identified impairment losses				
2.1 Debt securities -				
- Loans and advances to credit institutions	-	34	-	34
- Debt instruments	-	-	-	-
- Loans and advances to customers	-	228	-	228
Total debt securities	-	262	-	262
2.2 Contingent Risks -	-	-	-	-
2.3. Other exposures -	-	-	-	-
Total	-	262	-	262
Total impairment losses (1+2)	611	2,387	274	3,272

31 December 2017:

	Thousands of Euros			
	Available-For-Sale Financial Assets (Note 9)	**Loans and Receivables (Note 10)**	**Provisions for Contingent Liabilities and Commitments (Note 17.2)**	**Total**
1. Impairment losses not specifically identified				
1.1 Loans and receivables-				
- Loans and advances to credit institutions	-	-	-	-
- Debt instruments	1,102	-	-	1,102
- Loans and advances to customers	-	168	-	168
Total Loans and Receivables	1,102	168	-	1,270
1.2 Contingent Risks -				
- Financial bank guarantees	-	-	206	206
Total contingent liabilities	-	-	206	206
1.3 Other exposures -	-	-	-	-
Total	1,102	168	206	1,476
2. Specifically identified impairment losses				
2.1 Loans and receivables -				
- Loans and advances to credit institutions	-	79	-	79
- Debt instruments	-	29,253	-	29,253
- Loans and advances to customers	-	54,725	-	54,725
Total loans and receivables	-	84,057	-	84,057
2.2. Contingent Risks -	-	-	-	-
2.3. Other exposures -	-	-	-	-
Total	-	84,057	-	84,057
Total impairment losses (1+2)	1,102	84,225	206	85,533

As previously stated, pursuant to the applicable legislation, the Group does not calculate impairment losses due to credit risk on equity instruments owned by it (impairment losses on these financial assets are calculated as set forth in Note 2.9) or on debt instruments classified as at fair value through profit or loss since, because they are carried at fair value, any changes in fair value due to credit risk are recognized immediately in the income statement. Accordingly, these impairment losses are not included in the foregoing tables.

22.9. Past-due but not impaired assets

At 31 December 2018 and 2017 the Group had not recognized any material past-due but not impaired assets in its financial statements.

22.10. Write-off of impaired financial assets

At 31 December 2018 and 2017 the Group did not have any material financial assets that, pursuant to the criteria set forth in Note 2, had been written off due to credit risk, and there were no significant changes in this connection during this years.

22.11. Exposure to real estate risk

The only operations granted by the Group at 31 December 2018 and 2017 concerning real state exposure are those loans intended to be used for housing acquisition, which are granted to its employees. Following is a detail of the latter:

	Thousands of Euros			
	31 December 2018		**31 December 2017**	
	Gross amount	***From which: Doubtful***	**Gross amount**	***From which: Doubtful***
Credit for house purchase -				
Without mortgage guarantee	210	*8*	2,598	*9*
With mortgage guarantee	44,821	*419*	46,143	*292*
	45,031	*427*	48,741	*301*

Following is the breakdown of credit with mortgage guarantee to households for house purchase, according to the percentage represented by the total risk over the amount of the last available valuation (loan to value) included in this balance sheets heading as of 31 December 2018 and 2017:

31 December 2018:

	Thousands of Euros					
	Risk over the amount of the last available valuation					
	Less or equal than 40%	**More than 40% and less or equal than 60%**	**More than 60% and less or equal than 80%**	**More than 80% and less or equal than 100%**	**More than 100%**	**Total**
Gross amount	12,066	12,946	9,937	5,698	4,174	44,821
From which: Non-performing	-	*68*	*248*	*103*	-	*419*

31 December 2017:

	Thousands of Euros					
	Risk over the amount of the last available valuation					
	Less or equal than 40%	More than 40% and less or equal than 60%	More than 60% and less or equal than 80%	More than 80% and less or equal than 100%	More than 100%	Total
Gross amount	8,401	6,716	15,808	10,432	4,786	46,143
From which: Non-performing	*107*	-	*69*	*116*	-	*292*

22.12. Other disclosures on credit risk

The amount of accrued, past-due uncollected receivables on impaired financial assets was not material at 31 December 2018 or 2017 or in the years then ended.

In 2018 and 2017 no guarantees associated with financial assets owned by the Group were executed in order to guarantee the collection thereof.

23. Exposure to market risk

Market risk is defined as the risk that affects results or capital as a result of adverse changes in the prices of bonds, securities and commodities and in the exchange rates of transactions recognized in the trading book. This risk arises in market making and trading activities and the taking of positions in bonds, securities, foreign currencies, commodities and derivatives (on bonds, securities, currencies and commodities). This risk includes foreign currency risk, which is defined as the actual or potential risk that affects results or capital as a result of adverse changes in exchange rates in the banking book.

The exposure direct to market risk arises from several financial factors affecting market prices. These factors include mainly, but not only, the following:

Interest rates risk

Interest rate risk is the exposure to market fluctuations due to changes in the general level of interest rates.

Currency

The currency risk to which the Group is exposed arises from its FX activities in the international capital markets.

Variable income

Represents the risk of incurring losses as a result of a change in stock prices.

Value at Risk (“VaR”) provides an integrated measure of market risk and encompasses the basic elements thereof: interest rate risk, foreign currency risk, equity risk and the risk of volatility of the foregoing factors.

The distribution of the VaR of the trading book by desk at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Money and currency markets	874	1,024
Forex products	550	390
Debt table	1,239	780
Variable income table	257	527
Derivatives products	493	260
Credit table	165	135
Banknotes	21	27

For the operation in certain types of complex exotic options, for which risk management and measurement is very complicated, the general policy is to eliminate this portfolio risk by contracting back to back operations (mirror) in the market .

The Board of Directors establishes global limits as part of the establishment of the risk tolerance framework. The limit structure is based on the VaR methodology mentioned above and on the values of maximum real loss authorized with different time horizons.

24. Liquidity risk

Liquidity risk is defined as:

- The uncertainty of being able to finance at reasonable prices the commitments acquired, at a time when it is difficult to resort to external financing during a certain period.
- The maintenance or generation of levels of liquidity required to finance future business growth.

In other words, this risk reflects the probability of incurring losses or having to reject new business or growth in current business as a result of being unable to meet commitments normally when they fall due or being unable to finance additional needs at market rates. In order to mitigate this risk, the Bank periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Group has planned measures to enable it to restore the Group's overall financial equilibrium in the event of a possible shortfall in liquidity.

Liquidity risk management consists of ensuring the availability at all times of the instruments and processes that will enable the Group to meet its payment commitments on a timely basis, in such a manner that it will have the resources required to maintain sufficient liquidity levels to meet its payments without significantly compromising the Group's results, and maintain the mechanisms which will enable it to meet those payment commitments if various possible scenarios should arise.

Generally speaking, the Group has traditionally had various means of raising liquidity, including that of attracting customer deposits, the use of various cash facilities made available by official agencies, and the obtainment of liquidity through the interbank market.

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising from all the balance sheet aggregates) and shows the mismatch structure in the balance sheet in terms of cash inflows and outflows.

It reflects the liquidity level maintained under normal market conditions. This measure provides information on contractual and non-contractual cash inflows and outflows (pursuant to historical-behaviour based assumptions to which statistical analyses are applied).

Following is a detail at 31 December 2018 and 2017 of the Group's main financial assets and liabilities (other than derivatives) at those dates, classified by residual maturity and estimated on the basis of their contractual conditions, excluding the related valuation adjustments:

Detail at 31 December 2018:

	Thousands of Euros						
	Demand Deposits	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Assets:							
Cash, cash balances at central banks and other demand deposits	3,268,540	-	-	-	-	-	3,268,540
Financial assets held for trading - Debt securities	-	-	29,274	29,447	293,777	400,198	752,696
Financial assets held for trading - Other equity instruments	-	-	-	240,744	-	-	240,744
Non trading financial assets mandatorily at fair value through profit or loss – equity instrument	-	-	-	-	-	19,093	19,093
Non trading financial assets mandatorily at fair value through profit or loss – Debt securities	-	-	6	-	20,487	20,827	41,320
Financial assets designated at fair value through profit or loss - Loans and advances to credit institutions	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income - Debt instruments (*)	-	-	90,126	107,545	1,029,702	241,916	1,469,289
Financial assets at fair value through other comprehenvise income - Other equity instruments (**)	-	-	-	-	-	10,295	10,295
Financial assets at amortised cost - Loans and advances to credit institutions	648,043	931,917	174,265	18,385	-	152,179	1,924,789
Financial assets at amortised cost - Loans and advances to customers	269,615	124,212	2,566	7,399	37,667	97,654	539,113
Financial assets at amortised cost - Debt instruments	-	-	-	-	-	23,150	23,150
Total at 31 December 2018	**4,186,198**	**1,056,129**	**296,237**	**403,520**	**1,381,633**	**965,312**	**8,289,029**
Liabilities:							
Financial liabilities held for trading - short positions	-	366,666	43,168	-	-	-	409,834
Financial liabilities at amortized cost - Deposits from central banks	-	349,238	-	-	-	-	349,238
Financial liabilities at amortized cost - Deposits from credit institutions	750,743	428,047	-	24,144	-	-	1,202,934
Financial liabilities at amortized cost - Customer deposits	5,029,441	76,604	-	4,506	4,452	616	5,115,619
Total at 31 December 2018	**5,780,184**	**1,220,555**	**43,168**	**28,650**	**4,452**	**616**	**7,077,625**
Difference (assets less liabilities) at 31 December 2018	**(1,593,986)**	**(164,426)**	**253,069**	**374,870**	**1,377,181**	**964,696**	**1,211,404**

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.
(**) Presented at fair value.

Detail at 31 December 2017:

	Thousands of Euros						
	Demand Deposits	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	After 5 Years	Total
Assets:							
Cash, cash balances at central banks and other demand deposits	2,658,845	-	-	-	-	-	2,658,845
Financial assets held for trading - Debt securities	-	30,992	38,281	158,952	368,206	229,455	825,886
Financial assets held for trading - Other equity instruments	-	-	-	287,482	-	-	287,482
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	247,096	9,836	-	-	-	256,932
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	-	-	-	-	-	-
Available-for-sale financial assets - Debt instruments (*)	-	634,416	182,278	272,030	494,004	151,919	1,734,647
Available-for-sale financial assets - Other equity instruments (**)	-	-	-	-	-	38,716	38,716
Loans and receivables - Loans and advances to credit institutions	1,726,076	32,730	-	-	-	-	1,758,806
Loans and receivables - Loans and advances to customers	623,927	158,456	141,012	22,531	-	-	945,926
Loans and receivables - Debt instruments	-	11,068	958	15,005	-	23,953	50,984
Total at 31 December 2017	5,008,848	1,114,758	372,365	756,000	862,210	444,043	8,558,224
Liabilities:							
Financial liabilities held for trading - short positions	-	106,677	277,935	9,325	-	-	393,937
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss - Customer deposits	-	-	-	-	-	-	-
Financial liabilities at amortized cost - Deposits from central banks	-	-	-	-	-	-	-
Financial liabilities at amortized cost - Deposits from credit institutions	562,876	238,988	45,868	10,639	-	-	858,371
Financial liabilities at amortized cost - Customer deposits	5,265,020	267,235	19	86	336	676	5,533,372
Total at 31 December 2017	5,827,896	612,900	323,822	20,050	336	676	6,785,680
Difference (assets less liabilities) at 31 December 2017	(819,048)	501,858	48,543	735,950	861,874	443,367	1,772,544

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.

(**) Presented at fair value.

With a view to the correct interpretation of the information contained in the foregoing tables, it should be stated that the assets and liabilities were classified therein in accordance with their contractual terms and conditions and, accordingly, there are liabilities, such as current accounts on the liability side of the balance sheet, which are more stable and more permanent than “on demand” (the criteria used to classify them in the foregoing tables). Also, the assets classified as financial assets held for trading will generally be realized earlier than their respective maturity dates (the criterion used to classify them in the foregoing table).

It is also worthy of note that asset and liability trading derivatives were not included in the foregoing tables due to the differences that might exist between their fair value at the date on which they were recognized and their possible settlement value and due to the fact that, considering the Group's operations with these products and the symmetry of, and economic hedging performed between, the positions bought and sold, their inclusion would not have a significant impact on the liquidity gap shown in the foregoing tables. Nor do the foregoing tables include hedging derivatives, as their impact was not considered important from the standpoint of the information shown therein.

The Group also monitors the available liquid assets in order to identify possible sources of liquidity to be used in the event of a liquidity contingency.

The Board of Directors, as part of its oversight function, establishes a framework of liquidity risk limits geared towards ensuring that the Group complies comfortably with regulatory requirements vis-à-vis its liquidity position, and that it continues to perform transactions on the markets and conduct its business activity in such a way as to ensure the sufficient diversification of its sources of funds. These limits are set on the basis of a series of liquidity ratios whose purpose is to assess and measure the Group's on-balance-sheet liquidity.

Stress tests are also carried out, combining various scenarios involving restricted access to capital markets, a mass withdrawal of demand deposits, the drawdown of contingent liquidity commitments, and other external market conditions.

In addition, a series of liquidity-crisis early-warning and intensity indicators are monitored on a daily basis and a detailed, permanently updated inventory is kept of the on-balance-sheet assets that are readily convertible into cash.

25. Interest rate risk

Structural on-balance-sheet interest rate risk can be defined as the exposure of an entity's financial and economic position to adverse changes in interest rates, resulting from timing mismatches between the maturity and repricing dates of global balance sheet items. This risk is a quintessential element of the banking business and can have a major effect on the financial margin and the economic value of equity. Consequently, a risk management capable of maintaining interest rate risk at prudent levels is indispensable in order to safeguard and bolster the Group's position (see Notes 2.4 and 11).

The business and management efforts are focus on achieving a stable, recurring earnings structure and are geared towards preserving the economic value of equity, with a view to guaranteeing the orderly growth of the Group in the long term.

To attain the objectives described above the Group has created an on-balance-sheet structural risk limit structure to guarantee that risk exposure levels are within the tolerance level set by senior management. The Board of Directors defines the general framework for the management of the balance sheet and approves the risk limits based on its risk tolerance. Structural risks are managed at short, medium and long term using limits that are approved by the Board itself and monitored on a monthly basis.

Thus, certain limits are set in terms of sensitivity to changes in market interest rates. These changes affect both net interest income and economic value.

Senior management is actively involved in on-balance-sheet risk management through the Asset-Liability Committee (ALCO). This committee is responsible for taking the action required to correct any possible on-balance-sheet risk imbalances.

In order to measure, analyze and control the structural risk management of the balance sheet, an analysis is carried out to measure the excess or defect of the volume of sensitive assets against the sensitive liability, such as unmarried volume (and therefore not covered) and subject to possible variations in interest rates. In this way, exposure to risk is identified by studying the concentration of masses with risk of repricing for temporarily significant periods.

Similarly to include a dynamic analysis of the balance sheet to various interest rate scenarios, performs simulations of the performance of the net interest margin over a time horizon of one year. This enables it to analyze the effect of changes due to fluctuations in interest rates based on the repricing gaps of the various balance sheet items.

To complete these sensitivity measures, a methodology which is similar to Market VaR is applied to allow the economic value of the capital at risk to be calculated for a one-month time horizon with a confidence level of 99%, taking into account all the risk factors which affect the balance sheet.

26. Risk concentration

26.1 Risk concentration by activity and geographical area

Following is a detail, by geographical area of residence of the counterparty, type and category of financial instrument, of the distribution of the carrying amount of the Group's financial assets at 31 December 2018 and 2017 (including valuation adjustments):

Risk Concentration by activity and geographical area. Total activity (book value):

31 December 2018:

	Thousands of Euros				
	TOTAL	Spain	Rest of the European Union	America	Rest of the world
Credit Institutions	**6,016,539**	**5,063,950**	**855,505**	**69,562**	**27,522**
Public Administrations	**1,899,999**	**839,431**	**1,060,568**	**-**	**-**
• Central Administration	1,553,330	492,762	1,060,568	-	-
• Other	346,669	346,669	-	-	-
Other Credit Institutions	**908,527**	**744,840**	**153,261**	**9,992**	**434**
Non- financial societies and individual entrepreneurs	**303,863**	**244,545**	**58,324**	**-**	**994**
• Construction and property development	-	-	-	-	-
• Construction of Civil Works	-	-	-	-	-
• Other purposes	303,863	244,545	58,324	-	994
- Large companies	300,254	240,936	58,324	-	994
- SMEs and Individual entrepreneurs	3,609	3,609	-	-	-
Rest of households and NPISHs	**49,930**	**49,790**	**140**	**-**	-
• Houses	46,500	46,362	138	-	-
• Consumption	2,634	2,632	2	-	-
• Other purposes	796	796	-	-	-
Total	**9,178,858**	**6,942,556**	**2,127,798**	**79,554**	**28,950**

31 December 2017:

	Thousands of Euros				
	Total	Spain	Rest of the European Union	America	Rest of the world
Central Banks and credit institutions	**5,584,780**	**4,721,414**	**754,297**	**92,739**	**16,330**
Public Administrations	**2,212,579**	**1,623,582**	**588,997**	**-**	**-**
• Central Administration	1,762,769	1,173,772	588,997	-	-
• Other	449,810	449,810	-	-	-
Other Credit Institutions	**1,362,376**	**1,136,156**	**213,172**	**12,531**	**517**
Non- financial societies and individual entrepreneurs	**277,769**	**226,791**	**48,979**	**-**	**1,999**
• Construction and property development	-	-	-	-	-
• Construction of Civil Works	-	-	-	-	-
• Other purposes	277,769	226,791	48,979	-	1,999
- Large companies	274,862	223,884	48,979	-	1,999
- SMEs and Individual entrepreneurs	2,907	2,907	-	-	-
Rest of households and NPISHs	**52,135**	**51,969**	**166**	-	-
• Houses	46,877	46,725	152	-	-
• Consumption	2,345	2,341	4	-	-
• Other purposes	2,913	2,903	10	-	-
Total	**9,489,639**	**7,759,912**	**1,605,611**	**105,270**	**18,846**

Risk Concentration by activity and geographical area. Activity in Spain (book value):

31 December 2018:

	Thousands of Euros									
		Autonomous communities								
	TOTAL	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla - La Mancha	Castilla León	Cataluña
Credit Institutions	**5,063,950**	**100,471**	**76,972**	**-**	**1,275**	**-**	**408,358**	**45,015**	**-**	**-**
Public Administrations	**839,431**	**82,166**	**17,081**	**-**	**-**	**-**	**-**	**63,637**	**4,549**	**-**
• Central Administration	492,762	-	-	-	-	-	-	-	-	-
• Other	346,669	82,166	17,081	-	-	-	-	63,637	4,549	-
Other Credit Institutions	**744,840**	**25,347**	**-**	**-**	**540**	**-**	**-**	**-**	**18,318**	**7,468**
Non- financial societies and individual entrepreneurs	**244,545**	**117**	**-**	**377**	**923**	**-**	**-**	**-**	**-**	**26,585**
• Construction and property development	-	-	-	-	-	-	-	-	-	-
• Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
• Other purposes	244,545	117	-	377	923	-	-	-	-	26,585
- Large companies	240,936	117	-	377	905	-	-	-	-	25,693
- SMEs and Individual entrepreneurs	3,609	-	-	-	18	-	-	-	-	892
Rest of households	**49,790**	**1**	**-**	**-**	**-**	**-**	**-**	**320**	**201**	**1**
• Houses	46,362	-	-	-	-	-	-	312	201	-
• Consumption	2,632	1	-	-	-	-	-	8	-	-
• Other purposes	796	-	-	-	-	-	-	-	-	1
Total	**6,942,556**	**208,102**	**94,053**	**377**	**2,738**	**-**	**408,358**	**108,972**	**23,068**	**34,054**

	Thousands of Euros								
	Autonomous communities								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Com. Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit Institutions	**-**	**382,080**	**3,314,780**	**-**	**-**	**531,537**	**203,462**	**-**	**-**
Public Administrations	**-**	**12,651**	**109,214**	**7,639**	**8,777**	**40,538**	**417**	**-**	**-**
Central Administration	-	-	-	-	-	-	-	-	-
Other	-	12,651	109,214	7,639	8,777	40,538	417	-	-
Other Credit Institutions	**-**	**19,318**	**673,847**	**-**	**-**	**-**	**2**	**-**	**-**
Non- financial societies and individual entrepreneurs	**-**	**25,486**	**161,411**	**-**	**1,220**	**180**	**28,192**	**54**	**-**
Construction and property development	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-
Other purposes	-	25,486	161,411	-	1,220	180	28,192	54	-
Large companies	-	25,486	158,946	-	1,220	-	28,192	-	-
SMEs and Individual entrepreneurs	-	-	2,465	-	-	180	-	54	-
Rest of households	**-**	**-**	**49,264**	**-**	**-**	**2**	**-**	**1**	**-**
Houses	-	-	45,849	-	-	-	-	-	-
Consumption	-	-	2,620	-	-	2	-	1	-
Other purposes	-	-	795	-	-	-	-	-	-
Total	**-**	**439,535**	**4,308,516**	**7,639**	**9,997**	**572,257**	**232,073**	**55**	**-**

31 December 2017:

	Thousands of Euros									
		Autonomous communities								
	TOTAL	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla - La Mancha	Castilla León	Cataluña
Central Banks and credit institutions	**4,721,414**	**68,293**	**1,040**	**-**	**1,610**	**-**	**1,015,766**	**156,627**	**-**	**1**
Public Administrations	**1,623,582**	**77,135**	**15,899**	**981**	**-**	**-**	**-**	**64,687**	**105,318**	**-**
• Central Administration	1,173,772	-	-	-	-	-	-	-	-	-
• Other	449,810	77,135	15,899	981	-	-	-	64,687	105,318	-
Other Credit Institutions	**1,136,156**	**27,819**	**-**	**27**	**297**	**2**	**-**	**-**	**18,446**	**24,552**
Non- financial societies and individual entrepreneurs	**226,791**	**-**	**-**	**76**	**2,680**	**-**	**-**	**-**	**-**	**28,888**
• Construction and property development	-	-	-	-	-	-	-	-	-	-
• Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
• Other purposes	226,791	-	-	76	2,680	-	-	-	-	28,888
- Large companies	223,884	-	-	76	2,665	-	-	-	-	28,840
- SMEs and Individual entrepreneurs	2,907	-	-	-	15	-	-	-	-	48
Rest of households	**51,969**	**2**	**-**	**-**	**-**	**-**	**-**	**351**	**218**	**-**
• Houses	46,725	-	-	-	-	-	-	297	218	-
• Consumption	2,341	2	-	-	-	-	-	12	-	-
• Other purposes	2,903	-	-	-	-	-	-	42	-	-
Total	**7,759,912**	**173,249**	**16,939**	**1,084**	**4,587**	**2**	**1,015,766**	**221,665**	**123,982**	**53,441**

	Thousands of Euros								
	Autonomous communities								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Com. Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Central Banks and credit institutions	**-**	**72,189**	**3,039,873**	**-**	**-**	**290,391**	**75,624**	**-**	**-**
Public Administrations	**-**	**34,021**	**115,455**	**7,900**	**-**	**-**	**28,414**	**-**	**-**
• Central Administration	-	-	-	-	-	-	-	-	-
• Other	-	34,021	115,455	7,900	-	-	28,414	-	-
Other Credit Institutions	**-**	**19,876**	**1,045,137**	**-**	**-**	**-**	**-**	**-**	**-**
Non- financial societies and individual entrepreneurs	**-**	**27,507**	**143,927**	**-**	**1,244**	**177**	**22,238**	**54**	**-**
• Construction and property development	-	-	-	-	-	-	-	-	-
• Construction of Civil Works	-	-	-	-	-	-	-	-	-
• Other purposes	-	27,507	143,927	-	1,244	177	22,238	54	-
- Large companies	-	27,507	141,314	-	1,244	-	22,238	-	-
- SMEs and Individual entrepreneurs	-	-	2,613	-	-	177	-	54	-
Rest of households	**-**	**-**	**51,393**	**-**	**-**	**4**	**-**	**1**	**-**
• Houses	-	-	46,210	-	-	-	-	-	-
• Consumption	-	-	2,322	-	-	4	-	1	-
• Other purposes	-	-	2,861	-	-	-	-	-	-
Total	**-**	**153,593**	**4,395,785**	**7,900**	**1,244**	**290,572**	**126,276**	**55**	**-**

26.2. Concentration of equity instruments

Following is a detail, by type of market listing, if any, and issuer, of the equity instruments held by the Group at 31 December 2018 and 2017:

31 December 2018:

	Thousands of Euros				
	Financial assets held for Trading (Note 8.1)	**Non trading financial assets mandatorily at fair value through profit or loss (Note 8.2)**	**Financial assets at fair value through other comprehensive income (Note 9)**	**Non-current assets for sale (Note 12)**	**Total**
By market listing-					
Shares listed in the Spanish secondary market	238,711	4,918	-	-	243,629
Shares listed in secondary markets in the rest of the	2,033	225	-	-	2,258
Unlisted shares	-	13,950	10,295	1,019	25,264
	240,744	19,093	10,295	1,019	271,151
By issuer type-					
Spanish financial institutions	103,269	18,868	-	-	122,137
Other Spanish companies	135,442	-	10,023	1,015	146,480
Other foreign companies	2,033	225	272	4	2,534
	240,744	19,093	10,295	1,019	271,151

31 December 2017:

	Thousands of Euros				
	Financial assets held for Trading (Note 8.1)	Non trading financial assets mandatorily at fair value through profit or loss (Note 8.2)	Financial assets at fair value through other comprehensive income (Note 9)	Non-current assets for sale (Note 12)	Total
By market listing-					
Shares listed in the Spanish secondary market	284,795	-	12,859	-	297,654
Shares listed in secondary markets in the rest of the world	2,687	-	6,146	-	8,833
Unlisted shares	-	-	19,711	1,015	20,726
	287,482	**-**	**38,716**	**1,015**	**327,213**
By issuer type-					
Spanish financial institutions	126,759	-	17,511	-	144,270
Other Spanish companies	158,036	-	14,815	1,015	173,866
Other foreign companies	2,687	-	6,390	-	9,077
	287,482	**-**	**38,716**	**1,015**	**327,213**

27. Other significant disclosures

27.1 Commitments and Contingent liabilities

“Financial Guarantees Provided” are defined as the amounts that would be payable by the Group on behalf of third parties as a result of the commitments assumed by the Group in the course of its ordinary business, if the parties who are originally liable to pay fail to do so.

Also, contingent commitments are possible obligations for the Group 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 Group and that may give rise to the recognition of financial assets.

The breakdown of the balance of Memorandum Items in the balance sheets at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Loan commitments given (Note 22.2)-		
General governments	100,000	25,000
Other financial corporations	19,339	110,192
Non-financial corporations	79,056	45,460
Households	1,207	811
	199,602	181,463
Financial guarantees given (Note 22.2)-		
Credit institutions	52	50
	52	50
Other commitments given (Note 22.2)-		
Credit institutions	179,445	505,518
Other financial corporations	853	1,811
Non-financial corporations	2,691	2,728
Households	101	106
	183,090	510,163
	382,744	**691,676**

A significant portion of these guarantees will expire without any payment obligation materializing for the Group and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

“Financial Guarantees Given” and “Other Commitments Given” include financial guarantees amounting to EUR 70,397 thousand at 31 December 2018 (31 December 2017: EUR 67,214 thousand).

The fee and commission income from these financial guarantees is recognized under “Fee and Commission Income” in the income statement on an accrual basis (see Note 31).

The provisions made to cater for the financial guarantees provided, which were calculated using criteria similar to those applied in the calculation of the impairment of financial assets measured at amortized cost, of which amounted to EUR 274 thousand at 31 December 2018 (31 December 2017: EUR 206 thousand), were recognized under “Provisions - Provisions for Contingent Liabilities and Commitments” in the balance sheet (see Note 17).

Note 22 contains disclosures relating to the credit risk assumed by the Group in connection with such financial guarantees provided and contingent commitments made.

27.2. Assets delivered as security

At 31 December 2018 and 2017, assets owned by the Group had been provided as security for transactions performed by it or by third parties, as well as for various liabilities and contingent liabilities assumed by the Group. The nominal amount, of the financial assets delivered as security for these liabilities, contingent liabilities and similar items at 31 December 2018 and 2017 was as follows:

	Thousands of Euros	
	2018	2017
Spanish Public Debt classified as financial assets at fair value through other comprehensive income	575,870	194,678
Other Assets classified as financial assets at fair value through other comprehensive income	45,000	150,000
Spanish Public Debt classified as financial Assets Held for Trading	16,300	91,300
Issued securities by other public organisms classified as financial assets at fair value through other comprehensive income	81,700	109,500
Issued securities by other public organisms classified as financial Assets Held for Trading	-	15,000
Issued Public Debt by no residents public administrations classified as financial assets at fair value through other comprehensive income	352,188	475,000
Issued Public Debt by no residents public administrations classified as financial Assets Held for Trading	-	10,000
	1,071,058	**1,045,478**

At 31 December 2018 and 2017, the Group had securities with a face value of EUR 27,536 and 71,233 thousand respectively as security for the performance of the Group's obligations relating to transactions with the clearing and settlement services.

At 31 December 2018, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 306,030 thousand (31 December 2017: EUR 281,404 thousand).

"Memorandum Item: Loaned or Advanced as Collateral", which is shown in each of the Group's financial asset categories in the balance sheets at 31 December 2018 and 2017, includes the amount of financial assets transferred, lent out or delivered as security in which the assignee is entitled, contractually or by custom, to retransfer them or pledge them as security, such as securities lending transactions or sales of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest.

27.3. Transactions for the account of third parties

The breakdown of the balance of “Contingent Commitments” at 31 December 2018 and 2017 is as follow:

	Thousands of Euros	
	2018	**2017**
Financial instruments granted to third parties-		
Debt instruments	78,887,084	82,710,839
Equity instruments	54,428,331	57,001,551
	133,315,415	139,712,390
Other financial assets	20,505,195	21,811,307
	153,820,610	161,523,697
Conditional bills and other securities received for collection	112,058	212,749
Borrowed securities (Note 27.4)	68,272	54,644
	154,000,940	**161,791,090**

“Financial Instruments Entrusted by Third Parties” in the foregoing table includes mainly the debt securities and equity instruments held by the Group under the contracts in force for third-party security depository and custody services.

27.4 Financial assets lent and borrowed

Pursuant to current legislation, the securities received by the Group in securities lending transactions are not recognized in the consolidated balance sheet unless the Group sells these securities in short sales transactions, in which case they are recognized as financial liabilities under “Financial Liabilities Held For Trading - Short Positions” on the liability side of the balance sheet.

Similarly, securities lending operations in which the Group lends securities to third parties are not reflected in the balance sheet. The securities lent may be securities borrowed previously by the Group or securities owned by the Group, not being derecognized in the latter case those securities borrowed from the consolidated balance sheet.

Deposits provided or received as security or guarantee for the securities received or lent by the Group, respectively, are accounted for as a financial asset or a financial liability, respectively, and the interest associated therewith is recognized as interest and similar income or as interest expense and similar charges, respectively, in the consolidated income statement, by applying the corresponding effective interest rate.

Following is a detail of the fair value of the financial assets borrowed by the Bank at 31 December 2018 and 2017:

	Thousands of Euros	
	2018	**2017**
Equity instruments	-	6,944
Debt instruments	-	29,915
	-	**36,859**

Following is a detail of the fair value of the financial assets borrowed and lent by the Group in securities lending transactions at 31 December 2018 and 2017:

	Thousands of Euros	
	2018	**2017**
Securities borrowed by the Group-		
Debt instruments issued by Public sector – Spain (Note 27.3)	68,272	54,644
	68,272	**54,644**

27.5 The Bank's Customer Care Service

Set forth below is a summary of the complaints and claims received by the Group's Customer Care Service in 2018 and 2017. Certain claims submitted to the Service were not admitted for consideration in 2018 and 2017 because they were claims that affected entities other than the Bank:

	2018	**2017**
Number of complaints and claims received	3	4
Number of complaints and claims not admitted for considerations	2	4
Number of complaints and claims admitted for consideration	1	-
Number of complaints and claims resolved	1	-
Number of complaints and claims resolved in favour of the complainant	-	-
Number of complaints and claims resolved against the claimant	1	-
Compensation paid to claimants (euros)	-	-
Number of complaints and claims outstanding	-	-

28. Interest income

The breakdown of the most important interest income earned by the Group in 2018 and 2017, by type of instrument giving rise to it, is as follows:

	Thousands of Euros	
	2018	**2017**
Financial assets held for trading	14,344	17,419
Non trading financial assets mandatorily at fair value through profit or loss	6,638	-
Financial assets designated at fair value through profit or loss	-	1
Financial assets at fair value through other comprehensive income	29,145	36,742
Financial assets at amortised cost	6,346	5,073
Derivatives – hedge accounting, interest rate risk	6,131	2,630
Interest income on liabilities	26,776	25,069
Other assets	675	2,714
	90,055	**89,648**

"Interest Income on liabilities" in the table above includes the income arising in 2018 and 2017, respectively, from the Group's on-balance-sheet financial liabilities that bore negative interest rates.

29. Interest expenses

The detail of the balance of "Interest Expenses" in the consolidated income statements for 2018 and 2017, by type of instrument giving rise to them, is as follows:

	Thousands of Euros	
	2018	**2017**
Financial liabilities held for trading	10,149	14,229
Financial liabilities at amortized cost	24,709	13,678
Derivatives – hedge accounting, interest rate risk	4,953	-
Interest Expenses on assets / other liabilities	43,872	43,196
Interest cost of pension funds (Note 35)	68	150
	83,751	**71,253**

"Interest Expenses on Assets" in the table above includes the expenses arising in 2018 from the Group's on-balance-sheet financial assets that bore negative interest rates.

30. Income from dividends

Below is a breakdown of this caption in the income statements for 2018 and 2017:

	Thousands of Euros	
	2018	**2017**
Financial assets held for trading	12,803	34,708
Non-trading financial assets mandatorily at fair value through profit or loss	1,723	-
Financial assets at fair value through other comprehensive income	673	4,766
	15,199	**39,474**

The decrease in 2018 in the balance of "Financial Assets Held for Trading" arose mainly because in 2017 the Group received dividends on its shares in Iberdrola, amounting to EUR 27,218 thousand.

31. Commission income

Following is a detail of the commission income earned in 2018 and 2017, classified on the basis of the main items giving rise thereto:

	Thousands of Euros	
	2018	**2017**
Commissions arising from contingent liabilities (Note 27.1)	289	379
Commissions for contingent commitments	267	33
Commissions arising from collection and payment services	25,839	26,438
Commissions arising from securities services	98,356	99,072
Commissions arising from foreign exchange and foreign banknotes	260	348
Other commissions	9,348	10,114
	134,359	**136,384**

The balance of "Fees and Commissions Arising from Securities Services" in the foregoing table includes, inter alia, EUR 93,596 thousand earned in 2018 (2017: EUR 94,005 thousand) relating to the depository and custody services in connection with securities of third parties deposited at the Group.

Note 5 includes information on the breakdown by geographic area in which these "Commission Income" originates.

32. Commission expense

Following is a detail of the commission expense incurred in 2018 and 2017, classified on the basis of the main items giving rise thereto:

	Thousands of Euros	
	2018	**2017**
Commissions assigned to other entities and correspondents	5,983	6,543
Commission expenses on securities transactions	9,189	8,398
	15,172	**14,941**

33. Net gains/losses on financial assets and liabilities

The breakdown of the balance of “Gains/Losses on Financial Assets and Liabilities” in the consolidated income statements for the exercises 2018 and 2017, by type of financial instrument giving rise to them, is as follows:

	Thousands of Euros	
	2018	**2017**
Net gains/losses on financial assets and liabilities held for trading	(15,900)	(33,606)
Gains (losses) on non trading financial assets mandatorily at fair value through profit or loss, net	(4,477)	-
Net gains/losses from unsubscribe financial assets and liabilities not valued at fair value through profit or loss, net-		
Financial assets at amortised cost	3	3
Other financial assets and liabilities	23,427	10,636
Net gains/losses on financial assets and liabilities designated at fair value through profit or loss	(10)	(18)
Net gains/losses resulting from hedge accounting	(3,824)	(4,798)
	(781)	**(27,783)**

Note 5 includes information on the breakdown by geographic area in which these "Gains/Losses on Financial Assets and Liabilities, net" originate.

34. Other operating income

The breakdown of the balance of “Other Operating Income” in the consolidated income statements for exercises 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Rental income (Note 13)	1,279	1,173
Income from expenses charged	12,130	19,778
Other income	41,889	33,611
	55,298	**57,562**

The balance of “Other income” in the foregoing table includes the dues collected from the services given to the Confederación Española de Cajas de Ahorros, which amounts in 2018 EUR 11,386 thousand (EUR 11,388 thousand in 2017) (see Note 40).

Note 5 includes information on the breakdown by geographical area in which these "Other Operating Income" originates.

35. Administrative expenses – Staff Costs

The detail of “Administrative Expenses – Staff Costs” in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Wages and salaries	40,654	42,133
Social security costs	7,357	7,264
Insurance premiums (Note 2.11.2)	181	429
Termination Benefits (Note 2.11.4)	785	-
Contributions to defined contribution plans (Note 2.11.2)	717	917
Normal cost for the year of defined benefit obligations	13	17
Training expenses	320	170
Other staff costs	1,385	622
	51,412	**51,552**

As a result of the obligations imposed by the Spanish law on the regulation and supervision of credit institutions and its implementing regulations, and by the EBA guidelines on sound remuneration policies, the Bank pays a portion of the annual variable remuneration of certain employee groups through non-monetary instruments linked to the Bank's value.

The number of the aforementioned equity instruments to be granted to certain members of the identified staff will be conditional on: (i) the annual variable remuneration granted to them; and (ii) the change in the Entity's valuation from the instruments’ grant date. Once the amount of the annual variable remuneration has been determined for each member of the identified staff, 50% thereof will be granted in phantom shares.

These instruments will be settled once any retention and deferral periods have elapsed, in accordance with the policy for each member of the identified staff. Following the retention period, the phantom shares will be settled in cash on each of the settlement dates based on the Bank's value at each of these dates. The valuation method used to measure the Entity's value for the purpose of the variable remuneration to be paid through instruments must be based on the equity at 31 December of each year (considering as such the sum of capital, reserves and the portion of profit for the year attributable to reserves).

The settlement schedule for the phantom shares will be the schedule applicable under the policy in force from time to time for each member of the identified staff, on completion of each of the deferral and retention periods applicable in each case.

In 2018 and 2017, the average number of employees at the Group, by level, was as follows:

	2018			2017		
Proffesional levels	Men	Women	Total	Men	Women	Total
1 - LEV.I	4	-	4	4	-	4
1 - LEV.II	9	4	13	11	4	15
1 - LEV.III	15	11	26	16	13	29
1 - LEV.IV	32	19	51	31	17	48
1 - LEV.V	33	25	58	32	25	57
1 - LEV.VI	68	60	128	69	60	129
1 - LEV.VII	27	41	68	25	41	66
1 - LEV.VIII	33	64	97	35	65	100
1 - LEV.IX	6	15	21	7	16	23
1 - LEV.X	7	12	19	7	14	21
1 - LEV.XI	9	9	18	7	8	15
1 - LEV.XII	-	1	1	-	1	1
2 - LEV.II	1	-	1	6	-	6
2 - LEV.III	4	-	4	-	-	-
OTHERS	10	8	18	9	8	17
	258	**269**	**527**	**259**	**272**	**531**

The average number of people employed during the 2018 and 2017 exercises, with a disability of 33% or more, broken down by category, was as follows:

Categories	2018	2017
2 - LEV.II	-	1
	-	**1**

At 31 December 2018, the total number of employees was 488 (2017: 519), of whom 244 were men (2017: 254) and 244 women (2017: 265), representing 50% and 50%, respectively (49% and 51% respectively, at 31 December 2017).

Relating to defined benefit post-employment obligations and long-term pre-retirement obligations (pre-retirements) to current and former employees of the Bank (the only Group entity that has significant commitments of this type) described in Note 2.11 above, a detail of these obligations is presented below, making a distinction between those that are instrumented, in full or in part, in pension funds and insurance policies, and those that are not instrumented in this type of instrument and where the associated obligation is covered by the recognition of provisions by the Group:

At 31 December 2018:

	Thousands of Euros						
	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I - II) (**)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V) (*)	Total (III + VI)
Instrumented in external pension plans and/or insurance policies	171,878	180,067	(8,189)	-	-	-	(8,189)
Not instrumented in pension plans or insurance policies	-	-	-	49,710	-	49,710	49,710
Total at 31 December 2018	**171,878**	**180,067**	**(8,189)**	**49,710**	**-**	**49,710**	**41,521**

(*) This amount is recognized under "Provisions - Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2018 (see Note 17.2).
(**) This amount is recognized under "Other Assets - Other" in the balance sheet as at 31 December 2018 (see Note 15.1).

At 31 December 2017:

	Thousands of Euros						
	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I - II) (**)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V) (*)	Total (III + VI)
Instrumented in external pension plans and/or insurance policies	188,352	195,859	(7,507)	-	-	-	(7,507)
Not instrumented in pension plans or insurance policies	-	-	-	63,229	-	63,229	63,229
Total at 31 December 2017	**188,352**	**195,859**	**(7,507)**	**63,229**	**-**	**63,229**	**55,722**

(*) This amount is recognized under "Provisions - Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2017 (see Note 17.2).
(**) This amount is recognized under "Other Assets - Other" in the balance sheet as at 31 December 2017 (see Note 15.1).

As can be seen in the foregoing table, a significant proportion of the Bank's pension and other long-term obligations are instrumented in external pension plans or are covered by insurance policies and, therefore, in the coming years, the settlement of these obligations is not expected to have a material effect on the Group's future cash flows. However, the following sections include a sensitivity analysis of the impact that a change in certain variables included in the valuation would have on the amounts presented in these financial statements. In this regard, it should be noted that the average duration of the pension obligations included in the foregoing tables at 31 December 2018 was 26.03 years for assets and 10.54 for liabilities (At 31 December 2017: 27.56 and 11.9 respectively).

Following is the reconciliation of the beginning and ending balances in 2018 and 2017 of the present value of the defined benefit post-employment obligations and long-term pre-retirement obligations, showing separately the plan assets, the present value of these obligations and the items triggering the changes in these items in these years:

Year 2018:

	Thousands of Euros						
	Post-employment benefits			**Long-term pre-retirement obligations**			
	Value of the obligation (I)	**Value of the plan assets (II)**	**Total (III = I - II)**	**Value of the obligation (IV)**	**Value of the plan assets (V)**	**Total (VI = IV - V)**	**Total (III + VI)**
1. Amount at 1 January 2018	**188,352**	**195,859**	**(7,507)**	**63,229**	**-**	**63,229**	**55,722**
2. Current service cost	13	-	13	-	-	-	13
3. Expected return on plan assets	-	1,911	(1,911)	-	-	-	(1,911)
4. Interest cost	1,837	-	1,837	68	-	68	1,905
5. Contributions made by the participants of the plan	-	-	-	-	-	-	-
6. Contributions made by the Bank	-	7	(7)	-	-	-	(7)
7. Effect of the recalculation on the valuation of the net obligations:	(7,940)	(7,323)	(617)	(1,333)	-	(1,333)	(1,950)
7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions	1,520	464	1,056				1,056
7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions	(9,460)	(7,787)	(1,673)				(1,673)
7.3 Effect of the change in return on plan assets	-	-	-				
8. Benefits paid	(10,387)	(10,387)	-	(13,164)		(13,164)	(13,164)
9. Past service cost	-	-	-	6,151	-	6,151	6,151
10. Business combinations	-	-	-	-	-	-	-
11. Plan reductions	-	-	-	(5,241)	-	(5,241)	(5,241)
12. Plan settlements	-	-	-	-	-	-	-
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	-
14. Early retirement commitments in Exercise	-	-	-	-	-	-	-
15. Other movements	3	-	3	-	-	-	3
Amount at 31 December 2018	**171,878**	**180,067**	**(8,189)**	**49,710**	**-**	**49,710**	**41,521**

Year 2017:

	Thousands of Euros						
	Post-employment benefits			Long-term pre-retirement obligations			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I - II)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV - V)	Total (III + VI)
1. Amount at 1 January 2017	**193,664**	**198,835**	**(5,171)**	**76,166**	**-**	**76,166**	**70,995**
2. Current service cost	17	-	17	-	-	-	17
3. Expected return on plan assets	-	2,383	(2,383)	-	-	-	(2,383)
4. Interest cost	2,268	-	2,268	150	-	150	2,418
5. Contributions made by the participants of the plan	-	-	-	-	-	-	-
6. Contributions made by the Bank	-	14	(14)	-	-	-	(14)
7. Effect of the recalculation on the valuation of the net obligations:	2,844	5,068	(2,224)	19	-	19	(2,205)
7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions	(887)	(378)	(509)				
7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions	3,731	5,446	(1,715)				
7.3 Effect of the change in return on plan assets	-	-	-				
8. Benefits paid	(10,441)	(10,441)	-	(13,200)		(13,200)	(13,200)
9. Past service cost	-	-	-	5,053	-	5,053	5,053
10. Business combinations	-	-	-	-	-	-	-
11. Plan reductions	-	-	-	(4,959)	-	(4,959)	(4,959)
12. Plan settlements	-	-	-	-	-	-	-
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	-
14. Early retirement commitments in Exercise	-	-	-	-	-	-	-
Amount at 31 December 2017	**188,352**	**195,859**	**(7,507)**	**63,229**	**-**	**63,229**	**55,722**

The amount recognized by the Group in relation to the current service cost for defined benefit plans in 2018 amounted to EUR 13 thousand. It was recognized under "Administrative Expenses - Staff Costs" in the accompanying income statement (2017: EUR 17 thousand) (See Note 35).

In addition, the Group recognized the net amount of the expected return on plan assets and the interest cost of the value of the obligation, which amounted to EUR 68 thousand in 2018, under "Interest Expenses" in the income statement (having recognized EUR 150 thousand in the same connection under "Interest Expenses" in the income statement for 2017) (see Note 29).

In addition, the Group recognized a charge of EUR 423 thousand under "Provisions or reversal of provisions" in the consolidated income statement for 2018 for the provisions and recoveries of provisions for pensions and similar obligations (2017: EUR 211 thousand) the detail of which is presented below (see Note 17.1).

In 2018 and 2017 the Group recognized the net amount, adjusted by the corresponding tax effect, of the actuarial gains and losses arising from the valuation of the provision for defined benefit obligations amounting to EUR 432 and EUR 1,557 thousand, respectively, under "Other Accumulated Comprehensive Income – Items that Will Not Be Reclassified to Profit or Loss - Actuarial gains and losses from defined benefit pension obligations" in the Bank's equity (see Notes 2.11.2 and 18.2). The change in this equity item is presented in the accompanying statement of changes in equity.

The assumptions used in the actuarial calculations at 31 December 2018 and 2017 of the defined-benefit pension obligation and the assets used to cover them, included in the foregoing table, were as follows:

Pension obligations at 31 December 2018 and 2017:

- Mortality tables: PERM 2000-P, at 31 December 2018 and 2017.
- Discount rate:
  - For the assets, 1.58% (market discount rate) at 31 December 2018 (31 December 2017: 1.17%).
  - For the liabilities, 1.39% (market discount rate) at 31 December 2018 (31 December 2017: 1%).
- Adjustable pension increase rate: 2.5% at 31 December 2018 and 2017.
- Adjustable salary increase rate: 2.68% at 31 December 2018 and 2017.
- Expected rate of return on plan assets:
  - 1% for the assets included in the pension plan at 31 December 2018 (At 31 December 2017: 1.20%).
  - 1.17% for the obligations covered by the insurance policy at 31 December 2018 (At 31 December 2017: 1.38%).

Other long-term obligations at 31 December 2018 and 2017:

- Mortality tables: PERM/F 2000-P, at 31 December 2018 and 2017.
- Discount rate (market discount rate):
  - 2011, 2012, 2013 and 2015 pre-retirement plan: 0.41% at 31 December 2018 and 0.13% at 31 December 2017.
- Salary increase:
  - 2011 pre-retirement plan: 1.50% at 31 December 2018 and 2017.
  - 2012, 2013 and 2015 pre-retirement plan: 0.00% at 31 December 2018 and 2017.

The discount rate used was the market rate according to the financial term of the flows relating to the obligations and according to the iBoxx yield relating to corporate bonds with a high credit rating (AA).

Set forth below is the sensitivity analysis at 31 December 2018 and 2017, which considers how the value of the defined benefit pension obligations and of long-term obligations would have changed in the event of a 50 basis point upward or downward shift in the discount rate used and in, where appropriate, the pension increase rate, with the other assumptions used remaining unchanged at that date:

Post-employment benefits

A 50 basis point upward/downward shift in the discount rate used at 31 December 2018 would give rise to a EUR 8,896 thousand reduction and a EUR 9,711 thousand increase, respectively, in the value of the obligations (At 31 December 2017: EUR 10,318 and EUR 11,312 thousands, respectively).

A 50 basis point upward/downward shift in the pension discount rate at 31 December 2018 would give rise to a EUR 8,913 thousand reduction and a EUR 9,717 thousand increase, respectively, in the value of the obligations (At 31 December 2017: EUR 10,236 and EUR 11,202 thousands, respectively).

Long-term pre-retirement obligations

A 50 basis point upward/downward shift in the discount rate used would give rise to a EUR 609 thousand reduction and a EUR 624 thousand increase, respectively at 31 December 2018 (At 31 December 2017: EUR 889 and EUR 914 thousands, respectively).

With regard to the sensitivity analysis described above, it should be noted that, for the other actuarial assumptions used in the valuation of the obligations at 31 December 2018, changes that might significantly affect the value of the obligations in the future are not considered likely to occur.

The breakdown of the assets allocated to the coverage of the defined benefit pension commitments and the other long-term commitments of the Bank at 31 December 2018 and 2017 shown in the previous tables is shown below, taking into account the nature of the same:

	Thousands of Euros					
	2018			2017		
	Pension obligations	Other long-term obligations	Total	Pension obligations	Other long-term obligations	Total
Pension fund	4,505	-	4,505	4,724	-	4,724
Insurance policies taken out with CASER	175,562	-	175,562	191,135	-	191,135
Total	**180,067**	**-**	**180,067**	**195,859**	**-**	**195,859**

The pension fund referred to in the above table is the Cecabank Employees' Pension plan ("Plan de Pensiones de los Empleados de Cecabank"), which forms part of the pension fund for the employees of the Spanish Confederation of Savings Banks. The latter comprises the defined contribution and defined benefit obligations to CECA´s current and former employees which were transferred to the Bank in year 2012 (see Note 2.11). The detail, by principal asset category and related fair value, of this fund's assets at 31 December 2018 and 2017, is as follows:

	2018	2017
Quoted Spanish government debt	34.36%	22.94%
Quoted private fixed-income securities	39.08%	30.07%
Quoted equity securities	20.28%	34.87%
Cash and bank balances	5.47%	10.84%
Other assets (1)	0.81%	1.29%
	100%	**100%**

(1) The fund's assets do not include properties or items of property plant and equipment. The assets classified under this item are private equity funds.

With regard to the assets of the pension fund included in the foregoing table, it should be noted that at 31 December 2018 and 2017 there were no financial assets relating to assets issued by the Bank.

The Bank's best estimate of the contributions to be made to the different pension plans defined by pensions and similar obligations maintained with the Bank's current and previous staff during 2019 is EUR 14 thousand.

36. Administrative expenses - Other general administrative expenses

The detail of this heading in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Property, fixtures and supplies	3,194	3,256
IT equipment	22,310	27,865
Communications	1,788	1,679
Advertising and publicity	471	370
Technical reports	2,111	1,698
Surveillance and cash courier services	8,186	8,426
Insurance and self-insurance premiums	612	381
Outsourced administrative services	24,653	23,851
Levies and taxes	3,783	3,338
Entertainment and travel expenses	675	612
Association membership fees	1,408	1,426
External personnel	1,844	1,991
Subscriptions and publications	3,755	3,698
Other administrative expenses	1,933	1,742
	76,723	**80,333**

The balance of “Technical Reports” in 2018 and 2017 includes the fees paid for the audit of the financial statements of the Group and other non-attest services, the detail being as follows:

	Thousands of Euros	
	2018	2017
Audit services	324	302
Other attest services	211	202
Total audit and related services	535	504
Tax counselling services	-	-
Other services	211	265
	211	265
Total professional services	**746**	**769**

In addition to the services indicated under “Technical Reports” in the preceding table, EUR 107 and 255 thousand were billed in 2018 and 2017 respectively, in connection with commercial relationships developed jointly by companies in the Deloitte network and the Group.

The services commissioned by the Group meet the independence requirements and did not involve the performance of any work that is incompatible with the audit function.

Information on deferred payments to suppliers. Additional Provision Three. “Disclosure obligation” provided for in Law 15/2010, of 5 July

Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, amended by Final Provision Two of Law 31/2014, of 3 December, establishes the obligation for companies to expressly disclose their average periods of payment to suppliers in the notes to their financial statements, and stipulates that the Spanish Accounting and Audit Institute (“ICAC”) shall indicate, by way of a resolution, such adaptations as may be required, in accordance with the provisions of this Law, in order for companies not covered by to correctly apply the methodology for calculating the average period of payment to suppliers established by the Ministry of Finance and Public Administration.

The aforementioned ICAC Resolution (*Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements on the average period of payment to suppliers in commercial transactions*), which was published in the Spanish Official State Gazette on 4 February 2016, implements, inter alia, the methodology that must be applied to calculate the average period of payment to suppliers.

In order to ensure a proper understanding of the disclosures contained in this Note, as provided for in the aforementioned applicable legislation, it should be noted that “suppliers” are considered to be only those suppliers of goods and services to the Entity for which the related expense is recognized, mainly, under “Administrative Expenses – Other General Administrative Expenses” in the income statement; this Note does not include, therefore, any information on payments in financial transactions constituting the Entity's object and core activity or on payments to any non-current asset suppliers, which in any case were made in accordance with the periods established in the corresponding agreements and in current legislation.

Also, it should be noted that, in accordance with the provisions of the aforementioned ICAC Resolution, only transactions for goods or services received for which payment has accrued since the entry into force of Law 31/2014 were taken into consideration and that, given the nature of the services that the Entity receives, for the purpose of preparing this information “period of payment (days)” was deemed to be the period between the date of receipt of the invoices (which does not differ significantly from the corresponding dates of the invoices) and the payment date.

The information for 2018 and 2017 required under the aforementioned legislation, in the format required by the ICAC Resolution mentioned in the foregoing paragraphs, is as follows:

	2018	2017
	Days	**Days**
Average period of payment to suppliers	43	43
Ratio of transaction settled	43	43
Ratio of transaction not yet settled	9	34
	Thousands of euros	Thousands of euros
Total payments made	88,634	88,358
Total payments outstanding	1,355	2,204

It should be noted that although under Law 3/2014, of 29 December, the maximum period for payment to suppliers is 60 days, Law 11/2013, of 26 July, established a maximum payment period of 30 days, extendable by agreement between the parties to a maximum of 60 days.

37. Other operating expenses

The breakdown of the balance of "Other Operating Expenses" in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Contribution to the Deposit Guarantee Fund (Note 1.10.a)	118	66
Contribution to the Single Resolution Fund (Note 1.10.b)	3,835	4,322
Other Concepts	5,861	5,596
	9,814	**9,984**

38. Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss

The breakdown of the balance in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros	
	Net (Additions)/ Reversals (Charged)/ Credited to Income	
	2018	**2017**
Financial assets at fair value through other comprehensive income		
Debts instruments (Note 22.8)	309	302
Equity instruments	-	-
	309	302
Financial assets at amortised cost (Note 22.8)	181	6,830
	181	6,830
	490	**7,132**

39. Amortisation

The detail of "Amortisation" in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Amortization of tangible assets (Note 13)	3,058	2,955
Amortization of intangible assets (Note 14)	43,225	53,926
	46,283	**56,881**

40. Related party transactions

Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A.

As part of the process to incorporate Cecabank, S.A. and the spin-off carried out by CECA to this entity in 2012 (see Note 1.1), an "Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A." was established. This memorandum of understanding identifies the services that Cecabank provides to CECA and sets the general criteria for intra-group transactions and for the rendering of intra-group services on an arm's-length basis.

As a result of the loss of status of credit institution of CECA in 2014, described in Note 1.1., which was signed on 19 December 2014, with effect from 1 January 2015, a new " Contract Delivery services between the Confederación Española de Cajas de Ahorro (CECA) and Cecabank S.A.", redefined the services Cecabank S.A. lends itself to CECA, according to their new status. The services provided Cecabank S.A. to CECA following the signing of this contract are as follows:

- Provision of association services - Communication and External Relations.
- Provision of association services - Technical Secretary's Office of the COAS.
- Provision of association services - Regulation and Studies.
- Provision of association services - Integral Reporting and Analysis Service.
- Provision of association services - Consulting, Quality and CSR.
- Provision of services - Audit, Control and Compliance Division.
- Provision of services - Products & Services and Foreign Development.
- Provision of services - General Secretary's Office and Tax and Legal Advisory.
- Provision of services - Financial Planning.
- Provision of services - Technology Area.
- Provision of services - HR and Properties.
- Provision of services – Organisation.
- Provision of services – Protocol.
- Provision of services - Securities Custody and Intermediation.

Income received by the Bank for these services, which amounted to EUR 11,386 and 11,388 thousand in 2018 and 2017 respectively, are recognized under "Other operating income" in the consolidated income statement for the year 2018 and 2017 (see Note 34).

Similarly, interest on the account to view the CECA with the Bank are included under "Interest expenses" totaling EUR 3 thousand at 31 December 2018 and 2017. At 31 December 2018 and 2017, the amount of this demand deposit was EUR 26,591 and 29,219 thousand, respectively.

The amount of the fees received by the Bank accrued by the CECA amounted to EUR 5 thousand at December 31, 2018 (31 December 2017: EUR 4 thousand).

At 31 December 2018 and 2017, the demand deposits held by the Bank's senior executives, the members of its Board of Directors and related entities and individuals totaled EUR 834 and 1,005 thousand respectively, and the loans granted to them amounted to EUR 574 and 695 thousand respectively. These amounts bore interest of the exercise

2018 and 2017, EUR 2 and 3 thousand, which were recognized under "Interest Income" and "Interest Expenses", in the income statements for 2017, and no interest expenses were recognized in 2018 and 2017.

The breakdown of the balances arising from transactions with jointly controlled entities recognized in the balance sheets at 31 December 2018 and 2017 and in the income statements for 2018 and 2017 is as follows (Note 2.1):

	Thousands of Euros	
	2018	**2017**
Assets:		
Financial assets at amortised cost	788	568
Liabilities:		
Financial liabilities at amortised cost	195	342
Losses and Profits:		
Interest Incomes	4	-
Other operating income	2,620	2,725
Administrative Expenses - Other administrative expenses	67	77

These positions relate to the entities classified as "Subsidiaries", since the Bank does not have any investments classified as "Joint ventures" or "Associates" in the accompanying balance sheets as at 31 December 2018 and 2017.

41. Events after the balance sheet date

From the balance sheet date to the date on which these financial statements were authorized for issue, there were no events significantly affecting them.

42. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I – Subsidiaries included in the Group

At 31 December 2018:

			Proportion of ownership Interest (%)			Thousands of Euros Entity data at 31 December 2018(*)			
Entity	**Location**	**Line of business**	**Direct**	**Indirect**	**Total**	**Assets**	**Liabilities**	**Equity**	**Profit for the year**
Trionis, S.C.R.L.	Brussels	Development and maintenance of the international payment services operative	78.62	-	78.62	4,499	2,391	2,108	24

(*) The company's financial statements at 31 December 2018 have not yet been approved by their shareholders at the respective Annual General Meetings.

At 31 December 2017:

			Proportion of ownership Interest (%)			Thousands of Euros **Entity data at 31 December 2017(*)**			
Entity	**Location**	**Line of business**	**Direct**	**Indirect**	**Total**	**Assets**	**Liabilities**	**Equity**	**Profit for the year**
Servipagos, S.A.U.	Madrid	Provision of technical payment services	100	-	100	129	8	121	(2)
CEA Trade Services Limited (*)	Hong Kong	Foreign Trade	100	-	100	13	8	5	-
Trionis, S.C.R.L.	Brussels	Development and maintenance of the international payment services operative	78.62	-	78.62	3,934	1,956	1,978	5

(*) This company is in liquidation.

Appendix II – Information for compliance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions

Annual Banking Report

This information is published in compliance with the provisions of Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions which, in turn, transposes Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Pursuant to the aforementioned legislation, credit institutions will be obliged to publish the following information on a consolidated basis relating to the end of the latest reporting period:

a) Name(s), nature of activities and geographical location:

Cecabank, S.A. ("the Bank" or "the Entity") is a bank that was incorporated by public deed executed in Madrid on 17 October 2012. The Entity has been registered at the Mercantile Registry since 12 November 2012 and in the Bank of Spain's Register of Credit Institutions under code 2000. Cecabank, S.A. forms part of the Cecabank Group. Its registered office is at calle Alcalá no. 27, Madrid. The Bank's company object is:

a) The performance of all manner of activities, operations and services inherent to the banking business in general or directly or indirectly related thereto which it is authorised to carry on by current legislation, including the provision of investment and ancillary services and the performance of insurance brokerage activities.

b) The provision of technological, administrative and advisory services to public authorities, as well as to any other public or private-sector entity; and

c) The acquisition, holding, use and disposal of all types of marketable securities.

The Cecabank Group carries on its activity in Spain. However, it has two branchs in London (United Kingdom) and Lisboa (Portugal), representative offices in Paris (France) and Frankfurt (Germany) and one subsidiary in Belgium.

The Cecabank Group is composed of the following entities, in addition to the Parent, Cecabank, S.A. as Subsidiaries: Trionis S.C.R.L., incorporated in 1990, set in Brussels (Belgium) whose company object is the development and maintenance of the international payment services operative.

b) Turnover:

Turnover at the Cecabank Group is defined as gross income, which amounted to EUR 250,551 thousand in 2018 and EUR 264,500 thousand in 2017.

c) Number of employees on a full time equivalent basis:

At 31 December 2018, the Cecabank Group had 478 full-time employees (a further six had reduced working hours and four worked part-time). At 31 December 2017, the Group had 508 full-time employees (a further seven had reduced working hours and four worked part-time).

d) Gross profit or loss before tax:

The Cecabank Group's gross profit before tax at 2018 year-end amounted EUR 88,736 thousand (2017: EUR 108,159 thousand).

e) Tax on profit or loss:

Tax on the profit for the year ended 31 December 2018 amounted to EUR 25,247 thousand (2017: EUR 34,940 thousand).

f) Public subsidies received:

The entity has not received any subsidies during the year 2018 and 2017.

g) In order to comply with Article 87.3 of the aforementioned Law, it is stated that the return on the Group's assets, calculated as the result of dividing the Group's consolidated profit for 2018 by the total balance sheet, was 0.66% at 31 December 2018 (31 December 2017: 0.73%).

Annual Accounts 2018

Directors´ Report

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

Cecabank S.A. and Subsidiaries composing the Cecabank Group

Directors' report for the year ended 31 December 2018

Cecabank, S.A. (Cecabank) is the Parent of the Cecabank Group, the companies composing it being those mentioned in Note 1.1 to the consolidated financial statements for the year ended 31 December 2018. It should be noted that Cecabank, S.A. represents 99.97% of the total of the consolidated balance sheet.

Due to the scant relevance of the rest companies of the Group, as it is said in the preceding paragraph, the main aim of this directors' report is to provide information on the most significant activities carried on by Cecabank in 2018, to present the results obtained in comparison with the budget, and to disclose both the most significant matters relating to risk management and the activities that will be carried out in order to comply with the strategic lines of action defined for 2019.

1. New 2020 Strategic Plan and business performance

Cecabank is halfway through their Strategic Plan 2020, with a firm commitment to growth through three business lines:

1. **Securities Services,** centered on maintaining leadership in depositary business, complementing the service offering of the Securities Services value chain and motivate to make inroads into other markets.
2. **Treasury focusing** on increasing the returns, supplementing the new services offering, and maintaining its leadership in the banknote business in Spain.
3. **Banking Services** providing the market with multiple solutions in a mature business conditioned by new sector adjustments and new players, with the aim of capturing and increasing the degree of customer loyalty, generate economies of scale and establish collaborative models to capture new business.

The strategy defined, i.e. **strengthening the three lines of business** described above, continued to be deployed in 2018. To this end, the Bank defined a number of services that form part of the **central scenario** (maintaining and consolidating the traditional businesses) and identified a series of **incremental initiatives** (growing the business).

	Securities Services	Treasury	Banking Services	
Central Scenario	Depositary services Securities BB.OO.	Treasury room Banknotes Equity investments	Treasury Risk Support Payment Services International Business-Financial Products and Services. Payments methods	Interactive Services Technology Services Associative Services Reporting Services Banking Training School
Incremental Initiatives	FADO Extending the value chain Securities Services value	Bond platform FX Sharing Securities Lending	Boosting digital services Digital Payment Platform Currency Exchange in payment networks	

In turn, the **internal transformation initiatives** enabled **the Entity's support functions** to reach the maturity level required to undertake a broader transformation process:

- Communication Plan.
- HR Plan.
- Quality Plan.
- Innovation Plan.
- CSR Plan.
- Systems Plan.
- Commercial Management Plan.
- Efficiency Plan.
- Blockchain.
- Corporate Governance.

In addition, **disruptive opportunities** that could cause a strong impact and a substantial change to the Entity's size continued to be explored. At the same time as it performed the analysis of potential traditional opportunities in order to foster the identification of new levers associated with innovation, the Bank designed and launched a policy to invest in the areas of fintech, regtech and cyber security, among others.

Noteworthy developments in 2018 included:

- **Central Scenario,** earnings performance was hit by various factors, such as market volatility, a delay in the expected ECB rate hike, concentration in the banking industry (Bankia-BMN), a decline in fee and commission income and fewer opportunities afforded for brokerage activities. All these factors had an influence on **gross income** and hindered its performance.

  A successful outcome was obtained from the process to consolidate recurring income, which reached 65% of the Bank's total income.

  A fall in revenue led to the launch of efficiency plans seeking cost savings, notably including the execution of the redundancy programme.

- Of the eleven **Incremental Initiatives** defined, two (Primary Market Access and Equity Securities Purchase and Sale Order Execution) were moved to the central scenario since they had achieved the objectives set and were considered to be fully operational. Also, all the initiatives were reviewed and their respective strategies were adjusted as necessary to attain the targets set in the Strategic Plan in 2020.

- As regards **Transformation Initiatives**, work on the internal transformation plans has been intense over the last two years, and significant progress has been achieved in their implementation by encouraging actions aimed at promoting a culture of change focused on the Entity's values.

The progress achieved enabled these functional areas to reach the maturity level required, which the Bank aims to consolidate through five transversal initiatives aimed at strengthening the Entity and fostering innovation and flexibility to respond to the challenges in the Bank's environment. Project CKbe Smart was launched in late 2018 to boost global transformation. The project, made up of five transversal task forces, is staffed with more than 70 professionals already engaged in the project development phase.

- With respect to the **Disruptive Levers**, the Global Business Development team is leading an analysis of potential corporate transactions in practically all of Cecabank’s business areas.

Following are details of the performance of the three lines of business and the services included in them and defined in the Central Scenario, as well as the incremental initiatives envisaged for each of them.

1.1 Securities Services

The Securities Services business consists of three services (Depository, Securities and Back Office services) and two incremental initiatives (the FADO Project and Extending the Securities Services Value Chain).

The slower growth in off-balance-sheet assets and a decline in average fee and commission income, together with a delay in transferring funds from BPI in Portugal, led to slower-than-expected growth in this line of business.

The volume of funds deposited continued to grow, totalling EUR 107,500 million, with more than 879 vehicles, mainly collective investment undertakings, pension funds and a private equity fund manager. The volume of funds held in custody, including the proprietary trading portfolio, totalled EUR 136,300 million.

The Securities Services business was also focused on fostering innovation through the launch of new tailor-made products that generate an impact on revenue. The implementation of these services was characterised by ecosystems created through agreements with market leading entities.

Together with the initiatives that have a direct connection with the business, a Robotics project is being developed to deploy an automated processing network based on leading-edge technology. A number of robotics actions were implemented in 2018 in various processes across all business units, achieving major economies of scale and operating efficiencies that also translated into a better quality of customer service.

With respect to the incremental initiatives in the Securities Services business:

- In the **FADO Project**, in operating terms the Branch obtained final registration from the Portuguese Securities Market Commission (CMVM) and formally announced the commencement of activities on 1 September 2018. The transfer of funds from the Portuguese bank BPI is scheduled to be made in 2019.
- The performance of the **Extending the Securities Services Value Chain** initiative performed above budget. This initiative encompasses the commercial plan for the Operating Services Area and the development, marketing and implementation of the Global Securities Solution. In 2019 the effort will be focused on expanding the customer base, with special emphasis on investment services companies and management companies.
- The **Funds Platform** was redesigned and a strategic alliance with Allfunds was reached. It was integrated into the “Extending the Securities Services Value Chain” initiative, which is linked to the Global Securities Solution.

1.2 Treasury

The Central Scenario comprises three services (Treasury, Equity Securities Purchase and Sale Order Execution and Banknotes) and three incremental initiatives (Bond Platform, FX Sharing and Securities Lending Programme).

The financial margin was influenced by the performance of the markets, where high volatility prevailed as a result of the uncertainty caused by various geopolitical risks, fluctuations in interest rates and in certain macroeconomic indicators and a liquidity surplus.

Cecabank elected to seek a broader diversification of customers and products.

The Equities Initiative moved into the Central Scenario as a new, fully operational service.

As regards Banknotes, mention must be made of the contracts for direct service to branches (SDO) signed by new entities and an increase in business with corporates.

The Primary Market Access initiative, which became part of Treasury in 2017, exceeded the budget set in 2018, but it is facing a highly competitive environment in 2019.

In Incremental Business Initiatives, mention must be made of the following:

- The **Bond Platform** has been live since July 2018 and an ambitious commercial plan is being undertaken.
- **FX Sharing.** The strategy to be followed was reviewed and the first agreements with customers were obtained.

1.3 Banking services

The Banking Services business line comprises nine different services (Treasury and Risk Support; Payments, Clearing and Discounting Service; International Business - Financial Products and Services; Payment Services; Interactive Services; Technology Services; Membership Services; Financial Reporting and the Banking Training School) and three incremental initiatives (Extension of Digital Services, Digital Payment Platform and Currency Exchange in Payment Networks).

Revenue from banking services exceeded the budget. The highlights by service are as follows:

- **Payments, Clearing and Discounting Service.** Being a mature business, efforts were focused on cutting costs and renegotiating agreements with suppliers. New entities were attracted for the Spanish National Electronic Clearing System (SNCE) representation service.
- The **Treasury Platform** focused its efforts on strengthening ties with existing customers.
- **Means of Payment** had a positive performance owing mainly to a rise in consumer spending. Efforts were also focused on attracting new customers to processing and value-added services.
- Notable features of **Interactive Services** included the implementation of web-based remittance generating software, the new e-billing platform and developments in instant payment operations.
- **Technology Services**. Significant commercial agreements were reached for outsourcing services through ecosystems created with reference partners.
- **Membership Services**. The main activities undertaken in 2018 included the project implementing the payment legislation under PSD2 and lobbying at European level.
- **Reporting**. Notable developments included the acquisition of the Pyramid Analysis and Reporting modules by prominent Spanish entities, of the Pyramid SIRBE module by the IT services company Rural Servicios Informáticos (RSI) and exploration of a new management module with the assistance of a large Spanish entity.

- The **Banking Training School** reached new agreements under the MiFID II and MIFIR advisory programme, and continued its work to complete the course offering (e.g. the Spanish real estate credit law, Fintech & Digital Banking and GDPR (General Data Protection Regulation)-DPO (Data Protection Officer)).

As for the Incremental Initiatives:

- The **Extension of Digital Services** initiative (including e-billing, application programming interface (API) platform and e-consent/e-trust services) brought contracts for the API platform service with five entities, and the service is planned to be offered to other interested entities in 2019.
- The **Digital Payment Platform** had a positive performance due to its sound operations, its redefined strategy, a review of the pricing model and improved efficiency.
- The **Currency Exchange in Payment Networks** initiative is already operational in on-line mode. The first agreement was entered into in 2018 with a medium-sized bank and others are expected to follow in the first half of 2019.

1.4 Internal transformation

As part of the Strategic Plan, ten internal transformation initiatives were defined which led to the achievement of significant milestones in the support functions.

Business Management Plan

Intensive comercial activity

Standaridez comercial tracking

Systems Plan

Efforts aimed to incremental initiatives

Quality Plan

New quality certifications

Customer journey

Customer experience

Innovation plan

Conceptualization of Innovation

Innovation culture

D3 Committee

CRS Plan

Materiality plan

CRS Committee

Social action policy

Efficiency Plan

Process analysis

Robotics

Blockchain

Niuron

Impact analysis

Technology diffusion

Corporate Government

Activation of the Continuity and Succession Plan

EBA Guide on Internal Government

Communication Plan

Internal Communication

Social network

Events and sponsrship

Towards the end of 2018 an internal discussion exercise was conducted around the need for dealing with an **Entity-wide global transformation plan** aimed at expediting processes, reducing time-to-market and fostering innovation to boost business growth.

With this objective, CKBe Smart was launched as a global project comprising **five major transversal initiatives** currently involving more than 70 Entity professionals, with direct input from all the transformation initiatives under the Strategic Plan.

Methodologies
Extension of new ways of working and organizing following the model of an Agile organization

Talent
Alignment of the talent management function with the strategy and transformation of the Entity

Spaces
Definition of a new work environment strategy aligned with culture, new ways of working and technology

Technologies
Strategic transformation of technology, aligning the technological platform and the IT organization with the needs of the Entity

Data
Convert Cecabank into a Data Driven entity, which allows improving decision making, adding value to current services and generating new services efficiently

1.5 Strategic business objectives

In general terms, commercial efforts and outcomes were remarkable throughout the year. This intense commercial activity was rolled out particularly in the non-traditional market, with the aim of winning new customers and making further progress towards the diversification of revenue. It is hoped that the impact on earnings of the commercial activity in 2018 will materialise in 2019.

New billings	Contacted customers	Trades arranged	New customers
Total Objective	Total Objective	Total Objective	Total Objective
15,4M€ - 109%	280 - 99%	182 - 164%	31 - 161%

Following are details of the achievement of the targets set for 2018:

New billings - estimated annualised billings from new contracts entered into in the period. The target for the whole of 2018 was EUR 15.4 million and 109% (EUR 16.8 million) was achieved.

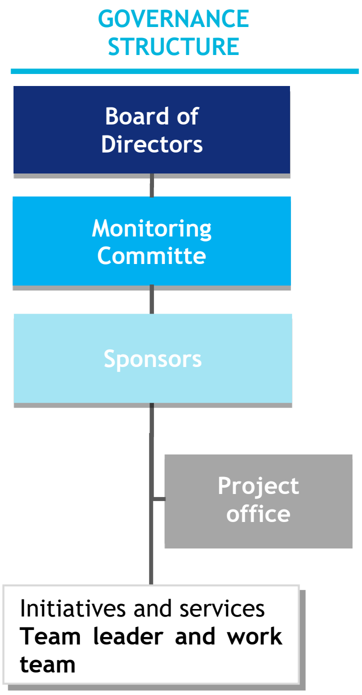
Contacted customers - measures the number of customers with whom the Entity has had a commercial relationship. The figure is in line with the target set (280).

Trades arranged - number of open trades that are ultimately completed. The target for 2018 was 182 trades and the year-end figure was 164% of the target.

New customers - new customers at Entity level. The target for 2018 was to win 31 new customers and 161% of the target (50) had been achieved at 2018 year-end.

1.6 Strategic Plan governance model

The Strategic Plan governance model was retained in 2018 to ensure compliance with the Plan targets. The governance model has various levels of monitoring:



Every quarter, the **Board of Directors** receives a complete monitoring report detailing the developments in the implementation of the Strategic Plan, the Central Scenario and the strategic initiatives. These reports are debated at Board meetings.

The **Strategic Plan Monitoring Committee** met on eleven occasions in 2018, and reviewed the Strategic Plan on a global basis using the approved monitoring methodology. Also, all the Incremental Initiatives were reviewed in depth with those responsible for them at meetings of the aforementioned committee.

2. 2018 statement of profit or loss

	Actual 2018 (*)	Budget 2018 (*)	Variance	
			Amount (*)	%
Financial margin (**)	85,884	95,000	-9,116	(10)
Fee and commission and operating income (***)	163,468	168,307	-4,839	(3)
Gross income	**249,352**	**263,307**	**-13,955**	**(5)**
Operating expenses (including provisions) (****)	(160,610)	(172,326)	11,716	7
Profit from operations	**88,742**	**90,980**	**(2,238)**	**(2)**
Other income and expenses	(1)	0	(1)	(100)
Profit before tax	**88,741**	**90,980**	**(2,239)**	**(2)**
Income tax	(25,247)	(25,460)	(213)	1
Profit for the year	63,494	65,520	(2,026)	(3)

(*) Amounts in thousands of euros.
(**) Including net interest income, dividend income, gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains or losses on financial assets and liabilities held for trading, gains or losses on financial assets and liabilities designated at fair value through profit or loss, gains or losses from hedge accounting, exchange differences and gains or losses on non-trading financial assets mandatorily at fair value through profit or loss.
(***) Including fee and commission income, fee and commission expenses, other operating income and other operating expenses.
(****) Including administrative expenses, the depreciation and amortisation charge, provisions or reversal of provisions, and impairment or reversal of impairment on financial assets not measured at fair value through profit or loss.

Following is an analysis of the various headings composing the statement of profit or loss:

- **Financial margin:** this figure came in EUR 9 million under budget, mainly because of the current situation in the interest rate market, the delay in the expected interest rate hike, with the concomitant lack of opportunities to earn a return, and a liquidity surplus involving a higher-than-expected cost. Geopolitical tensions throughout the year also contributed to increased market volatility.

- **Fee and commission and operating income:** this line item fell short of the initial budget projections for the year by 3% mainly as a result of slower growth in deposits with respect to budget expectations and a fall in the average fees and commissions on those deposits. This fall was partly offset by the positive performance of the Entity's other business lines.

- **Gross income:** reflects all the net income obtained from operations, which amounted to EUR 249 million, down 5% on the budget for the reasons mentioned above.

- **Operating expenses:** cost savings were achieved in all items making up the operating expenses, particularly in terms of depreciation and amortisation, which has a variable component linked to the revenue from Securities Services which, owing to a decline in such revenue, reduced the depreciation and amortisation charge.

- **Profit for the year:** the actual net profit after tax was EUR 63.5 million, down 3% on the budget.

In line with prior years, profit will not be distributed and reserves will not be appropriated until the Entity's financial statements are approved, based on its comfortable solvency position.

3. External credit ratings

The ratings assigned to Cecabank by the international agencies Fitch Ratings, Moody's and Standard & Poor’s at 31 December 2018 were as follows:

	Short-term	Long-term
FITCH RATINGS	F-3	BBB-
MOODY’S	P-2	Baa2
STANDARD & POOR'S	A-2	BBB

The strategic reorientation and the success of its implementation were key factors for the three agencies to maintain the current investment grade ratings. In general, when issuing the Entity's ratings, the agencies highlight as positive factors its success in terms of:

- The comfortable liquidity position.
- The strategic reorientation of the Entity.
- The conservative risk profile.
- Being a supplier of services of other entities.
- Increase in the recurrence of income.
- The leadership position in Securities Services.

4. Risk management

Notes **22, 23, 24, 25 and 26** to the Entity's financial statements include the information relating to its risk management objectives, policies and procedures, as well as its exposure by type of risk.

5. Significant events after the reporting period

No significant events occurred after the reporting period.

6. Business objectives for 2019

The Entity-level targets set for 2019 include a number of new features with respect to the targets for 2018. These adjustments give a greater weighting to commercial activities in the statement of profit or loss:

- The **contacted customers** indicator has been replaced by another for **external revenue**, in order to measure the actual impact in 2019 of the commercial milestones.
- The trades arranged indicator has been replaced by another for **trades arranged in excess of EUR 10,000**, to give more prominence to the commercial actions having a greater impact on profit or loss.

- The **new customers** indicator has been redefined and from now on a new customer will be considered as such if he or she has had no dealings whatsoever with the Entity over the last three years.
- Lastly, a new indicator, **customers with billings**, has been added to monitor net customer additions and losses.

	New earnings (miles €)	New billings (miles €)	New customers	Trades arranged > EUR 10,000	Billing active customers
cecabank	14,807	11,204	50	134	225

The targets set for 2019 aim to keep the pace of growth evidenced in 2018 and respond to the requirements established in the Strategic Plan.

The new revenue target established is very similar to the 2018 target and envisages an increase of only EUR 600,000, and diversification of the customer base, measured through the new customers indicator, is the indicator showing the sharpest rise, from 31 to 50 new customers.

7. Treasury share transactions

In the period from 1 January to 31 December 2018, there were no treasury shares on the Bank's balance sheet.

8. Payments to suppliers

Pursuant to Article 262 of the Consolidated Spanish Limited Liability Companies Law, Note 36 to the Entity's financial statements includes the disclosures on the periods of payment to suppliers.

Non-Financial information Statement pursuant to Law 11/2018, of 28 December, in relation to non-financial information and diversity

This non-financial information statement is issued in compliance with Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, in relation to non-financial information and diversity.

For the preparation of this non-financial information statement, the Global Reporting Initiative (GRI) standard, which is recognised internationally, was used as the standard for reporting, following the principles and contents defined by the most recent version, GRI Standards.

The Company has also taken into account the industry context and regulations, as well as the main demands, trends and best practices in order to determine which non-financial matters are material.

As a result, and taking into consideration the Company's business model, the following matters were identified as the most material:

- Ethical behaviour and transparency.
- Economic solvency and stability.
- Prevention of corruption and fraud.
- Equal opportunity and work-life balance.

In response to the aforementioned material matters, the main non-financial lines of action adopted in relation to issues concerning the environment, social matters, employee-related issues, human rights and anti-corruption and bribery are described below.

Our business model

At Cecabank we work together with our customers, financial institutions and other corporations to achieve their goals by means of our expert professionals and innovative financial solutions.

On Cecabank's presence:

Cecabank has its head office in Madrid. It also has two operational branches in London and Lisbon and two representative offices in Frankfurt and Paris. The former covers the German and Swiss markets and the latter the French and Benelux markets.

Cecabank's shareholder portfolio comprises the following entities:

Entity	No. of shares	% of ownership
CECA	100,000,000	89.08 %
CaixaBank, S.A.	3,059,729	2.73 %
Bankia, S.A.	2,848,192	2.54 %
Kutxabank, S.A.	1,352,325	1.20 %
Unicaja Banco, S.A.	1,299,440	1.16 %
Liberbank, S.A.	888,958	0.79 %
Ibercaja Banco, S.A.	765,561	0.68 %
Abanca Corporación Bancaria, S.A.	712,677	0.63 %
Banco Bilbao Vizkaya Argentaria, S.A.	644,683	0.57 %
Banco Sabadell, S.A.	574,171	0.51 %
C.A. y M.P. de Ontinyent	57,920	0.05 %
Caixa D'Estalvis de Pollença	52,881	0.05 %

On **our activities** we offer innovative financing solutions divided into three lines of business:

1. Securities Services, focused on maintaining its leadership in the depositary business, complementing the service offering of the Securities Services value chain and catalysing inroads in other markets.
2. Treasury management, focusing on increasing the returns, completing the offering with new services and maintaining its leadership in the banknote business in Spain.
3. Banking services, providing the market with multiple solutions in a mature market conditional upon new industry adjustments and players with the aim of attracting and increasing the level of customer loyalty, generating economies of scale and establishing collaborative models to attract new business.

For more information on our business model, the services offered by the Bank and its strategic plan can be consulted the respective links.

Cecabank's non-financial performance is based on the following:

- **Cecabank's principles:** these form part of the Bank's corporate culture, which can be consulted on the website.
- **Corporate Social Responsibility Policy:** Cecabank is not unaffected by the environment in which it carries on its business activity, and it stresses the importance, for the generation of value, of taking into consideration ethical, social, environmental and good governance-related factors. The CSR policy is defined as the lever for directly or indirectly strengthening the business, human and material resources and Cecabank's relationships with society.
- **Ethics and transparency:** Cecabank has a Corporate Code of Conduct which formalises the commitment of all its professionals to maintaining the highest standards of professional integrity and ethics (for details see the report on the website). It also has in place control structures and procedures for the prevention of money laundering, Internal Rules of Conduct for securities market activities, proprietary codes for the treasury room, as well as a Euribor protocol and code of conduct.
- **Governance bodies:** lastly, in terms of corporate governance matters, Cecabank works in accordance with industry best practices and regulatory requirements. The Bank's website contains information on the most relevant corporate governance issues in the last year.

The wholesale approach of Cecabank's business has a decisive influence on its Social Responsibility Policy and limits the scope thereof. This approach focuses on providing services to professional customers that engage in highly sophisticated business activities, and features lasting relationships characterised by mutual trust. Within this context, social responsibility criteria are included in Cecabank's business through:

- **The general control framework:** The organisational structure and the internal control mechanisms are geared towards guaranteeing that the Bank's activities are efficient and effective, that the information is reliable, timely and complete, and that the applicable laws are complied with. The general control framework is a coherent, balanced system, equipped with controls at all levels of responsibility.
- **The risk policy:** Cecabank's risk management philosophy is based on strict prudential criteria, in keeping with its commercial strategy, and ensures that the capital allocated to the various business units is used efficiently. The risk tolerance defined by the Board reflects a conservative strategy that seeks to conserve a medium-low risk profile; a strategy that is focused on safeguarding the quantity and quality of capital, with capital adequacy ratios clearly in excess of the regulatory minimum requirements; a strategy with respect to which it can reasonably be predicted that none of the risks identified will give rise to losses that cannot be assumed in the normal course of the Entity's operations. Further information on the Bank's risk policy can be obtained in the Governance Structure and Practices report in Cecabank's consolidated directors' report and in the Pillar 3 Prudential Relevance Report (PRR).

  The risk management structure and the reputational risk analysis system include certain aspects of social responsibility. Cecabank analyses the public information available in this area on its potential counterparties, such as the existence of a public CSR and sustainability policy, their organisational structure vis-à-vis CSR, whether they offer responsible products and services, etc. This assessment is part of the non-financial analysis of potential counterparties.

- **Service excellence:** Cecabank's customers are large entities, in the financial services industry in particular, who demand service of the highest quality. Cecabank therefore places emphasis on excellence in the performance of its day-to-day activities to which effect it has highly specialised professionals. This excellence is founded on special attention to human capital, prudent risk management and high technological capabilities.

Our customers

Cecabank provides services to 310 customers, which include its associates as well as other savings banks, banks, and management companies, among others. The 2020 Strategic Plan continued to develop the **Quality Plan**, crystallised in the transformation initiatives, which aims to extend the customer centric and ongoing improvement culture throughout the entire organisation. Development of the three lines of action defined has continued:

- Implement quality management systems in areas in which quality certification will help set the entity apart from competitors.
- Measure and analyse customer opinion, converting information from customers into a key support for the business in terms of decision-making.
- Establish improvement plans to:
  - Improve the quality of our processes (with a zero delay, zero non-compliance target).
  - Improve the customer experience, which forms the basis for forming long-lasting trusting relationships with customers.

In 2018 the Pyramid reporting system certification was renewed and the securities and custody services certification and the collections and payments certification were maintained all under the criteria of the ISO 9001:2015 standard.

ISO 9001:2015 certification was obtained for the Banking Training School.

In the four areas certified pursuant ISO 9001:2015 the Bank has progressed in continuous improvement and in the implementation of the standard's principles beyond mere compliance with the standard's requirements.

2018 has seen the implementation of the certified management systems across Cecabank; and in this connection:

- Cecabank has been one of the first financial institutions to achieve implementation of a Criminal Compliance Management System certified pursuant to UNE Standard 19601:2017.
- The Company has implemented an Energy Management System, certified pursuant to ISO 50001:2011.

Work has continued to support the CMMI Development and Services model and accordingly work was carried out on its consolidation and improvement.

As it does each year, Cecabank has measured external and internal customer satisfaction. During the year work has progressed on the new customer experience measurement model, following the definition and validation of our services' customer journey map with customers.

The information gathered has been integrated as a tool to improve the various lines of business through specific actions and detection of needs.

In 2018 Cecabank customers had a wow experience 89% of the time, a figure that rises to 90% in the case of older customers and the customer satisfaction index was 8.4, with a net recommended index of 40%, meaning that 81% of our customers could continue to place their trust in Cecabank for new solutions.

Cecabank also has a complaints system in place pursuant to Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and the Customer Ombudsmen of Financial Institutions. Only three complaints were received during the year, of which one was admitted for consideration and has subsequently been resolved. The complaints submitted via this system that were not admitted for consideration do not relate to customers or users of Cecabank's financial services.

In line with its commitment to and investment in quality and customer experience, Cecabank belongs to the Spanish Association for Quality and the Association for Development of the Customer Experience and has increased and diversified its actions in both associations in 2018 in order to cover the broadest possible field of activity and knowledge.

Technological risk assessment: the services offered by Cecabank are backed by a high level of sophisticated technological support which guarantees, inter alia, data privacy and business continuity. This is why the Bank voluntarily adopts the most highly demanding standards and takes on board all the recommendations proposed by the EBA concerning ICT risk assessment. The EBA has identified ICT security, change, data integrity, continuity and outsourcing risks, all of which are included in Cecabank's risk management policy.

Our employees

With respect to the staff, one of the lines of action defined in Cecabank's corporate social responsibility policy is the responsible and sustainable management of human resources. Also, the various policies in relation to Cecabank's professionals establish the principles of equality, integration and non-discrimination in the work place.

Cecabank has 470[1] employees in Spain and 14 in representative offices (5 employees in Paris and Frankfurt of which 4 are men and 1 is a woman; 7 employees in London comprising 3 men and 4 women; and 2 employees in Lisbon represented by 1 man and 1 woman).

Cecabank's 470 employees in Spain are employed on a full time basis and distributed, by gender and category, as follows:

Men	Women
234	236

<30	30-50	>50
3	322	145

	Category I	Category II	Category III	Category IV	Category V	Category VI	Category VII	Category VIII	Category IX	Category X	Category XI	Category XII
Men	4	8	15	30	28	69	23	31	7	6	8	1
Women	0	3	8	15	21	55	40	59	14	11	9	1
Group 2												
Men	1	3	0	0	0	0	0	0	0	0	0	0
Women	0	0	0	0	0	0	0	0	0	0	0	0

There is a subgroup comprising four individuals with caretaking and messenger functions whose remuneration and professional categories differ.

[1] Data at 2018 year-end.

All of Cecabank's employees have indefinite-term employment contracts.

In 2018 only four employees were dismissed: two men (one in Category V and the other in Category VIII) and two women (in Category VIII) of between 30 and 50 years of age.

The HR plan is one of the strategic transformation lines included in the 2017-2020 Strategic Plan although no significant risks have been identified with respect to employee-related issues.

- Equality:

  The new plan for equality between women and men and for achieving a work-life balance was approved in 2017 and detailed surveys into equality were conducted in 2018 (pay gap and achieving a work-life balance).

  Among other issues, the equality plan regulates the functions of the Equality Committee, establishes positive action measures and includes the improvements in measures to achieve a good work-life balance agreed upon between the workers' representatives and the Bank. A protocol has also been agreed for the prevention of any kind of sexual and gender-based harassment.

  The main objectives of the equality plan include ensuring the effective application of the principle of equality between women and men, encouraging greater female representation in decision-making roles or functions, improving women's access to positions of responsibility, contributing to reducing inequality and encouraging a good work-life balance. It also ensures training plans for the development of skills and competencies regardless of gender.

  The Group does not have any employees with disabilities on its staff. However, Cecabank works alongside entities that promote the inclusion of individuals with disabilities in the work place such as for example engaging the ordinary internal mail processing services through an intermediary.

Indicator description	Unit	Figure
Total number of employees at Cecabank	Number	484
Percentage of women at Cecabank	Percentage (%)	50%

- Training:

  Training at Cecabank is geared towards strengthening specialisation and the accreditation thereof by means of official certifications. Our objective is to promote the transformation of the Bank through the learning of various work methods and acquisition of new competencies.

  In keeping with the Bank's objectives regarding ongoing improvement, the training is reviewed and adapted to ensure that those employed at Cecabank are prepared to respond to the needs of our customers and the market.

  The Annual Development and Training Plan encompasses different knowledge areas, ranging from regulations and legislation, finance, IT and digital competencies to management and health and well-being.

Indicator description	Unit	Figure
% of employees with various types of university degree (engineers, graduates, diploma-holders)	%	77.00%
Hours of training (employees' of Cecabank Spain)	Hours per employee	64.25
Investment in employee training	Euros per employee	EUR 1,296

The hours of training by gender and professional category in accordance with the collective agreement, which gave rise to a total of 30,199 hours training in 2018, are as follows:

Hours of training - 2018	Category I	Category II	Category III	Category IV	Category V	Category VI	Category VII	Category VIII	Category IX	Category X	Category XI	Category XII
Men	65	470	1,597	1,877	2,060	3,411	1,056	1,780	622	457	710	51
Women	0	413	992	1,345	1,410	3,474	2,535	3,150	748	996	632	8
Group 2												
Men	114	226	0	0	0	0	0	0	0	0	0	0
Women	0	0	0	0	0	0	0	0	0	0	0	0

Cecabank also promotes employment through its 12 agreements with universities and study centres, granting work-experience scholarships to 4 students in 2018.

- Average remuneration:

  Cecabank has a remuneration policy which sets out among other elements the general principles of the remuneration system as well as its key characteristics, the particular requirements of each employee group and the governance model.

  In order to calculate average remuneration 97% of Cecabank's staff in Spain was taken into consideration for whom figures were available at 2018 year-end in relation to their fixed and variable remuneration. The remuneration of the Group's senior executives and members of the Board of Directors can be consulted in Notes 6.1 and 6.2 to the consolidated financial statement of Cecabank.

  The average salaries, by gender and professional category in accordance with the collective agreement, with a pay gap of -19%, are as follows:

Category	Av. salary - Men	Av. salary - Women
Category II	156,954	172,269
Category III	123,102	93,722
Category IV	78,404	77,604
Category V	78,800	79,668
Category VI	69,955	62,188
Category VII	73,898	58,334
Category VIII	51,995	46,993
Category IX	44,014	40,573
Category X	44,634	37,902
Category XI	32,875	35,335
Category XII	22,344	25,138
Overall average	**72,076**	**58,582**

In both tables the calculation excludes the seven managers in the Treasury area as their remuneration model distorts the representativeness and the comparability of the data.

The detail of average salary by gender and age is as follows:

Age	Av. salary - Men	Av. salary - Women
<30	32,475	28,318
30-50	71,818	53,813
>50	73,890	69,891
Overall average	72,076	58,582

In addition, Group 2 includes four employees (men) with average annual remuneration of EUR 45,413. All remuneration paid by the bank exceeds the local minimum wage pursuant to the collective agreement.

- Welfare benefits:

  Cecabank offers its employees certain welfare benefits to motivate and retain them and build on their loyalty. Some of the welfare benefits offered to employees in the form of financial advantages or those related to work-life balance include: flexibility, additional leave, group life insurance, group healthcare policy for employees, help with nursery fees and study grants, toys for employees' children, etc.

Indicator description	Unit	Figure
Company investment in welfare benefits per employee (includes fund contributions, help for nursery fees/study grants for employees' children/employee healthcare insurance)	EUR/employee	4,264

In addition, in 2018 Cecabank introduced a flexible remuneration plan for its employees that allowed them to contract products and services affording tax benefits.

At present, the products available under the "Ckb.Flex" flexible remuneration plan are as follows:

- Nursery cheques.
- Training cheques.
- Transport card.
- Meal vouchers.
- Healthcare insurance for employee's spouse and children.

The Ckb.Flex plan has been widely accepted by staff, to such an extent that 65% of Cecabank's employees have contract at least one of the products offered.

- Work-life balance:

  As part of the Human Resources Plan associated with the 2017-2020 Strategic Plan, the Bank has supported the implementation of a flexitime and teleworking system. Both of these measures have been agreed upon with Cecabank's employee representatives and formalised through the signature of two labour agreements with all the trade unions with representation at Cecabank.

  In addition, work is organised on the basis of the collective agreement and employment terms and conditions are improved and measures are taken to compensate employees with special timetables with additional annual holidays and higher wages.

  Although Cecabank does not have a specific disconnection-from-work policy, there is a commitment on the part of the Bank to respect employees' rest periods and employee leave and annual holidays, and to encourage achieving a work-life balance in its policy of equality between women and men and the achievement of a good work-life balance.

In 2018, 20 employees took parental leave, of whom 11 were men and 9 were women.

- Health and safety:

  Cecabank's employees are one of the Bank's core assets and, therefore, safety at work is fundamental.

  - Cecabank currently has a medical service consisting of a doctor who provides employees with attention on a daily basis.
  - Employee's occupational accidents and illness are covered by the occupational accident and disease mutual insurance company, MC Mutual.
  - In 2018, 44.4% of the employees underwent the annual medical check-up offered by Cecabank to its employees on a voluntary basis.
  - The actions taken in 2018 in relation to the CkbeWell initiative to promote employee health and well-being were as follows: in addition to the physiotherapy service, diet and nutrition services, back school sessions, healthy eating seminars, etc. were offered with an excellent response.
  - In 2018 the Spanish social security authorities awarded Cecabank the bonus, representing an incentive amounting to 5% of the amount of the quotas for professional contingencies, when any of the complementary occupational risk prevention actions have been met.
  - Cecabank was awarded a special runner-up prize in the Mc Mutual "Antonio Baró" awards for occupational risk prevention. This prize recognises the work of those companies, individuals and institutions displaying a clear commitment to occupational risk prevention and singles out those organisations employing effective policies designed to protect their employees and improve their working conditions.

  In 2018 the entire staff had representation on the Health and Safety Committee in addition to being governed by the collective agreement for savings banks with the conditions and rights stipulated therein such as, among others, freedom of association.

Indicator description	Unit	Figure
Percentage of employees covered by collective agreement in Spain (%)	%	100.00%
Company absenteeism in hours	Hours	61,088

In 2018 there were no work-related illnesses among the staff, and only three minor commuting accidents resulting in sick leave were logged, two of which involving men and one involving a woman.

As a result of these policies, we can highlight that building employee loyalty has been used as a measure to retain value and knowledge. The average length of service of the staff is 17 years, which reflects this mutual commitment to long service.

As to social dialogue, the Company has a works council with 17 members, on which 4 workplace labour union branches are represented, which meets on a quarterly basis; an equality and sexual harassment prevention committee and a pension plan control committee.

Our suppliers

Cecabank has 852 Spanish suppliers, which represents 89% of the total volume of suppliers resident in Spain, resulting in a positive impact on the creation of employment and local development.

The suppliers are an essential link in the value chain of our products and/or services. Cecabank has a Corporate Purchasing Model the basic elements of which are:

- The Code of Conduct for commercial relationships.
- The supplier certification process.
- The “Supplier Selection” internal regulation, to ensure consistency in each provisioning process and the adequate assessment of the suppliers.
- The periodic reassessment and generation of revenue procedure: performance of service quality and level surveys and reassessment of certifications.
- The services and functions outsourcing policy.
- The custody function delegation policy.

Integrity is a central value inherent to the corporate culture at Cecabank For this reason, the Code of Conduct for commercial relationships establishes the basic principles for building, in this environment, an integral, transparent, honest and productive institution: impartiality, competitiveness, transparency, confidentiality, equality and non-discrimination should be at the forefront of the supplier selection process. Cecabank undertakes to maintain a transparent, loyal and responsible relationship with its suppliers, set up channels of communication to ascertain their expectations and establish fair, stable and transparent trading conditions.

In 2018 Cecabank implemented a supplier certification process for outsourced services, which it will gradually roll out across the entire supply chain. This certification process enables the Bank to ensure the application of all the principles listed above, measure the production, technical and financial capacity of the supplier, check that it shares the ethical, social and environmental values of Cecabank before including them in our supply chain and be an instrument for reputational and operational risk management.

Social matters

One of the specific areas of action defined in the Bank’s Corporate Social Responsibility Policy is that of implementing a social action policy which is in line with Bank’s characteristics and corporate objectives, based on the commitment of Cecabank’s employees and fostering their pride in belonging to the Bank.

- Lines of action of the social action policy:
  - The “You Choose” programme which allows employees to submit social, environmental or cultural projects and Cecabank finances those chosen in a voting process open to all the employees.

    In 2018 Cecabank set in motion the fourth edition of Cecabank's social aid programme, “You Choose”. Cecabank employees submitted 32 projects and after the voting process, in which 83.8 % of the staff participated, 12 finalists were chosen which Cecabank supported with EUR 100,000. (In 2017 seven projects were granted EUR 70,000, which indicates that the programme continues to grow both in terms of the quantity awarded and its scope).

Finalists in the "You Choose" programme

Ayudas IV Edición programa de ayudas sociales de Cecabank "Tú eliges"			
Categoría	Nombre proyecto	Asociación beneficiaria	Ayuda
SOCIAL	Tratamiento integral niños parálisis cerebral	FUNDACIÓN BOBATH	17.852
SOCIAL	Hogar Don Orione: Respira hondo	Hogar Doon Orione	14.262
SOCIAL	ACROMATES	Asociación de afectados por acromatopsia y monocromatismo de conos azules	12.955
SOCIAL	Agua para Camerún	Asociación Ma´kwebo	9.828
SOCIAL	Taller de Sublimación, para personas con autismo	Fundación Quinta	7.722
SOCIAL	Cronos-hope: cuándo el tiempo es lo más valioso	Asociación de Cáncer de Mama Metastásico	6.845
SOCIAL	Sala de Espera Extrahospitalaria Hospital Cruces	La Cuadri del Hospital	6.152
SOCIAL	Ayúdanos a que Alberto sea el último #adislihuella	Asociación para la Atención de Personas con Discapacidad Intelectual Ligera e Inteligencia Límite	5.840
SOCIAL	Nacer con piel de mariposa	Asociación DEBRA-PIEL DE MARIPOSA	5.453
SOCIAL	Niños con discapacidad - Proyecto de Tu Mano	Colegio Sagrado Corazón Chamartín	5.420
CULTURAL	Promoción Jóvenes Intérpretes Música Clásica	Fundación Eutherpe	4.671
MEDIOAMBIENTAL	Corredores para el cernícalo primilla	GREFA	3.000
Ayuda total			100.000

- **Humanitarian emergencies**, for which Cecabank undertakes donation campaigns to support those affected by humanitarian emergencies whereby it matches employees' contributions when the humanitarian emergency donation campaigns are launched. In the framework of our Social Responsibility Plan, in 2018 Cecabank signed an agreement with the Spanish Emergencies Committee. The six NGOs that form part of the Emergency Committee are Action Against Hunger, the Spanish Committee of UNHCR, Doctors of the World, Oxfam Intermón, Plan International and World Vision.
    - **Indonesia earthquake**. Cooperation is conducted with the Spanish Fundraising Association, management company of the Spanish Emergencies Committee. Cecabank employees donated EUR 5,530 and this amount was equalled by Cecabank.
- **Donations in kind**. Collections of food, IT equipment, furniture, blood donation campaigns, charity markets, etc.
    - **Operation Kilo for the Food Bank.** Through a website Cecabank employees were able to help the families most in need in our community. This community project carried out by Cecabank, with the cooperation of the online supermarket Tudespensa.com, and the single beneficiary of this action being the Food Bank, enables the distribution of food among homeless people, senior citizens, children, the unemployed, etc. 1,249 kilos of food were collected.
    - **Blood donation campaign.** A blood donation campaign took place in 2018 in collaboration with the Red Cross.
- **Other cooperation initiatives.** Cooperation with the Madrid food bank and other specific donations.
    - **Cooperation with the Madrid Food Bank.** From its inception, Cecabank has cooperated with this organisation by sponsoring **Calle Cecabank** at its headquarters at San Fernando College and **Avenida Cecabank** at its logistics centre. As well as the economic donation involved in the sponsorship of these "calles" and "avenidas" ("streets" and "avenues" representing food storage), Cecabank collaborates with the donation of computer hardware and a variety of furniture to equip the offices at its various headquarters.
    - **Cooperation in the "Their rights at stake" toy drive** by the Red Cross with the donation of EUR 10,000 to buy gender neutral and non-military toys for families without resources.

Lastly, it should be noted that no significant contingencies relating to social issues were detected.

Environmental matters

The environmental impact of Cecabank is not significant due to the characteristics of its operations. It therefore does not have a specific policy for managing environmental matters. However, one of the lines of action defined in the corporate social responsibility policy is responsible and sustainable management of material resources, and specific initiatives are designed to be performed in this area. Also, Cecabank has a strategic line of action within its 2017-2020 Strategic Plan based on the Efficiency Plan, with measures aimed at reducing consumption, such as the replacement of current lighting with LED bulbs and thermal insulation of buildings, among others.

An example of this is the fact that in 2018 Cecabank took a further step forward in energy management and implemented an Energy Management System in accordance with the UNE/ISO 50001 standard, obtaining AENOR certification (GE-2018/0038) on 14 December 2018 for its corporate buildings at Calle Alcalá, 27, and Calle Caballero de Gracia, 28-30, where it carries on its activities. Important activities have been performed within this system at the Company, such as:

- The creation of a Bank Energy Policy.
- Training and awareness-raising among all staff, through the Energy Use Good Practices guide.
- Installation of consumption analysers to increase the number of indicators in the Corporate Management System.
- Implementation of a SMARKIA IT tool to monitor consumption and document the entire Energy Management System.


IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

AENOR has issued an IQNet recognized certificate that the organization:

CECABANK, S.A.

CL ALCALA, 27. 28014 - MADRID
CL CABALLERO DE GRACIA, 28-30. 28013 - MADRID

has implemented and maintains a

Energy Management System

for the following scope:

For the energy management activities of Cecabank's headquarter buildings located at 27 Alcalá str. And 28-30 Caballero de Gracia str in Madrid, where Cecabank develops its wholesale banking activity comprising financial and technological services specialised in Securities Services, Treasury and Banking Services

which fulfills the requirements of the following standard

ISO 50001:2011

First issued on: 2018-12-14 Validity date: 2021-12-14

This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document

Registration Number: ES-GE-2018/0038

IQNet AENOR


AENOR

Certificado del
Sistema de Gestión Energética

AENOR
Gestión Energética
ISO 50001

GE-2018/0038

AENOR certifica que la organización

CECABANK, S.A.

dispone de un sistema de gestión energética conforme con la Norma UNE-EN ISO 50001:2011

para las actividades: Actividades de gestión energética de los edificios de CECABANK situados en la calle Alcalá 27, y en la calle Caballero de Gracia 28-30 de Madrid, destinados a sus oficinas centrales y donde CECABAK desarrolla su negocio de banca mayorista y presta servicio de soporte a procesos de negocio especializado en Securities Services, Tesorería y Servicios Bancarios.

que se realizan en: CL ALCALA, 27. 28014 - MADRID
CL CABALLERO DE GRACIA, 28-30. 28013 - MADRID

Fecha de primera emisión: 2018-12-14
Fecha de expiración: 2021-12-14

The changes in the main environmental indicators are as follows:

Consumption of Buildings Alcalá, 27 & C/Gracia, 28-30	Unit of Measurement	Year 2016	2017	2018
Energy (electricity)	kWh/year	2,752,617	1,701,024	2,248,591
Emissions	Tonnes CO_2/year	983	964	803
Energy (natural gas)	kWh/year	493,441	554,904	601,223
Emissions	Tonnes CO_2/year	143	140	152
Paper (ecological - Ecolabel)	kg/year	40,270	37,800	27,310
Water	m^3	4,294	4,907	3,766

In relation to paper consumption, corporate efforts are being made to reduce and rationalise the use of printing equipment, which have resulted in significant savings in printer toner and in the number of packets of A4 paper consumed.

The Company is also attempting to reduce environmental impact through waste collection processes, separating paper and cardboard, glass and hazardous waste, among other wastes, which are collected by authorised third parties and taken to specialised plants.

Human rights matters

Given the nature and activities of Cecabank and the countries in which it operates, no significant impact was generated in the area of human rights and no significant risks were detected. The organisational structure and the internal control mechanisms guarantee that the Bank's activities are efficient and effective, that the information is reliable, timely and complete, and that the applicable laws are complied with.

Furthermore, Cecabank joined the Global Compact in 2017 and in 2018 continued working on disseminating its ten principles, based on human, employment and environmental rights and on combating corruption. Cecabank also focuses on the 17 SDGs of the United Nations and supports the UNEP FI’s Principles for Responsible Banking.

Also, the Code of Ethics ensures compliance with and the defence of human rights, and provides its employees with the Ethics Channel so that they can make complaints regarding any kind of breach thereof. In 2018 no complaints about human rights, or in any other connection, were received.

The Criminal Compliance Programme and the reputational reports made to the stakeholders also ensure compliance with legislation, due diligence and non-violation of human rights.

Matters related to combating corruption and bribery

Cecabank imposes very stringent ethical behaviour requirements upon itself in order to prevent, as far as possible, any criminal risk for the Bank. For that purpose, it has various instruments in place to promote exemplary conduct as a bank:

- Criminal risk organisation and management system. The system was certified by AENOR on 18 December in accordance with the UNE 19601 Criminal Compliance standard.
- Supporting document of the criminal compliance organisation and management system.
- Corporate code of ethics and conduct, that formalises the commitment by all the professionals providing their services at the Bank to the highest standards of integrity.
  The Code provides for a monitoring channel that includes complaints and accepts queries concerning interpretation. Incidences are treated as confidential.
- Anti-money laundering and terrorist financing procedures and control structure.
- Internal securities market rules of conduct.
- Policies for the provision of investment services or MiFID policies. These policies include the marketing policies (Marketing Manual), the policies on executing customer orders (Order Execution Policy), the policies on safeguarding customer assets (Asset Safeguarding Policy) and the policies on the records the Bank is required to keep on the provision of investment services (Record Keeping Policy). The main objective of these policies is to ensure due compliance by the Bank with the rules of conduct and organisational requirements relating to the provision of investment services.

Indicator description	Indicator units	Figure
Actions (corrective, improvements, preventive) in progress arising from the Compliance system	Number of actions	6
Internal Audit recommendations regarding the system	Number of recommendations	3

The Bank has IT systems that make it possible to analyse transactions, of the Bank itself and of brokers, in order to detect possible related party transactions linked to money-laundering and the financing of terrorism. For these purposes, lists of financial penalties are checked, and there are specific scenarios for detecting suspicious operations. In addition, there are tools and processes that allow the Bank to obtain a comprehensive knowledge of, and follow up its relationship with, the customer.

The organisational structure and the internal control mechanisms are geared towards guaranteeing that the Bank's activities are efficient and effective, that the information is reliable, timely and complete, and that the applicable laws are complied with. The Bank has specific units to manage and control the various risks with integrated and standardised areas of action, a decentralised structure but one with relationships between the risk management units based on the principles of coordination, cooperation and reciprocal information and the existence of three levels of control.

In addition, in order to promote and monitor the CSR Policy, Cecabank has the CSR and Sustainability Committee which reports directly to the Management Committee.

Indicator description	Figure
Transactions assessed for risks relating to corruption	13,662
Confirmed cases of corruption and measures taken	0

Contents of the Non-Financial Information Statement

Contents of Law 11/2018 on non-financial reporting			Standard used	Page
Business model	Description of the Group's business model	Brief description of the Group's business model which will include its business environment, organisation and structure, the markets in which it operates, its objectives and strategies and the main factors and trends that could affect its future development.	GRI 102-2 Activities, brands, products, and services. GRI 102-4 Location of operations. GRI 102-6 Markets served. GRI 102-15 Key impacts, risks, and opportunities. GRI 102-7 Scale of the organization.	139- 142
Information on environmental matters	Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 103-2 The management approach and its components. GRI 103-3 Evaluation of the management approach.	150 and 151
	Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15 Key impacts, risks, and opportunities. GRI 102-11 Precautionary Principle or approach. GRI 102-30 Effectiveness of risk management processes.	140 and 141
	General	Current and foreseeable effects of the company's activities in relation to the environment and, where applicable, on health and safety	GRI 102-15 Key impacts, risks, and opportunities. GRI 102-29 Identifying and managing economic, environmental, and social impacts.	150 and 151

Contents of the Non-Financial Information Statement

Contents of Law 11/2018 on non-financial reporting		Standard used	Page
	- Environmental certification or assessment procedures	GRI 102-31 Review of economic, environmental, and social topics. GRI 102-29 Identifying and managing economic, environmental, and social impacts. GRI 102-30 Effectiveness of risk management processes.	150 and 151
	- Resources used to prevent environmental risks	GRI 102-29 Identifying and managing economic, environmental, and social impacts.	140, 141, 150 and 151
	- Application of the precautionary principle	GRI 102-11 Precautionary Principle or approach.	150 and 151
	- Provisions and guarantees for environmental risks	GRI 307-1 Non-compliance with environmental laws and regulations (financial statements).	14
Pollution	Measures to prevent, reduce or redress carbon emissions that seriously affect the environment and taking into account any type of activity-specific atmospheric pollutants including noise and light pollution.	GRI 103-2 Management approach (energy and emissions). GRI 302-4 Reduction of energy consumption. GRI 302-5 Reductions in energy requirements of products and services. GRI 305-5 Reduction of GHG emissions.	150 and 151
Circular economy and waste prevention and management	Prevention measures, recycling, reuse, other forms of recovery and elimination of waste. Activities to fight food waste.	GRI 103-2 The management approach (effluents and waste). GRI 301-1 Materials used by weight or volume. GRI 301-2 Recycled input materials used. GRI 301-3 Reclaimed products and their packaging materials. GRI 306-2 Waste by type and disposal method.	150 and 151

Contents of the Non-Financial Information Statement

Contents of Law 11/2018 on non-financial reporting			Standard used	Page
	Sustainable use of resources	Water consumption and supply in accordance with local limitations.	GRI 303-1 Water withdrawal by source.	150 and 151
		Consumption of raw materials and measures adopted in order to improve the efficiency of their use.	GRI 103-2 Management approach (environment). GRI 301-1 Materials used by weight or volume. GRI 301-2 Recycled input materials used. GRI 301-3 Reclaimed products and their packaging materials.	150 and 151
		Energy: Direct and indirect consumption: Measures adopted to improve energy efficiency and use of renewable energies.	GRI 102-2 Management approach (energy). GRI 302-1 Energy consumption within the organization (energy from renewable and non-renewable sources). GRI 302-4 Reduction of energy consumption. GRI 302-5 Reductions in energy requirements of products and services.	150 and 151
	Climate change	Greenhouse gas emissions.	GRI 305-1 Direct (Scope 1) GHG emissions.	150 and 151
		Measures adopted to adapt to the consequences of climate change.	GRI 305-5 Reduction of GHG emissions.	150 and 151
		Medium- and long-term voluntary targets to reduce greenhouse gas emissions and measures implemented to that end.	GRI 103-2 Management approach (reduction of GHG emissions).	150 and 151
Information on social and personnel-related matters	Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 103-2 The management approach and its components. GRI 103-3 Evaluation of the management approach. GRI 102-35 Remuneration policies.	142 - 147

Contents of the Non-Financial Information Statement

Contents of Law 11/2018 on non-financial reporting		Standard used	Page
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15 Key impacts, risks, and opportunities. GRI 102-30 Effectiveness of risk management processes.	142 - 147
Employment	Total number of employees by gender, age, country and professional category.	GRI 102-7 Scale of the organization. GRI 102-8 Information on employees and other workers. GRI 405-1. b) Percentage of employees per employee category in each of the following diversity categories: gender and age group.	142 and 143
	Total number and distribution of employment contracts by type.	GRI 102-8 Information on employees and other workers.	142 and 143
	Annual average of indefinite-term, short-term and part-time employment contracts by gender, age and professional category.	GRI 102-8 Information on employees and other workers.	142 and 143
	Number of terminations by gender, age and professional category.	GRI 401-1.b) Total number and rate of employee turnover during the reporting period, by age group, gender and region (in relation to dismissals).	142 and 143
	Average remuneration and differences in remuneration by gender, age and professional category.	GRI 405-2: Ratio of basic salary and remuneration of women to men for each employee category.	145
	Gender pay gap.	GRI 405-2: Ratio of basic salary and remuneration of women to men for each employee category.	145

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	Remuneration of identical job positions or average positions at the company.	GRI 405-2 Ratios of standard entry level wage by gender compared to local minimum wage.	145 - 146
	Average remuneration of directors and executives, including variable remuneration, attendance fees, termination benefits, payments to long-term savings schemes and any other benefits, broken down by gender.	GRI 102-35 Remuneration policies. GRI 102-36 Process for determining remuneration (for the management approach). GRI 201-3 Defined benefit plan obligations and other retirement plans.	50 and 51
	Implementation of disconnection from work measures	GRI 103-2 Management approach (disconnection from work).	146
	Employees with a disability	GRI 405-1. b) Percentage of employees per employee category in each of the following diversity categories (iii. Vulnerable groups).	143
	Organisation of working time	GRI 102-8. c) Total number of employees by employment type (full-time and part-time), by gender. GRI 103-2 Management approach (organisation of the work).	142 - 147
Work organisation	Absentee rate	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities (section a).	147
	Measures to facilitate work-life balance and shared parental responsibility.	GRI 401-3 Parental leave. GRI 103-2 Management approach (work-life balance).	146
Health and safety	Healthy and safe working conditions.	GRI 103-2 Management approach (health and safety).	147

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Labour relations	Industrial accidents (frequency and seriousness) disaggregated by sex.	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	147
	Occupational diseases (frequency and seriousness) disaggregated by sex.	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	147
	Organisation of social dialogue, including the procedures for informing and consulting the personnel and negotiating with them.	GRI 102-43 Approach to stakeholder engagement (in relation to unions and collective bargaining). GRI 402-1 Minimum notice periods regarding operational changes. GRI 403-1 Workers representation in formal joint management-worker health and safety committees.	147
	Percentage of employees covered by collective agreements by country.	GRI 102-41 Collective bargaining agreements.	147
	Assessment of collective agreements, particularly in the occupational health and safety area.	GRI 403-1 Workers representation in formal joint management-worker health and safety committees.	147
Training	Training policies implemented.	GRI 103-2 Management approach (training and education). GRI 404-2 Programs for upgrading employee skills and transition assistance programs.	143 and 144
	Total amount of training hours by professional category.	GRI 404-1 Average hours of training per year per employee.	144
Accessibility	Universal accessibility for people with disabilities.	GRI 103-2 Management approach (diversity and equal opportunities / non-discrimination).	142 and 143

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	Equality	Measures adopted to promote equal treatment and opportunities between men and women.	GRI 103-2 Management approach (diversity and equal opportunities).	143
		Equality plans.	GRI 103-2 Management approach (diversity and equal opportunities / non-discrimination).	143
		Measures adopted to promote employment.	GRI 103-2 Management approach (employment). GRI 404-2 Programs for upgrading employee skills and transition assistance programs.	144
		Protocols against sexual and gender harassment.	GRI 103-2 Management approach (diversity and equal opportunities / non-discrimination).	143
		The integration of, and universal accessibility for, people with disabilities.	GRI 103-2 Management approach (diversity and equal opportunities / non-discrimination).	142 and 143
		Anti-discrimination policy and, where applicable, diversity management	GRI 103-2 Management approach (diversity and equal opportunities / non-discrimination). GRI 406-1 Incidents of discrimination and corrective actions taken.	143
Information on respect for human rights	Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 103-2 The management approach and its components. GRI 103-3 Evaluation of the management approach.	151

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Contents of Law 11/2018 on non-financial reporting		Standard used	Page
Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15 Key impacts, risks, and opportunities. GRI 102-30 Effectiveness of risk management processes.	151
Human rights	Application of due diligence procedures in human rights matters.	GRI 103-2 Management approach (human rights assessment). GRI 414-2 Negative social impacts in the supply chain and actions taken.	151
	Prevention of risks of human rights violations and, if any, measures to mitigate, manage and redress possible abuses committed.	GRI 103-2 Management approach (human rights assessment). GRI 412-1 Operations that have been subject to human rights reviews or impact assessments. GRI 410-1 Security personnel trained in human rights policies or procedures.	151
	Complaints of violations of human rights.	GRI 102-17 Mechanisms for advice and concerns about ethics. GRI 103-2 Management approach (human rights assessment). GRI 419-1 Non-compliance with laws and regulations in the social and economic area.	151

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Contents of Law 11/2018 on non-financial reporting			Standard used	Page
Information relating to anti-corruption and bribery issues		Promotion and fulfilment of the provisions of the fundamental conventions of the ILO in relation to respect for freedom of association and the right to collective bargaining, elimination of discrimination in employment and work, elimination of forced or compulsory labour and abolition of child labour.	GRI 103-2 Management approach (non-discrimination; freedom of association and collective bargaining; child labour; forced or compulsory labour and human rights).	146 and 147
	Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 103-2 The management approach and its components. GRI 103-3 Evaluation of the management approach. GRI 205-2 Communication and training about anti-corruption policies and procedures.	151 and 152
	Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15 Key impacts, risks, and opportunities. GRI 102-30 Effectiveness of risk management processes. GRI 205-1 Operations assessed for risks related to corruption.	151 and 152
	Corruption and bribery	Measures adopted to prevent corruption and bribery.	GRI 103-2 Management approach (anti-corruption).	151 and 152
		Measures to fight money laundering.	GRI 103-2 Management approach (anti-corruption).	151 and 152
		Contributions to foundations and not-for-profit entities.	GRI 103-2 Management approach (anti-corruption).	148 and 149

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Contents of Law 11/2018 on non-financial reporting			Standard used	Page
Information on the Company.	Policies	Policies that the Group applies which include the due diligence procedures for the identification, assessment, prevention and mitigation of risks and significant impacts and for verification and control, as well as the measures adopted.	GRI 201-1 Direct economic value generated and distributed (community investments). GRI 103-2 The management approach and its components. GRI 103-3 Evaluation of the management approach.	147 and 148
	Main risks	The main risks related to these matters linked to the Group's activities, among others, when they are pertinent and proportionate, its commercial relationships, products or services that may have a negative impact in these areas, and how the Group manages these risks, explaining the evaluation and detection procedures used in accordance with national, European or international frameworks in relation to each area. Information should be included on the impacts detected and they should be detailed, particularly in relation to principle risks at short, medium and long term.	GRI 102-15 Key impacts, risks, and opportunities. GRI 102-30 Effectiveness of risk management processes.	150
	The Company's commitment to sustainable development	Impact of the Company's activity on employment and local development.	GRI 203-1 Infrastructure investments and services supported. GRI 204-1 Proportion of spending on local suppliers. GRI 413-1 Operations with local community engagement, impact assessments, and development programs.	147 - 150
		Impact of the company's activity on local populations and on the territory.	GRI 203-1 Infrastructure investments and services supported. GRI 413-1 Operations with local community engagement, impact assessments, and development programs.	148 and 149

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	Relationships and dialogue with local communities.	GRI 102-43 Approach to stakeholder engagement (in relation to community). GRI 413-1 Operations with local community engagement, impact assessments, and development programs.	148 and 149
	Association or sponsorship activities.	GRI 102-13 Membership of associations. GRI 203-1 Infrastructure investments and services supported. GRI 201-1 Direct economic value generated and distributed (community investments).	148 and 149
Subcontractors and suppliers	Inclusion of social, gender equality and environmental issues in the procurement policy.	GRI 103-3 Management approach (supplier environmental and social assessment).	147 and 148
	Consideration of social and environmental responsibilities in supplier and subcontractor relationships.	GRI 102-9 Supply chain. GRI 103-3 Management approach (supplier environmental and social assessment). GRI 308-1 New suppliers that were screened using environmental criteria. GRI 308-2 Negative environmental impacts in the supply chain and actions taken. GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour. GRI 414-1 New suppliers that were screened using social criteria.	147 and 148

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Contents of Law 11/2018 on non-financial reporting		Standard used	Page
	Supervisory systems, audits and their findings.	GRI 414-2 Negative social impacts in the supply chain and actions taken. GRI 308-1 New suppliers that were screened using environmental criteria. GRI 308-2 Negative environmental impacts in the supply chain and actions taken. GRI 414-2 Negative social impacts in the supply chain and actions taken.	147 and 148
Consumers	Consumer health and safety measures.	GRI 103-2 Management approach (with a view to GRI 416 Customer health and safety).	141 and 142
	Claim systems, grievances received and their resolution	GRI 102-17 Mechanisms for advice and concerns about ethics (complaints received and their resolution). GRI 103-2 Management approach (with a view to GRI 416 Customer health and safety).	141 and 142
Tax information	Profit/loss by country.	GRI 201-1 in relation to payments to governments taking into consideration OECD guidelines http://www.oecd.org/tax/beps/country-by-country-reporting.htm	49
	Income tax paid.	GRI 201-1 in relation to payments to governments taking into consideration OECD guidelines http://www.oecd.org/tax/beps/country-by-country-reporting.htm	66
	Government grants received.	GRI 201-4 Financial assistance received from government.	127 and 128

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Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Cecabank, S.A.:

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the consolidated non-financial information statement ("NFIS") for the year ended 31 December 2018 of Cecabank ("the Parent") and Subsidiaries ("the Group"), which forms part of the Consolidated Directors' Report of the Group.

The content of the consolidated directors' report includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the "Non-financial Information Statement table of contents" in the Appendix of the Non-Financial Information Statement in the Consolidated Directors' Report.

Responsibilities of the Directors and of Management

The preparation and content of the NFIS included in the Consolidated Directors' Report of Cecabank are the responsibility of the Board of Directors of Cecabank. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Non-Financial Information Statement table of contents" included in the Appendix of the Non-Financial Information Statement of the Consolidated Directors' Report.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Cecabank are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2018. The information relating to previous years was not subject to the verification provided for in current Spanish corporate legislation. We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in requesting information from management and the various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the NFIS based on the materiality analysis performed by the Group and described on page 139 of the Group's Consolidated Directors' Report, also taking into account the contents required under current Spanish corporate legislation.

- Analysis of the processes used to compile and validate the data presented in the 2018 NFIS.

- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the NFIS.

- Verification, by means of sample-based tests, of the information relating to the contents included in the 2018 NFIS and the appropriate compilation thereof based on the data furnished by the information sources.

- Obtainment of a representation letter from the Parent's directors and management.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the 2018 NFIS of Cecabank and Subsidiaries was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Non-Financial Information Statement table of contents" included in the Appendix of the Non-Financial Information Statement of the Consolidated Directors' Report.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

Rafael Orti Baquerizo

19 February 2019

FORMULATION OF THE ANNUAL ACCOUNTS AND MANAGEMENT REPORT

Diligence to record that the Board of Directors of Cecabank, S.A., at its meeting of 18 February 2019, formulated the consolidated annual accounts and the consolidated management report between 1 January and 31 December 2018, documents that have been transcribed, including the present request, on the front of 166 sealed sheets and which are endorsed with the signature below of all members of the Board of Directors of Cecabank, S.A.

Madrid, 18 February 2019

Mr. Manuel Azuaga Moreno

Non-executive chairman. Spanish national identity card number (D.N.I.): 24.750.256 W

Mr. José María Méndez Álvarez-Cedrón

Director – General Manager. Spanish national identity card number (D.N.I.): 33.858.605 Y

Mr. Francisco Botas Ratera

Director. Spanish national identity card number (D.N.I.): 32.782.987 Y

Mr. Santiago Carbó Valverde

Director. Spanish national identity card number (D.N.I.): 25.393.887 R

Mr. Francisco Javier García Lurueña

Director. Spanish national identity card number (D.N.I.): 14.576.670 Y

Mr. José Manuel Gómez de Miguel

Director. Spanish national identity card number (D.N.I.): 51.597.496 D

Mr. Víctor Manuel Iglesias Ruiz

Director. Spanish national identity card number (D.N.I.): 25.143.242 X

Mrs. Carmen Motellón García

Director. Spanish national identity card number (D.N.I.): 09.754.790 F

Mr. Antonio Ortega Parra

Director. Spanish national identity card number (D.N.I.): 22.889.335 B

Mr. Javier Pano Riera

Director. Spanish national identity card number (D.N.I.): 35.046.035 S

Mr. Jesús Ruano Mochales

Director. Spanish national identity card number (D.N.I.): 33.518.307 Q

Mrs. Julia Salaverría Monfort

Director. Spanish national identity card number (D.N.I.): 15.951.097 E

Mrs. María del Mar Sarro Álvarez

Director. Spanish national identity card number (D.N.I.): 50.292.331 W