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Independent Limited Assurance Report

Cecabank, S.A. and subsidiaries

Independent auditor´s report on the consolidated annual accounts
December 31, 2019

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Cecabank, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Cecabank, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

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

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matter	How our audit addressed the key audit matter
Third party securities depository and custody	
As is described in Note 1, the Group is a wholesale back specialising in securities services and one of its main businesses is securities depository and custody services. The Group's memorandum accounts at 31 December 2019 record financial instruments deposited by third parties with a value of 159,217 million euros held as a part of the depository and custody services provided to various financial institutions, as is described in Notes 14 and 27.3. During 2019 the Group received fees totalling 96,559 thousand euros, as described in Note 31, in exchange for the deposit and custody services mentioned above and, therefore, it is the most relevant business in terms of revenue for the Group. We consider this business to be a key audit matter due to its relevance to the financial statements taken as a whole, as well as the materiality of the revenues received in that respect.	Our work has focused on the analysis, assessment and verification of internal control, as well as the performance of detailed tests. In the internal control area, we have focused on the design and operation of the depository and custody business controls, primarily the verification of reconciliations of securities and assets on deposit and held in custody on behalf of third parties, as well as the fees accrued for performing this activity. We have also performed detailed tests consisting of: • Obtaining and analysing a sample of the contractual documentation governing the depository and custody services rendered by the Group to its customers and we checked that the documents coincide with the accounting entries. • Recalculation of all depository fees and a sample of custody fees received in 2019. • Third-party confirmations for a sample of the fees accrued during the year for the depository operations. • Verification of the reconciliations of securities carried out by Group management, as well as an analysis of the items in reconciliation at 31 December 2019. • External confirmation of all of the counterparty items on deposit and held in custody at 31 December 2019. • Verification of the proper recognition of the disclosures of the balances set out in the Group's financial statements at 31 December 2019. As a result of the aforementioned procedures, we did not detect any significant weaknesses in this respect.

Key audit matter	How our audit addressed the key audit matter
Measurement of financial derivatives The Group maintains investments in diverse types of financial instruments in the amount of 4,281 thousand euros (asset) and 1,225 million euros (liability). At the year-end these balances represent 37% of total assets and 12% of total liabilities in the balance sheet in the accompanying financial statements. These financial instruments are classified as Level 1, Level 2 and Level 3. Note 21 indicates that the fair value of financial instruments is determined as follows: • Level 1: listed price on active markets. • Level 2: using measurement techniques in which significant inputs are based on directly or indirectly observable market data. • Level 3: using measurement techniques in which some significant inputs are not based on observable market data. Moreover, the measurement of financial instruments is one of the most significant estimates made by Company management and various measurement techniques and methods are used, as is explained in Notes 2.2, 2.9 and 21 of the accompanying consolidated financial statements. We therefore consider the classification and measurement of financial instruments to be a key audit matter due to the importance they have within the financial statements and the high degree of professional judgement that is required.	We have obtained an understanding of management's estimation process in collaboration with our financial instrument measurement experts. In the internal control area we have focused on an assessment of the design and operation of controls over the following processes: • Calculation methods applied by management, verifying that they are in line with applicable accounting standards. • Regulatory and operational compliance by the internal models approved by management. • Reliability of the sources of the data used in the calculations and the adequacy of the models taking into account the circumstances. We have also performed detailed tasks consisting of: • Verification that the measurement process method applied by management is in line with applicable accounting regulations, market practices and the specific expectations of the sector. • Verification of the classification of financial instruments by level, based on observable prices in active markets. • Comparison and re-execution of the measurement carried out by Group management based on classifications of the various financial instrument portfolio samples. • Comparison and re-execution of the effectiveness test for a sample selection of files of accounting hedges. • Verification of the proper recognition of the disclosures of the balances set out in the Group's financial statements at 31 December 2019. When performing the aforementioned tests, no differences were identified beyond a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Matters associated with computer systems The Group uses complex computer systems in its operations, both for operations and calculating, processing, recording, archiving, preparing and presenting its financial and accounting information. Accordingly, adequate control over them and the protocol for accessing applications and databases is essential to guarantee the correct processing of the financial information. Within this context, knowledge of, evaluating and verifying general controls relating to financial reporting systems, including access to applications and databases, constitute a key area of our work. We have considered the effectiveness of the general internal control framework for information systems relating to the process of accounting for transactions and closing the accounts to be a key matter with respect to performing certain audit procedures based on internal controls.	Our work consisted of the verification of the general computer controls and automatic controls within the applications that support the Group's most significant business processes. We collaborated with our IT system specialists when performing the audit work in this area. The main audit procedures carried out on the Group's information systems that were considered relevant to the generation of financial information were as follows: • Verification of controls relating to matters arising from the development, operation and maintenance of applications, their security and the definition of user and access profiles, together with the segregation of the tasks performed by the users accessing those systems. • Understanding of key business processes and the identification of automatic controls existing in the application that support and validate them. • Understanding and verifying the accounting close process, the generation of "non-standard" entries and selective tests of the extraction and filtering of these entries within the financial reporting systems. As a result of our procedures, we did not detect any material weaknesses that could significantly affect the financial information included in the accompanying consolidated annual accounts.

Other questions

The Group's consolidated annual accounts, that ended in December 31, 2018, were audited by another auditor, who expressed a favorable opinion on said annual accounts on February 19, 2019.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2019 financial year, the formulation of which is the responsibility of the Parent Company's directors, and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is defined in the regulations governing the activity of auditing accounts, which establishes two different levels on it:

a) A specific level that is applicable to the statement of consolidated non-financial information, which consists of verifying only that the aforementioned information has been provided in the consolidated management report, or if applicable, that the reference corresponding to the separate report has been incorporated into it on consolidated non-financial information in the manner provided in the regulations, and otherwise, to report on it.

b) A general level applicable to the rest of the information included in the consolidated management report, which consists of evaluating and reporting on the consistency of the aforementioned information with the consolidated annual accounts, based on the knowledge of the Group obtained in carrying out the audit of the cited consolidated accounts and without including information other than that obtained as evidence during the same, as well as evaluating and informing if the content and presentation of this part of the consolidated management report are in accordance with the applicable regulations. If, based on the work we have done, we conclude that there are material inaccuracies, we are obliged to report it.

On the basis of the work performed, as described in the previous paragraph, we have verified that the management report includes a reference that the information mentioned in section a) above is presented in the consolidated management report and that the rest of the information contained in the management report is consistent with that contained in the consolidated annual accounts for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the 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 annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´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 aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation governing the audit practice 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 annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 company´s directors.

- Conclude on the appropriateness of the Parent company´s directors use 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 annual accounts 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 annual accounts, including the disclosures, and whether the consolidated annual accounts 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 annual accounts. 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 company´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 company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts 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.

Report on other legal and regulatory requirements

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 21, 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on March 20, 2018 appointed us as auditors for a period of 3 years, as from the year ended December 31, 2019.

Services provided

The services, other than the accounts audited, that have been provided to the audited Group are described in note 36 of the annual accounts report.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Fco. Javier Astiz Fernández (15411)

February 21, 2020

7. Annual Accounts 2019

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

Cecabank, S.A. and subsidiaries

Consolidated balance sheet at 31 december 2019

(thousands of euros)

Assets	2019	2018
Cash, cash balances at central banks and other sight deposits (Note 7)	**2,269,693**	**3,268,540**
Financial assets held for trading (Note 8.1)	**1,849,540**	**1,920,383**
Derivatives	981,563	926,943
Equity instruments	379,531	240,744
Debt securities	488,446	752,696
Loans and prepayments	-	-
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	99,786	96,475
Financial assets not held-for-trading measured at fair value through profit or loss (Note 8.2)	**39,017**	**60,413**
Equity instruments	8,497	19,093
Debt securities	30,117	41,320
Loans and prepayments	403	-
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	-	33
Financial assets at fair value through profit or loss (Note 8.3)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 9)	**2,072,461**	**1,478,973**
Equity instruments	14,269	10,295
Debt securities	2,058,192	1,468,678
Loans and prepayments	-	-
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	823,287	137,278
Financial assets at amortised cost (Note 10)	**5,075,340**	**2,499,151**
Debt securities	307,700	21,503
Loans and prepayments	4,767,640	2,477,648
Central banks	-	-
Credit institutions	4,038,453	1,924,448
Customers	729,187	553,200
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	464,711	-
Derivatives - hedge accounting (Note 11)	**12,784**	**17**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	**-**	**-**
Investments in joint ventures and associates	-	-
Joint ventures	-	-
Associates	-	-
Property, plant and equipment (Note 13)	**52,667**	**51,179**
For own use	45,662	43,991
Assigned under operating lease	45,662	43,991
Assigned to Community Projects	-	-
Investment property	-	-
Of which: Assigned under operating lease	7,005	7,188
For own use	-	-
Memorandum: Acquired under finance lease	2,694	-
Intangible assets (Note 14)	**195,544**	**205,713**
Goodwill	-	-
Other intangible assets	195,544	205,713
Tax Assets (Note 20)	**86,391**	**108,242**
Current tax assets	3,492	7,924
Deferred tax assets	82,899	100,318
Other assets (Note 15.1)	**65,649**	**56,621**
Insurance contracts associated with pensions	-	-
Inventories	-	-
Rest of other assets	65,649	56,621
Non-current assets and disposal groups of assets classified as held for sale (Note 12)	3,002	3,791
Total Activo	**11,722,088**	**9,653,023**

Cecabank, S.A. and subsidiaries

Consolidated balance sheet at 31 december 2019

(thousands of euros)

EQUITY AND LIABILITIES	2019	2018
Liabilities		
Financial liabilities held for trading (Note 8.1)	**1,211,746**	**1,376,857**
Derivatives	1,021,166	967,023
Short positions	190,580	409,834
Deposits	-	-
Issued debt securities	-	-
Other financial liabilities	-	-
Financial assets at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost (Note 16)	**9,212,428**	**6,947,403**
Deposits	9,062,889	6,668,235
Central banks	445,990	349,573
Credit institutions	1,673,014	1,202,472
Customers	6,943,885	5,116,190
Issued debt securities	-	-
Other financial liabilities	149,539	279,168
Derivatives - hedge accounting (Note 11)	**13,463**	**6,898**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	**-**	**-**
Liabilities covered by insurance or reinsurance contracts	**-**	**-**
Provisions (Note 17)	**101,848**	**122,595**
Pensions and other post-employment defined benefit obligations	-	-
Other non-current employee compensation	41,656	49,710
Procedural matters and litigation regarding pending taxes	9,011	9,800
Commitments and guarantees granted	303	274
Other provisions	50,878	62,811
Tax liabilities	**14,329**	**19,051**
Current tax liabilities	-	1,038
Deferred tax liabilities (Note 20)	14,329	18,013
Share capital refundable on demand	**-**	**-**
Other liabilities (Note 15.2)	**60,004**	**105,261**
Liabilities included in disposal groups of assets covered by a portfolio with an interest rate risk hedge	**-**	**-**
TOTAL LIABILITIES	**10,613,818**	**8,578,065**

Cecabank, S.A. and subsidiaries

Consolidated balance sheet at 31 december 2019

(thousands of euros)

EQUITY AND LIABILITIES	2019	2018
Shareholders' equity	**1,088,815**	**1,064,741**
Capital	112,257	112,257
Share capital paid in (Note 19)	112,257	112,257
Called share capital not paid in	-	-
Memorandum: uncalled share capital	-	-
Issue premium(Note 19)	615,493	615,493
Equity instruments issued, other than capital	-	-
Other equity items	-	-
Retained earnings	310,450	267,914
Revaluation reserves	-	-
Other reserves (Note 19)	5,592	5,591
(-) Treasury shares	-	-
Profit attributable to parent company shareholders	45,023	63,486
(-) Interim dividends	-	-
Accumulated other comprehensive income	**19,049**	**9,768**
Items that will not be reclassified to profit or loss	13,016	14,534
Actuarial gains or (-) losses on defined benefit pension plans (Note 18)	7,274	11,451
Non-current assets and disposal groups of assets classified as held for sale	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income	5,742	3,083
Ineffective portion of fair value hedges of equity instruments at fair value through other comprehensive income	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that will not be reclassified to profit or loss	6,033	(4,766)
Net investment hedging on foreign operations	-	-
Conversion of foreign currency	-	-
Hedge derivatives Cash flow hedge reserve	-	-
Changes in the fair value of debt instruments at fair value through other comprehensive income(Note 18)	6,033	(4,766)
Hedge instruments	-	-
Non-current assets and disposal groups of assets classified as held-for-sale (Notes 12 and 18)	-	-
Non-controlling shareholdings - Other items	**406**	**449**
TOTAL EQUITY	**1,108,270**	**1,074,958**
EQUITY AND LIABILITIES	**11,722,088**	**9,653,023**
Memorandum		
Loan grant commitments (Note 27.1)	**713,894**	**199,602**
Financial guarantees granted (27.2)	**-**	**52**
Other commitments granted (Note 27.3 and 27.4)	**1,516,957**	**183,090**

Cecabank, S.A. and subsidiaries

Consolidated income statement for the year ended 31 december 2019

(Thousands of euros)

	2019	2018
Interest revenue (Note 28)	**79,298**	**90,055**
Financial assets at fair value through other comprehensive income	20,444	29,145
Financial assets at amortised cost	13,324	6,346
Remaining interest revenue	45,530	54,564
Interest expense (Note 29)	(92,789)	(83,751)
INTEREST MARGIN	**(13,491)**	**6,304**
Dividend income (Note 30)	12,756	15,199
Fee income (Note 31)	141,194	134,359
Fee expense (Note 32)	(21,437)	(15,172)
Profit or loss on derecognition in accounts of financial assets and liabilities not carried at fair value through profit or loss, net (Note 33)	29,340	23,430
Financial assets at amortised cost	3	3
Remaining financial assets and liabilities	29,337	23,427
Profit or loss on financial assets and liabilities held for trading, net (Note 33)	(47,978)	(15,900)
Other profits or losses	(47,978)	(15,900)
Profit or loss on financial assets not held for trading mandatorily measured at fair value through profit or loss, net (Note 33)	2,728	(4,477)
Other profits or losses	2,728	(4,477)
Profit or loss on financial assets and liabilities designated at fair value through profit or loss, net (Note 33)	-	(10)
Profit or loss resulting from hedge accounting, net (Note 33)	680	(3,824)
Exchange differences, net	75,248	65,158
Other operating income (Note 34)	42,474	55,298
Other operating expenses (Note 37)	(10,343)	(9,814)
Margen GROSS MARGIN	**211,171**	**250,551**
Administration expenses	(115,082)	(128,135)
Staff costs (Note 35)	(44,790)	(51,412)
Other general administrative expenses (Note 36)	(70,292)	(76,723)
Depreciation and amortisation (Note 39)	(44,409)	(46,283)
Provisions or reversal of provisions (Note 17)	11,561	12,125
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net) due the changes (Notes 22 and 38)	(1,417)	490
Financial assets at fair value through other comprehensive income	(788)	309
Financial assets at amortised cost	(629)	181
Impairment or reversal of impairment of investments in joint ventures or associates	-	-
Impairment, or reversal of impairment, of non-financial assets	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other	-	-
Gains or losses on the disposal of non-financial asset accounts, net (Note 13)	**(4)**	**(2)**
Negative goodwill recognised in the income statement	-	-
Profit or loss on non-current assets and disposal groups of assets classified as held for sale not qualifying as discontinued operations, net (Note 12)	1,031	(10)
PRE-TAX PROFIT OR LOSS FROM CONTINUING OPERATIONS	**62,851**	**88,736**
Income tax expense or income on earnings from continuing operations (Note 20.2)	(17,872)	(25,247)
AFTER-TAX PROFIT OR LOSS FROM CONTINUING OPERATIONS	**44,979**	**63,489**
After-tax profit or loss from discontinued operations	-	-
PROFIT/(LOSS) FOR THE YEAR	**44,979**	**63,489**
Attributable to non-controlling shareholdings	**(44)**	**3**
Attributable to parent company shareholders	**45,023**	**63,486**

Cecabank, S.A. and subsidiaries

Consolidated statement of changes in equity for the year ended 31 december 2019

(Thousands of euros)

a. Consolidated statement of recognised income and expense

	2019	2018
PROFIT/(LOSS) FOR THE YEAR	44,979	63,489
OTHER COMPREHENSIVE INCOME	9,281	(29,625)
Items that will not be reclassified to profit or loss	**(1,518)**	**1,823**
Actuarial gains or losses on defined benefit pension plans (Note 35)	(5,967)	617
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income (Notes 7 and 20.4)	3,799	1,987
Tax on profits relating to items that will not be reclassified (Note 20.4)	650	(781)
Items that may be reclassified to profit or loss	**10,799**	**(31,448)**
Conversion of foreign currency	-	-
Gains or (-) on foreign currency exchange recognised under equity	-	-
Cash flow hedges (effective portion)	-	-
Gains or losses recognised under equity	-	-
Transferred to profit or loss	-	-
Debt instruments at fair value through other comprehensive income (Note 20.4)	**15,427**	**(44,926)**
Gains or losses recognised under equity	44,764	(21,499)
Transferred to income statement (Notes 7 and 20.4)	(29,337)	(23,427)
Tax on profits relating to items that may be reclassified to profit or loss (Note 20.4)	(4,628)	13,478
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	54,260	33,864
Attributable to non-controlling interests	**(44)**	**3**
Attributable to parent company shareholders	**54,304**	**33,861**

Cecabank, S.A. and subsidiaries

Consolidated statement of changes in equity for the year ended 31 december 2019

(Thousands of euros)

b. Consolidated statement of total changes in equity

	SHAREHOLDERS' EQUITY									
	Share capital (Note 19)	Share premium (Note 19)	Retained earnings	Other reserves (Note 19)	(-) Treasury shares	Profit/(loss) for the year (Note 4)	(-) Interim dividend	Accumulated other comprehensive income (Note 18)	Non-controlling interests	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 error corrections	-	-	-	-	-	-	-	-	-	-
Effects of the 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)**
Dividends (or shareholder compensation)	-	-	-	-	-	(18,304)	-	-	-	(18,304)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	267,828	(212,914)	-	(54,914)	-	-	-	-
Other increases/decreases in equity	-	-	86	55	-		-	-	-	164
Ending balance at 31 December 2018	**112,257**	**615,493**	**267,914**	**5,591**	**-**	**63,486**	**-**	**9,768**	**449**	**1,074,958**
Effects of error corrections	-	-	-	-	-	-	-	-	-	-
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2019	**112,257**	**615,493**	**267,914**	**5,591**	**-**	**63,486**	**-**	**9,768**	**449**	**1,074,958**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**45,023**	**-**	**9,281**	**(44)**	**54,260**
Other changes in equity	**-**	**-**	**42,536**	**1**	**-**	**(63,486)**	**-**	**-**	**1**	**(20,948)**
Dividends (or shareholder compensation)	-	-	(20,953)	-	-	-	-	-	-	(20,953)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	63,486	-	-	(63,486)	-	-	-	-
Other increases/decreases in equity	-	-	3	1	-	-	-	-	1	5
Ending balance at 31 December 2019	**112,257**	**615,493**	**310,450**	**5,592**	**-**	**45,023**	**-**	**19,049**	**406**	**1,108,270**

Cecabank, S.A. and subsidiaries

Cash flow statement for the year ended 31 december 2019

(Thousands of euros)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:	(947,270)	649,676
Profit/loss for the year	**44,979**	**63,489**
Adjustments made to obtain cash flows from operating activities	**13,434**	**101,841**
Amortisation/Depreciation	44,409	46,283
Other adjustments	(30,975)	55,558
Net (increase)/ decrease in operating assets	**3,008,646**	**(835,702)**
Financial assets held for trading	(123,204)	(215,535)
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	(22,570)	(31,355)
Financial assets at fair value through profit or loss	-	(256,866)
Financial assets at fair value through other comprehensive income	582,762	(160,483)
Financial assets at amortised cost	2,575,702	(185,556)
Other operating assets	(4,044)	14,093
Net increase / (decrease) in operating liabilities	**2,007,936**	**(338,325)**
Financial liabilities held for trading	(165,111)	(163,121)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2,265,025	(85,711)
Other operating liabilities	(91,978)	(89,493)
Corporate income tax income/(expense)	**(4,973)**	**(13,031)**
CASH FLOWS FROM INVESTING ACTIVITIES	(30,624)	(21,706)
Payments:	**(32,476)**	**(21,706)**
Property, plant and equipment	(2,181)	(1,829)
Intangible assets	(30,295)	(19,877)
Investments in joint ventures and associates	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investing activities	-	-
Payments received:	**1,852**	**-**
Property, plant and equipment	-	-
Intangible assets	-	-
Investments in joint ventures and associates	-	-
Non-current assets and liabilities classified as held for sale	1,852	-
Other payments related to investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	(20,953)	(18,304)
Payments:	**(20,953)**	**(18,304)**
Dividends	(20,953)	(18,304)
Subordinated liabilities	-	-
Redemption of treasury shares	-	-
Acquisition of treasury shares	-	-
Payments received:	-	-
EFFECT OF FLUCTUATIONS IN EXCHANGE RATES	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(998,847)	609,666
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,268,540	2,658,874
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,269,693	3,268,540
Memorandum		
Components of cash and cash equivalents at the end of the year		
Cash	153,912	119,016
Cash balances at central banks	2,009,191	3,046,432
Other sight deposits	106,590	103,092
Less: Bank overdrafts repayable on demand	-	-

7. Annual Accounts 2019

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

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

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 through a public deed before the Notary Mr. Manuel Richi Alberti. The Bank was registered in the Commercial Register on 12 November 2012 and the Register of financial institutions of Bank of Spain with 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). The Bank of Spain is responsible for determining and supervising the regulatory criteria applied to the Bank.

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 community 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 perform, establishing its economic purpose:

a. l Carrying out 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") consisted of Cecabank, S.A. as the parent and Trionis (subsidiary) at 31 December 2019. At 31 December 2018 it consisted of Cecabank, S.A. as the parent and Trionis S.C.R.L. and Cea Trade Services Limited as subsidiaries.

Appendix I hereto includes certain relevant financial information on this company at 31 December 2019 and 2018. Also, Note 3 contains the Bank's condensed financial statements for 2019, which include comparative information for 2018. At 31 December 2019 and 2018, the Group did not have any investments in associates or jointly controlled entities.

Cecabank S.A. also offers international coverage for its customers, payment in the payment business, through two levers: its foreign network and its network of correspondent banks.

The foreign network, with operating offices in London and Lisbon and a representation office in Paris and Frankfurt, carries out the following functions:

- Support for the entity's strategic plan and its key businesses: Securities Services, Treasury and Payments.
- Knowledge of the market and local support.
- Expertise in the processing of trans-frontier payment orders relating to FX.
- Collaboration with different international pension payment processors and data management for more than 210 international mutual societies for benefits, pensions, compensation and supplementary payments.
- Significant institutional representation before European organisations.
- Foreign trade promotion services (market information, selection of intermediaries, commercial reports and claims, business centre, collections, legal counsel, tax representation and VAT recovery, trade missions, creation of branch offices and subsidiaries, trade show visits, etc.)

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 2019 were authorized for issue by the Bank´s Directors at the Board of Directors meeting held on 20 February 2020.

Taking into consideration the eleventh final provision of Law 62/2003, of December 30, of fiscal, administrative and social measures with respect to the accounting legislative framework applicable in the preparation of consolidated annual accounts which has been applied by the Bank’s Directors , the Group’s consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2019 (“EU-IFRS”), taking into account Bank of Spain Circular 4/2017, of 27 November, for credit institutions, on public and confidential financial reporting rules and formats (“Circular 4/2017”). Bank of Spain Circular 4/2017 implements and adapts Spain’s Spanish credit institution sector the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for the year 2019 have been prepared taking into account all the principles, accounting standards and measurement criteria of mandatory application, so that they present fairly the equity and consolidated financial position of the Group as of 31 December 2019 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 2019 consolidated financial statements for the Group and the Bank were prepared by the Directors, at a Board meeting held on 20 February 2020. The Group and Bank's financial statements for the year ended 2018 were approved by the General Meeting at a meeting held on 26 March 2019. The annual accounts of the Group and the Bank for the year ended 31 December 2019 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 2019 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 2019 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 2019 and at the date on which these consolidated financial statements were authorized for issue on the events analysed, 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 2018

For the purposes of comparison, the Entity's Board of Directors presents the figures for 2019 for each of the items set out in these consolidated financial statements together with the figures for 2018, which were audited by a different audit firm. 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 (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.

1.5. Agency Agreements

Neither at 2019 nor 2018 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 2019 and 2018 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 and the Group's financial statements for 2019 and 2018 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:

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

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

c) 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:

- Maintain a capital preservation buffer of 2.5% consisting of ordinary tier 1 capital.

- 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 quarterly 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 from effective implementation on 1 January 2016, the Bank of Spain has maintained the capital buffer at 0% for credit exposures located in Spain.

- The Bank has not been designated as a systemic entity and no capital buffer has therefore been established.

In addition to the aforementioned requirements, Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions establishes the authority of the Bank of Spain to require credit institutions to hold higher levels of capital than those indicated above. In this respect, on 27 November 2019, 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 9.73% (TSCR ratio) (10.23% in the report for 2019). 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 2020. At 31 December 2019, the Bank of Spain notified Cecabank, S.A. that it was required to maintain an overall consolidated and individual capital ratio were above 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 Group'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 analyses 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.

The Bank's Common Equity Tier 1 capital and its CET 1 plus Additional Tier 1 capital amounted to EUR 858,758 thousand at 31 December 2019, in both cases (31 December 2018: EUR 791,312 thousand), while total capital amounted to EUR 858,758 thousand at that date (31 December 2018: EUR 791,312 thousand), representing a Tier 1 capital adequacy ratio and a total capital ratio of 35,20%, at 31 December 2019 (31 December 2018: 35,83%), 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

During 2019 and 2018, the Bank, only Group entity subject to this requirement, met the minimum reserve ratio required by the applicable legislation.

At 31 December 2019 and 2018 the Bank's cash balance with Bank of Spain for these purposes amounted to EUR 2,009,191 and 3,046,432 thousand, respectively (see Note 7). This ratio is calculated on the basis of the daily ending balance held by the Group in this account during the required period.

1.10. Deposit guarantee fund and Single Resolution Fund

a) Deposit guarantee fund

The Group 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 thousand 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 Group 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 2 October 2019, 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 2019:

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 2019, 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 2019.

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 98 thousand in 2019 (2018: EUR 118 thousand), which were recognised under “Other Operating Expenses” in the accompanying income statement (see Note 37 “Other operating expenses”).

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 amounts paid by the Group in relation to the contribution made to the SRF in 2019 totalled EUR 4,092 thousand (EUR 3,835 thousand in 2018) and is recognized under “Other Operating Expenses” in the accompanying income statement (Note 37 “Other operating expenses”).

1.11. Changes in accounting policies

There have been no changes in the accounting criteria during 2019. The changes that have occurred in relation to the new regulations that apply to the Group were developed in section 1.12 below.

1.12. Main regulatory changes during the period from 1 January to 31 December 2019

1.12.1. New Bank of Spain Circulars

Following is a summary of the main Bank of Spain Circulars issued in 2019:

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.

Bank of Spain Circular 1/2019, of 30 January, amends Circular 8/2015, of 18 December, for entities and branches forming part of the Credit Institution Deposit Guarantee Fund and on information to determine the calculation basis for the contributions to the Credit institution Deposit Guarantee Fund (BOE 8 February 2019).

This circular amends Circular 8/2015 in order to guarantee higher quality of the data in the files containing depositor information and to allow depositors to be more easily identified in a situation in which they must be reimbursed by the Deposit Guarantee Fund for Credit Institutions.

Bank of Spain Circular 2/2019, of 29 March, regarding the requirements of the Fee Information Document and the Commission Statement, together with the websites comparing payment accounts. This circular amends Circular 5/2012, of 27 June, on credit institutions and payment services suppliers with respect to the transparency of banking services and responsibilities when granting loans (BOE dated 4 April 2019).

The approval of this Circular is intended to obtain a higher level of transparency and comparability of the fees charged by the various payment services suppliers for services associated with payment accounts. This Circular is also intended to duly comply with the various mandates entrusted to the Bank of Spain, particularly those relating to comparison websites and to certain fees associated with the basic payment account contract.

Bank of Spain Circular 3/2019, of 22 October, through which the authority granted by Regulation (EU) 575/2013 is exercised to define the materiality threshold for matured credit obligations (BOE dated 1 November).

Section 4 of this Circular establishes the materiality thresholds in accordance with the provisions of Article 178 of Regulation (EU) 575/2013.

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 2019 are the same as those applied in the consolidated financial statements for the year ended 31 December 2018, 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 2019, which are as follows:

IFRS 16, "Leases"

IFRS 16 replaces IAS 17 “Leases” and IFRIC 4 “Determining whether an arrangement contains a lease”. That standard establishes the principles applicable to the recognition, measurement and presentation of leases, as well as the disclosures to be made in this respect.

The entry into force of this standard on 1 January 2019 did not have a significant effect on the consolidated financial statements (see Note 13).

IFRIC 23 “Uncertainty over income tax treatments”

The interpretation explains how to recognize and measure current and deferred tax assets and liabilities when there is uncertainty regarding a tax treatment. It also details the reporting requirements for judgments and estimates made when preparing the financial statements.

The entry into force of this standard on 1 January 2019 did not have a significant effect on the consolidated financial statements.

IFRS 9 (Revised) “Prepayment features with negative compensation”:

The narrow-scope amendments made to IFRS 9 “Financial Instruments” allows the assessment of certain pre-payable financial assets with negative compensation at amortised cost. Those assets, which include some loans and debt securities, would have to be measured at fair value through profit or loss.

- To qualify for amortised cost measurement, the negative compensation must be “reasonable compensation for early termination of the contract” and the asset must be maintained within a “held to collect” business model.

The entry into force of this amendment on 1 January 2019 did not have a significant effect on the consolidated financial statements.

IAS 19 (Revised) - “Modification, reduction or liquidation of a plan”.

This amendment clarifies the recognition of modifications, reductions and settlements within a defined benefit plan. It also confirms that companies must:

- Calculate the cost of the services in the current year and the net interest for the rest of the period after a modification, reduction or settlement of the plan using discounted assumptions after the date of the change.

- Recognise any reduction in a surplus immediately in profit or loss, whether part of the cost of past services or as a gain or loss on settlement.

- Recognise separately any change in the limit of the asset through other comprehensive income.

The entry into force of this standard on 1 January 2019 did not have a significant effect on the consolidated financial statements.

IAS 28 (Revised) "Non-current interests in associates and joint ventures”:

The amendments clarify the accounting treatment of non-current interests in an associate or joint venture that, in essence, form part of the net investment in the associate or in the joint venture, but to which the equity method does not apply. Entities must account for those interests in accordance with IFRS 9 "Financial instruments” before applying the assignment of losses and the impairment requirements of IAS 28 “Investments in associates and joint ventures”

The entry into force of this standard on 1 January 2019 did not have a significant effect on the consolidated financial statements.

Annual improvements to IFRS standards 2015-2017

The annual improvements to IFRS standards 2015-2017 added minor clarifications to IFRS 3 — Business Combinations, IFRS 11 — Joint Arrangements, IAS 12 — Income Taxes and IAS 23 — Borrowing Costs.

The entry into force of this standard on 1 January 2019 did not have a significant effect on the consolidated financial statements.

The amendments clarify the recognition of non-current interests in an associate or joint arrangement.

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		
Amendments to IAS 1 and IAS 8. Definition of "materiality"	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" with the content of the conceptual framework. The entry into force of this standard is not expected to have a significant effect on the consolidated financial statements in future financial years.	1 de enero de 2020
Amendments to IFRS 9, IFRS 7 and IAS 39 Reform of the benchmark interest rate.	These amendments provide for certain exemptions relating to the accounting for hedges, as they relate to the reform of the benchmark interest rate (IBOR). The entry into force of this standard is not expected to have a significant effect on the consolidated financial statements in future financial years.	1 de enero de 2020
Not yet approved for use in the European Union		
Amendment to IFRS 10 and IAS 28. Sales or contributions of assets between an investor and its associates or joint ventures.	Clarifications to the accounting treatment of sales or contributions of assets between an investor and its associates or joint ventures. The entry into force of this standard is not expected to have a significant effect on the consolidated financial statements in future financial years.	Deferred application date until the IASB finalises its research projects regarding the equity method
Amendment to IFRS 3. Definition of a business.	Clarifications to the definition of a business. The entry into force of this standard is not expected to have a significant effect on the consolidated financial statements in future financial years.	Pending adoption in the EU 1 January 2020
IFRS 17 "Insurance Contracts".	Replaces IFRS 4 and covers the principles for recognising, measuring, reporting and disclosing insurance contracts in order for the Company to provide relevant and reliable information that allows users to determine the effect that the contracts have on the financial statements. The entry into force of this standard is not expected to have a significant effect on the consolidated financial statements in future financial years.	Pending adoption in the EU 1 January 2021.

2. Accounting policies and measurement bases

In preparing the Group's consolidated financial statements for 2019, the following accounting principles and policies and measurement 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 measurement 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 2019 and 2018, 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 2019 and 2018, 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 or delivery 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 measurement 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 measurement 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 2019 and 2018, the Group has contracted several asset repurchase transactions (see Note 10), at the maturity date of which the debtors must be reimbursed the ownership of the securities that constitute the collateral. At 31 December 2019 and 2018, 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 measurement 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. Furthermore, it will be recorded in this portfolio those equity instruments that the Group has voluntarily and irrevocably designated at the beginning in that portfolio.

- **Financial assets held at fair value through profit or 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 measurement or recognition (accounting asymmetry) that would otherwise arise, for the measurement 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 measurement 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 thousand euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2019 and 2018, taking into account the nature of the items involved and the most significant currencies in which they are denominated, is as follows:

	Equivalent Value in Thousands of euros (*)			
	2019		2018	
Nature of Foreign. Currency Balances:	Assets	Liabilities	Assets	Liabilities
Amount in US Dollars-				
Cash	65,641	-	58,538	-
Financial assets and liabilities held for trading	4,500	1,367	277	279
Financial assets at fair value through other comprehensive income	178,619	-	-	-
Demand deposits and financial assets at amortised cost	289,715	-	322,460	-
Financial liabilities at amortized cost		2,049,120	-	1,404,522
Other assets and liabilities	12	5,898	-	-
	538,487	**2,056,385**	**381,275**	**1,404,801**
Balances in Japanese yen-				
Cash	985	-	888	-
Demand deposits and financial assets at amortised cost	26,120	-	47,593	-
Financial liabilities at amortised cost	-	191,667	-	163,946
Other assets and liabilities	-	25	-	-
	27,105	**191,692**	**48,481**	**163,946**
Balances in pounds sterling-				
Cash	49,859	-	33,118	-
Financial assets/liabilities held for trading	-	-	-	-
Demand deposit and financial assets at amortised cost	80,558	-	36,450	-
Financial liabilities at amortized cost	-	154,566	-	182,668
Other assets and liabilities	23	1,134	102	126
	130,440	**155,700**	**69,670**	**182,794**
Balances in Swiss francs-				
Cash	3,282	-	2,244	-
Demand deposit and financial assets at amortised cost	44,325	-	5,164	-
Financial liabilities at amortized cost	-	68,380	-	35,185
Other assets and liabilities	2	2	-	-
	47,609	**68,382**	**7,408**	**35,185**
Balances in Norwegian krone-				
Cash	1,118	-	1,028	-
Demand deposit and financial assets at amortised cost	2,287	-	3,336	-
Financial liabilities at amortized cost	-	9,635	-	11,529
	3,405	**9,635**	**4,364**	**11,529**
Balances in Swedish krone-				
Cash	1,032	-	654	-
Demand deposit and financial assets at amortised cost	3,587	-	8,764	-
Financial liabilities at amortized cost	-	11,419	-	24,662
Other assets and liabilities	-	1	-	-
	4,619	**11,420**	**9,418**	**24,662**
Balances in other currencies-				
Cash	11,456	-	7,216	-
Demand deposits and financial assets at amortized cost	23,266	-	21,252	-
Financial liabilities at amortized cost	-	52,730	-	54,336
Other assets and liabilities	-	26	-	-
	34,722	**52,756**	**28,468**	**54,336**
Total foreign currency balances	**786,387**	**2,545,970**	**549,084**	**1,877,253**

(*) Countervalue calculated using exchange rates at 31 December 2019 and 2018, respectively.

In addition to the currency positions recognized in the consolidated balance sheets at 31 December 2019 and 2018 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 consolidated 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, other than those received from Group companies, jointly controlled entities or associates, as the case may be, 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 measurement 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 2019 and 2018 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 recognized against "other comprehensive income". The reversal, if any, of previously recognized impairment losses is recognized in the consolidated 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 unfavourable 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 Bank of Spain based on sector information and its accrued experience.

The amounts 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 the consolidated profit or loss account 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

The Group is obligated to supplement Social Security benefits for employees or beneficiaries in the event of the retirement, widowhood or death of its active employees, in accordance with the current collective bargaining agreement and a series of internal labour agreements.

The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group 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 Group implemented the Cecabank Employee Pension Plan to fulfil its pension commitments with employees in accordance with the Law on Pension Plans and Funds and its enabling regulations.

The Management Entity for the "Cecabank Employee Pension Plan" is Caser Pensions, Pension Fund Management Company S.A. This pension plan is a member of Cecabank AD Employee Pension Fund, Pension Fund and Cecabank PD Employee Pension Fund, Pension Fund.

There are three subplans within the Cecabank Employee Pension Plan.

- **Subplan 1** is a defined benefit plan covering all contingencies and is in place for all members that became beneficiaries under the defined benefit system before 1 January 2019. All of the benefits are insured through an external insurance company and the policyholder is the Control Committee of the Cecabank Employee Pension Plan.

  In 2010 the Pension Plan Control Committee adopted a resolution to obtain this insurance policy, in fulfilment of the previously acquired commitment, to cover the income for the pension supplements that arise for beneficiaries under the defined benefit pension plan, adapted to the benefits for the group of beneficiaries of the pension plan and in order to insure those commitments.

- **Subplan 2** is a defined contribution plan for the retirement contingency and its members are CECA employees that joined after 30 May 1986 but before 11 November 2012, as well as the employees that joined Cecabank, S.A. starting on or after 12 November 2012. This subplan also covers members that joined CECA prior to 30 May 1986 when they chose to voluntarily remain in Subplan 2 in accordance with the Labour Agreement dated 27 January 2010.

  This subplan is a defined benefit plan for death and disability contingencies affecting active employees. These defined benefits are insured through an insurance policy for which the policyholder is the Control Committee of the Cecabank Employee Pension plan.

- Finally, **Subplan 3** covers all employees that joined CECA before 29 May 1989 and were not entitled to join the early retirement plan established in the collective bargaining agreement for specific matters dated 2 April 2001 and requested, on a voluntary and irrevocable basis, to join the plan.

  This subplan is a defined contribution plan for the retirement contingency and a defined benefit plan for death and disability contingencies affecting active employees. These defined benefits are insured through an insurance policy for which the policyholder is the Control Committee of the Cecabank Employee Pension plan.

During 2019 the Group and all labour representatives reached a labour agreement under which there were relevant changes in the regulation of the Cecabank Employee Pension Plan. After that labour agreement was signed, the benefit system for the death and disability benefits was changed and it is no longer referenced to the pension recognised by Social Security and it now grants a capital amount based on the salary of each member.

Similarly, Subplan 1 is closed to the existing liability group existing at 31 December 2018 and active members that remained in the defined benefit subplan 1 were moved to subplan 3.

Finally, the contributions for the defined contribution retirement contingency have been improved, at least for the five-year period 2020-2024 for subplan 2, while a series of extraordinary contributions associated with length of service and compensation levels at the Bank for all members was recognised.

In addition, Cecabank has obtained several insurance policies to externalise pensions whether or not supplementary to the Cecabank Employee Pension Plan.

Note 35,"Administrative expenses-Staff Costs", 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 Group.

At 31 December 2019, the Group's total accrued pension obligations to current and retired employees amounted to EUR 177,731 thousand (31 December 2018: EUR 171,878 thousand). These obligations are covered by the aforementioned external pension fund and insurance policies, the fair value of which was EUR 180,004 thousand at 31 December 2019 (31 December 2018: EUR 180,067 thousand) and, therefore, the Bank recognized in the item "Net Asset for Pensions" under "Other Assets- Rest of other assets" in the accompanying balance sheets as at 31 December 2019, EUR 2,273 thousand (31 December 2018: EUR 8,189 thousand) (see Notes 14.1 "Other assets" and 35 "Administrative expenses-Staff Costs").

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-rest of the other assets". The Group measures, where appropriate, the recognized asset at the lower of the following two values:

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

- The present value of the cash flows available to the Group, 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:

- 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”.

- 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 due to the application of the regulatory amendments in applicable legislation to the Group in accordance with Bank of Spain Circular 5/2013, since financial year 2013, the actuarial gains and losses arising on the measurement 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 2019 the portion of the accrued expense for the contributions to the external pension fund relating to defined contribution obligations amounted to EUR 714 thousand (2018: EUR 698 thousand), and this amount was recognized under “Administrative Expenses - Staff Costs” in the consolidated income statement. In addition, in 2019 there have been no refunds relating to the insurance policy of an employee who left the Bank’s employ (2018: EUR 3 thousand) (see Note 35 “Administrative expenses-Staff Costs”).

There are no active recipients of the defined benefits at the end of 2019 since they were moved to defined contributions (Subplan 3) on 1 January 2019.

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”) and no premium accrued or was paid in 2019 and 2018.

Additionally, the premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 244 thousand (2018: EUR 181 thousand), and this amount was recognized under “Administrative Expenses - Staff Costs” in the consolidated income statement (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 1.1 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 Group, 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 Group 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 Group 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 Group's consolidated 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 41,656 thousand (EUR 49,710 thousand at 31 December 2018), which was recognized under “Provisions - Other long-term employee benefits” in the balance sheet (Notes 16 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 2019 and 2018 this provision covered the full amount of the Group'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 Cecabank Employee Pension Plan, in accordance with its rules and they are fully covered by a policy obtained by the Control Committee of the Pension Plan from an insurance company.

2.11.3.3. Long-service bonuses

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

The amount paid in this connection at 2019 year-end was approximately EUR 16 thousand (2018 year-end: EUR 9 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 consolidated profit or loss in 2019 and 2018, amounting to EUR 2,250 and 785 thousand, is recognized under “Administrative Expenses - Staff Costs” in the consolidated statement of profit or loss (see Note 35).

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 Group'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 Group implementing it, employees of the Group may, in specific cases, apply for interest free advances and other “community projects” 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 Group 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.

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 monetizable 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 Confederación Española de Cajas de Ahorros Group. 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 community 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% a 4%
Furniture and office equipment	10% a 15%
Computer hardware	15% a 25%
Fixtures	8% a 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.

Furthermore, 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 (reserve) of provisions” in the consolidated income statement.

2.15.1. Litigation and/ or claims in process

At the end of 2019, 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 "Measurement Adjustments", which may be reclassified to the consolidated income statement, are broken down as follows:

a) Measurement gains or losses taken to equity: 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 "Measurement 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 measurement 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 individual 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.

Following, the financial statements for the Bank, who is the parent of the Group, are presented at 31 December 2029 and 2018, and for the years ended at that dates for informative purposes:

Balances (thousands of euros):

ASSETS	2019	2018
Cash, cash balances at central banks and other sight deposits (Note 5)	**2,268,107**	**3,267,077**
Financial assets held for trading	**1,849,540**	**1,920,383**
Derivatives	981,563	926,943
Equity instruments	379,531	240,744
Debt securities	488,446	752,696
Loans and prepayments	-	-
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	*99,786*	*96,475*
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	**39,017**	**60,413**
Equity instruments	8,497	19,093
Debt securities	30,117	41,320
Loans and prepayments	403	-
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	-	*33*

	2019	2018
Financial assets at fair value through profit or loss	**-**	**-**
Financial assets at fair value through other comprehensive income	**2,072,461**	**1,478,973**
Equity instruments	14,269	10,295
Debt securities	2,058,192	1,468,678
Loans and prepayments	-	-
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	*823,287*	*137,278*
Financial assets at amortised cost	**5,074,354**	**2,497,312**
Debt securities	307,700	21,503
Loans and prepayments	4,766,654	2,475,809
Central banks	-	-
Credit institutions	4,038,453	1,924,448
Customers	728,201	551,361
Memorandum: Loaned or delivered as a guarantee with a sale or pledge right	*464,711*	*72,244*
Derivatives - hedge accounting	**12,784**	**17**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**312**	**312**
Subsidiaries	312	312
Combined businesses	-	-
Associates	-	-
Property, plant and equipment	**52,627**	**51,175**
Property, plant and equipment	45,622	43,987
For own use	45,622	43,987
Investment property	7,005	7,188
Of which: assigned under operating lease	-	-
Memorandum: Acquired under finance lease	*2,694*	-
Intangible assets	**195,334**	**205,402**
Goodwill	-	-
Other intangible assets	195,334	205,402
Tax assets	**86,391**	**108,242**
Current tax assets	3,492	7,924
Deferred tax assets	82,899	100,318
Other assets	**65,571**	**56,731**
Insurance contracts associated with pensions	-	-
Rest of other assets	65,571	56,731
Non-current assets and disposal groups of assets classified as held-for-sale	**3,002**	**3,791**
TOTAL ASSETS	**11,719,500**	**9,649,828**

EQUITY AND LIABILITIES	2019	2018
Liabilities		
Financial liabilities held for trading	**1,211,746**	**1,376,857**
Derivatives	1,021,166	967,023
Short positions	190,580	409,834
Deposits	-	-
Issued debt securities	-	-
Other financial liabilities	-	-
Financial liabilities at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost	**9,211,764**	**6,946,340**
Deposits	9,063,006	6,668,423
Central banks	445,990	349,573
Credit institutions	1,673,014	1,202,472
Customers	6,944,002	5,116,378
Issued debt securities	-	-
Other financial liabilities	148,758	277,917
Derivatives - hedge accounting	**13,463**	**6,898**
Changes in the fair value of hedged items in a portfolio with an interest rate risk hedge	**-**	**-**
Liabilities covered by insurance or reinsurance contracts	**-**	**-**
Provisions	**101,848**	**122,595**
Pensions and other post-employment defined benefit obligations	-	-
Other non-current employee compensation	41,656	49,710
Procedural matters and litigation regarding pending taxes	9,011	9,800
Commitments and guarantees granted	303	274
Other provisions	50,878	62,811
Tax liabilities	**14,329**	**19,051**
Current tax liabilities	-	1,038
Deferred tax liabilities	14,329	18,013
Share capital refundable on demand	**-**	**-**
Other liabilities	**59,666**	**104,917**
Liabilities included in disposal groups of assets covered by a portfolio with an interest rate risk hedge	**-**	**-**
TOTAL LIABILITIES	**10,612,816**	**8,576,658**

EQUITY AND LIABILITIES	2019	2018
Shareholders' equity	**1,087,635**	**1,063,402**
Capital	**112,257**	**112,257**
Paid up capital	112,257	112,257
Called share capital not paid	-	-
Memorandum: uncalled share capital	-	-
Share premium	615,493	615,493
Equity instruments issued, other than capital	-	-
Other equity items	-	-
Retained earnings	309,108	266,567
Revaluation reserves	-	-
Other reserves	5,592	5,591
(-) Treasury shares	-	-
Profit/loss for the year	45,185	63,494
(-) Interim dividends	-	-
Revaluation reserves	-	-
Accumulated other comprehensive income	**19,049**	**9,768**
Items that will not be reclassified to profit or loss	**13,016**	**14,534**
Actuarial gains or (-) losses on defined benefit pension plans	7,274	11,451
Non-current assets and disposal groups of assets classified as held-for-sale	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income	5,742	3,083
Ineffectiveness of fair value hedges of equity instruments at fair value through other comprehensive income	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that will not be reclassified to profit or loss	6,033	(4,766)
Net investment hedging on foreign operations	-	-
Conversion of foreign currency	-	-
Hedge derivatives Cash flow hedge reserve	-	-
Changes in the fair value of debt instruments at fair value through other comprehensive income	6,033	(4,766)
Hedge instruments	-	-
Non-current assets and disposal groups of assets classified as held-for-sale	-	-
TOTAL EQUITY	1,106,684	1,073,170
EQUITY AND LIABILITIES	11,719,500	9,649,828
Memorandum		
Loan grant commitments	**713,894**	**199,602**
Financial guarantees granted	**-**	**52**
Other commitments granted	**1,516,957**	**183,090**

Income Statements

(thousands of euros):

	2019	2018
Interest income	**79,300**	**90,055**
Financial assets at fair value through other comprehensive income	20,444	29,145
Financial assets at amortised cost	13,326	6,346
Remaining interest revenue	45,530	54,564
Interest expense	**(92,784)**	**(83,747)**
INTEREST MARGIN	**(13,484)**	**6,308**
Dividend income	12,756	15,199
Fee income	142,716	134,359
Fee expense	(21,437)	(15,172)
Profit or loss on derecognition in accounts of financial assets and liabilities not carried at fair value through profit or loss, net	29,340	23,430
Financial assets at amortised cost	3	3
Remaining financial assets and liabilities	29,337	23,427
Profit or loss on financial assets and liabilities held for trading, net	(47,978)	(15,900)
Other profits or losses	(47,978)	(15,900)
Profit or loss on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	2,728	(4,477)
Other profits or losses	2,728	(4,477)
Profit or loss on financial assets and liabilities designated at fair value through profit or loss, net	-	(10)
Profit or loss resulting from hedge accounting, net	680	(3,824)
Exchange differences, net	75,248	65,158
Other operating income	33,959	48,267
Other operating expenses	(4,275)	(3,986)
GROSS MARGIN	**210,253**	**249,352**
Administration expenses	**(114,066)**	**(127,029)**
Staff costs	(44,337)	(51,042)
Other administrative costs	(69,729)	(75,987)
Amortisation/Depreciation	(44,297)	(46,204)
Provisions or reversal of provisions	11,561	12,125
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss due to changes	**(1,421)**	**497**
Financial assets at fair value through other comprehensive income	(788)	309
Financial assets at amortised cost	(633)	188
Impairment or reversal of impairment of investments in joint ventures or associates	-	-
Impairment, or reversal of impairment, of non-financial assets	-	-
Property, plant and equipment	-	-
Intangible assets	-	-
Other	-	-
Gains or losses on the disposal of non-financial asset accounts, net	**(4)**	**10**
Negative goodwill recognised in the income statement	--	-
Profit or loss on non-current assets and disposal groups of assets classified as held for sale not qualifying as discontinued operations (net)	1,031	(10)
PRE-TAX PROFIT OR LOSS FROM CONTINUING OPERATIONS	**63,057**	**88,741**
Income tax expense or income from earnings from continuing operations	(17,872)	-(25,247)
AFTER-TAX PROFIT OR LOSS FROM CONTINUING OPERATIONS	**45,185**	**63,494**
After-tax profit or loss from discontinued operations	-	-
PROFIT/(LOSS) FOR THE YEAR	**45,185**	**63,494**

Statements of recognised income and expense and Statement of changes in equity

(thousands of euros):

	2019	2018
PROFIT/(LOSS) FOR THE YEAR	**45,185**	**63,494**
OTHER COMPREHENSIVE INCOME	**9,281**	**(29,625)**
Items that will not be reclassified to profit or loss	**(1,518)**	**1,823**
Actuarial gains or losses on defined benefit pension plans	(5,967)	617
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments at fair value through other comprehensive income	3,799	1,987
Tax on gains relating to items that will not be reclassified	650	(781)
Items that may be reclassified to profit or loss	**10,799**	**(31,448)**
Conversion of foreign currency	-	-
Profit/(loss) on foreign currency exchange recognised under equity	-	-
Cash flow hedges (effective portion)	-	-
Gains or losses recognised under equity	-	-
Transferred to profit or loss	-	-
Debt instruments at fair value through other comprehensive income	15,427	(44,926)
Gains or losses recognised under equity	44,764	(21,499)
Transferred to profit or loss	(29,337)	(23,427)
Tax on gains relating to items that may be reclassified to profit or loss	(4,628)	13,478
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**54,466**	**33,869**

Estados totales de cambios en Patrimonio Neto

(thousands of euros):

Miles de Euros

	SHAREHOLDERS' EQUITY								
	Capital	Prima de emisión	Ganancias acumuladas	Otras Reservas	(-) Acciones propias	Resultado del ejercicio	(-) Dividendo a cuenta	Otro resultado global acumulado	Total patrimonio neto
Opening balance (before restatement) at 1 January 2018	**112,257**	**615,493**	**-**	**211,653**	**-**	**73,218**	**-**	**45,058**	**1,057,679**
Effects of error corrections	-	-	-	-	-	-	-	-	-
Effects of the changes in accounting policies	-	-	-	5,536	-	-	-	(5,665)	(129)
Opening balance at 1 January 2018	**112,257**	**615,493**	**-**	**217,189**	**-**	**73,218**	**-**	**39,393**	**1,057,550**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**63,494**	**-**	**(29,625)**	**33,869**
Other changes in equity	**-**	**-**	**266,567**	**(211,598)**	**-**	**(73,218)**	**-**	**-**	**(18,249)**
Dividends (or shareholder compensation)	-	-	-	-	-	(18,304)	-	-	(18,304)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	266,567	(211,653)	-	(54,914)	-	-	-
Other increases/decreases in equity	-	-		55	-		-	-	55
Ending balance at 31 December 2018	**112,257**	**615,493**	**266,567**	**5,591**	**-**	**63,494**	**-**	**9,768**	**1,073,170**
Effects of error corrections	-	-	-	-	-	-	-	-	-
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-
Opening balance at 1 January 2019	**112,257**	**615,493**	**266,567**	**5,591**	**-**	**63,494**	**-**	**9,768**	**1,073,170**
Total comprehensive income for the year	-	-	-	-	-	**45,185**	-	**9,281**	**54,466**
Other changes in equity	**-**	**-**	**42,541**	**1**	**-**	**(63,494)**	**-**	**-**	**(20,952)**
Dividends (or shareholder compensation)	-	-	-	-	-	(20,953)	-	-	(20,953)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	42,541	-	-	(42,541)	-	-	-
Other increases/decreases in equity	-	-	-	1	-	-	-	-	1
Ending balance at 31 December 2019	**112,257**	**615,493**	**309,108**	**5,592**	**-**	**45,185**	**-**	**19,049**	**1,106,684**

Statements of cash flows

(Thousands of euros):

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:	(947,440)	650,086
Profit/loss for the year	**45,185**	**63,494**
Adjustments made to obtain cash flows from operating activities	**13,324**	**101,642**
Amortisation/Depreciation	44,297	46,204
Other adjustments	(30,973)	55,438
Net (increase)/ decrease in operating assets	**3,009,317**	**(836,648)**
Financial assets held for trading	(123,204)	215,535
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	(22,570)	31,355
Financial assets at fair value through profit or loss	-	256,866
Financial assets at fair value through other comprehensive income	582,762	160,483
Financial assets at amortised cost	2,576,558	186,575
Other operating assets	(4,229)	(14,166)
Net increase/(decrease) in operating liabilities	**2,008,341**	**(338,667)**
Financial liabilities held for trading	(165,111)	(163,121)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2,265,424	(86,281)
Other operating liabilities	(91,972)	(89,265)
Corporate income tax income/(expense)	**(4,973)**	**(13,031)**
Total net cash flows from investing activities	**(30,577)**	**(21,514)**
Payments:	(32,429)	(21,514)
Property, plant and equipment	(2,134)	(1,827)
Intangible assets	(30,295)	(19,687)
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	-	-
Other payments related to investment activities	-	-
Payments received:	**1,852**	**-**
Property, plant and equipment	-	-
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	-	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	1,852	-
Other payments related to investment activities	-	-
Total cash flows from Financing Activities	**(20,953)**	**(18,304)**
Payments:	(20,953)	(18,304)
Dividends	(20,953)	(18,304)
Subordinated liabilities	-	-
Redemption of treasury shares	-	-
Acquisition of treasury shares	-	-
Other payments related to financing activities	-	-
Payments received:	-	-
EFFECT OF FLUCTUATIONS IN EXCHANGE RATES	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(998,970)	610,268
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,267,077	2,656,809
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,268,107	3,267,077
Memorandum		
Components of cash and cash equivalents at the end of the year		
Cash	153,912	119,015
Cash balances at central banks	2,009,191	3,046,432
Other sight deposits	105,004	101,630
Less: Bank overdrafts repayable on demand	-	-

4. Distribution of the Group's profit

Set out below is the proposal for the distribution of the parent`s company net profit for the year 2019, which the Board of Directors will propose to the General Shareholders' Meeting for approval, as well as the already approved for the financial year 2018:

Thousands of euros

	2019	2018
Voluntary Reserve	30,274	42,541
Dividends	14,911	20,953
Net profit for the year	**45,185**	**63,494**

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 revenues for 2019 and 2018 of customers external to the Group broken down by geographical areas in which they have their origin:

2019:

Thousands of euros

	Spain	Rest of Europe	Rest of the World	Total
Interest income (Note 28)	79,298	-	-	79,298
Commission income (Note 31)	141,194	-	-	141,194
Gains/losses on financial assets and liabilities (net) (Note 33)	(15,230)	-	-	(15,230)
Other operating income (Note 34)	33,959	8,515	-	42,474

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)	-	-	(781)
Other operating income (Note 34)	48,267	7,031	-	55,298

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

At 31 December 2019 and 2018 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 remuneration, on account of their attendance at Board meetings and, if appropriate, support committees meetings. The breakdown for 2019 and 2018 is shown below:

Thousands of euros

	2019	2018
Azuaga Moreno, Manuel	23	29
Cánovas Páez, Joaquín	-	2
Carbó Valverde, Santiago	52	52
García Lurueña, Francisco Javier	31	39
Gómez de Miguel, José Manuel	14	56
Iglesias Ruiz, Víctor Manuel	21	29
Méndez Álvarez-Cedrón, José María	23	23
Motellón García, Carmen	47	46
Pano Riera, Javier	27	10
Ruano Mochales, Jesús	35	29
Salaverría Monfort, Julia	52	56
Sarro Álvarez, María del Mar	52	43
	377	**414**

Fees in connection with the abovementioned concepts regarding the 2019 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 29 thousand (2018: EUR 31 thousand).

Note 40, "Related party transactions", details the Group's other balances with its directors and entities or individuals related to them.

6.2. Remuneration of Bank´s senior executives and members of the Board of Directors in their capacity as Cecabank´s executives

For the purposes of the preparation of these consolidated financial statements, the Bank's senior executives were considered to be the members of the Management Committee, which comprised 8 members at 31 December 2019 and 2018.

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 2,232 thousand in 2019, of which EUR 2,019 thousand related to short-term remuneration for 2019, including the amount that will be paid by Phantom Shares (Note 35) and EUR 213 thousand related to post-employment benefits (EUR 2,465 thousand in 2018, of which EUR 2,301 thousand related to short-term remuneration and EUR 164 thousand to post-employment benefits).

At 31 December 2019, the vested pension rights of the senior executives and Board members in their capacity as Bank executives amounted to EUR 2,720 thousand (31 December 2018: EUR 3,584 thousand).

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 2019 amounted to EUR 156 thousand (2018: EUR 145 thousand).

Note 40 to these consolidated 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.

The statements made by the Bank's Directors in accordance with Article 229 and subsequent of the Spanish Companies Act report that they have informed the Board of Directors of direct and indirect conflicts of interest with the Bank affecting them or persons associated with them. Specifically, during 2019 at five times some Directors of Cecabank, S.A. abstained from participating in the debate and/or voting on matters relating to the extension of depository agreements, agreements regarding the acquisition of depository businesses and relating to a shareholding in a company. In 2018, the statements made by the Bank's Directors in accordance with the Spanish Companies Act reported to the Board of Directors a direct and indirect conflict of interest with the Bank affecting them or persons associated with them.

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Cash in euros	20,541	15,329
Cash in foreign currency (Note 2.7)	133,373	103,687
Cash balances at central banks (Note 1.10) (*)	2,009,191	3,046,432
Other sight deposits in euros	19,590	37,267
Other sight deposits	86,998	65,825
	2,269,693	**3,268,540**

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

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 2019 and 2018:

Thousands of euros

	Debtor balances		Creditor balances	
	2019	2018	2019	2018
Debt securities	**488,446**	**752,696**	**-**	**-**
Government securities	168,749	409,951	-	-
Treasury Bills	-	-	-	-
Other public entities	109,487	9,774	-	-
Non-resident public institutions	48,696	117,328	-	-
Spanish credit institutions	46,237	44,222	-	-
Credit institutions not residing in Spain	-	81,503	-	-
Private sector (Spain)	83,873	8,501	-	-
Private sector (rest of the world)	31,404	81,417	-	-
Doubtful assets	-	-	-	-
Equity instruments	**379,531**	**240,744**	**-**	**-**
Shares listed on the Spanish Market	377,213	238,711	-	-
Shares listed on markets in the rest of the world	2,318	2,033	-	-
Derivatives held for trading	**981,563**	**926,943**	**1,021,166**	**967,023**
Derivatives traded on organised markets	32	94	22	755
Derivatives not traded on organised markets	981,531	926,849	1,021,144	966,268
Short securities positions	**-**	**-**	**190,580**	**409,834**
	1,849,540	**1,920,383**	**1,211,746**	**1,376,857**

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. Trading derivatives (assets and liabilities)

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 2019 and 2018:

Thousands of euros

	2019			2018		
	Fair Value			Fair Value		
	Asset Balances	Liability Balances	Notional Amount	Asset Balances	Liability Balances	Notional Amount
Interest rate risk	934,299	976,286	23,373,357	877,672	927,813	28,874,217
Foreign currency risk	47,232	42,099	3,508,354	49,177	36,452	6,735,465
Share price risk	32	647	436,107	94	2,758	378,705
Credit Risk	-	2,134	75,000	-	-	-
	981,563	**1,021,166**	**27,392,818**	**926,943**	**967,023**	**35,988,387**

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 2019 and 2018, is as follows:

Thousands of euros

	2019	2018
Classification:		
For securities lending-		
Equity instruments	-	11
Overdrafts on disposals-		
Debt securities	190,580	409,823
	190,580	**409,834**

The items "Short Positions – For securities lending – Equity Instruments" and "Short Positions – Overdrafts on disposals – Debt securities" 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 carried at fair value through profit or loss” in the balance sheets at 31 December 2019 and 2018 is as follows:

Miles de Euros

	2019	2018
Equity instruments	**8,497**	**19,093**
Shares traded on organised markets	1,087	4,918
Shares listed on markets in the rest of the world	-	225
Unlisted shares	7,410	13,950
Debt securities	**30,117**	**41,320**
Private sector (rest of the world)	30,117	41,320
Loans and prepayments	**403**	**-**
	39,017	**60,413**

Note 22 includes information on the Group’s exposure to credit risk at 31 December 2019 and 2018 associated with these financial instruments other than equity instruments.

Note 21 discloses information on the fair value of these financial instruments at 31 December 2019 and 2018. 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 2019 and 2018.

Note 26 includes information on the concentration risk relating to these financial instruments at 31 December 2019 and 2018.

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

At 31 December 2019 and 2018 there are no assets or liabilities in this heading.

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 2019 and 2018:

Thousands of euros

	2019	2018
Debt securities		
Securities - Spanish Public Administrations	518,171	307,951
Treasury Bills	-	-
Government securities	518,171	307,951
Non-resident public institutions	911,631	953,081
Spanish credit institutions	55,070	29,897
Credit institutions not residing in Spain	153,701	39,988
Private sector (Spain)	260,504	88,901
Private sector (rest of the world)	145,413	43,024
	2,044,490	**1,462,842**
Measurement adjustments		
Accrued interest	9,340	8,476
Results due to measurement and other	5,761	(2,029)
Impairment losses (Notes 22.8 and 38)	(1,399)	(611)
	13,702	**5,836**
	2,058,192	**1,468,678**
Equity instruments-		
Shares not traded on organised markets	23,391	23,391
	23,391	23,391
Measurement adjustments		
Results due to measurement and other	8,379	4,405
Impairment losses (Notes 22.8 and 38)	(17,501)	(17,501)
	(9,122)	**(13,096)**
	14,269	**10,295**
	2,072,461	**1,478,973**

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 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 under this heading in the consolidated balance sheets at 31 December 2019 and 2018:

Miles de Euros	2019	2018
Debt instruments-		
Debt securities issued by Spanish Public Administrations	284,299	-
Debt securities issued by entities other than Spanish Public Administrations	24,277	23,150
Non-performing assets	-	-
	308,576	**23,150**
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(2,408)	(1,743)
Accrued interest	1,532	96
	(876)	(1,647)
	307,700	**21,503**
Loans and prepayments to credit institutions-		
Reverse repurchase agreements	3,214,725	1,238,922
Other term loans	45,052	11,709
Advances different from loans	778,749	674,139
Non-performing assets	739	34
	4,039,265	**1,924,804**
Measurement adjustments-		
Impairment losses (Notes 22.8 and 38)	(403)	(75)
Accrued interest	(409)	(281)
	(812)	(356)
	4,038,453	**1,924,448**
Loans and prepayments to customers-		
On demand	3,866	10,750
Credit card debt	651	590
Trade receivables	957	15,991
Reverse repurchase agreements	89,927	108,220
Other term loans	460,160	143,725
Advances different from loans	161,021	258,967
Non-performing assets	450	870
	717,032	**539,113**
Measurement adjustments-		
Impairment losses	(305)	(584)
Acquisition Premium	10,707	12,772
Accrued interest	1,753	1,899
	12,155	**14,087**
	729,187	**553,200**
	5,075,340	**2,499,151**

“Financial Assets at Amortised Cost - Loans and Advances to Customers” includes mortgage loans to customers with a carrying amount of EUR 42,105 thousand at 31 December 2019 (31 December 2018: EUR 44,821 thousand).

Note 21 provides information on the fair value at 31 December 2019 and 2018 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 2019 and 2018.

Note 24 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2019 and 2018.

Note 26 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2019 and 2018. 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 and also to comply with the requirements of the applicable regulation.

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

	2019		2018	
	Asset balances	Liability balances	Asset balances	Liability balances
Hedged instrument				
Financial assets at fair value through other comprehensive income	12,784	13,463	17	6,898
	12,784	**13,463**	**17**	**6,898**

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 2019 and 2018. Note 22 includes certain information on the credit risk associated with these derivatives at 31 December 2019 and 2018.

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Real properties	3,002	2,772
Equity instruments	-	1,019
	3,002	**3,791**

The changes in 2019 and 2018 in the items included in this heading in the consolidated balance sheets, and the related impairment losses, were as follows:

Thousands of euros

	2019	2018
Cost:		
Balances at 1 January	16,416	16,412
Additions	11	-
Disposals	(11,543)	-
Transfers	29	4
Balances at 31 December	**4,913**	**16,416**
Impairment losses:		
Balances at 1 January	(12,625)	(12,625)
Additions	-	-
Disposals	10,716	-
Transfers	(2)	-
Balances at 31 December	**(1,911)**	**(12,625)**
Net Balances at 31 December	**3,002**	**3,791**

Properties

The Bank continues to actively manage the items included in this heading and those that were initially recorded more than one year ago (consisting entirely of properties) in order to proceed with their sale in the short-term. Although the real estate market situation in Spain makes it difficult to dispose of these assets, the Bank's management of them is intended to procure their sale in the short-term and it has reasonable expectations in this respect. Accordingly, since all of the other requirements established in Circular 4/2017 are met, they continue to be classified and measured as non-current assets held for sale

Equity instruments

Shareholders at a general meeting of Ahorro Corporación, S.A. held on 18 December 2019 approved the final liquidation balance sheet and the net liquidation amount receivable by the Group was EUR 2,163 thousand. Since the Group held a 14.44% interest in the share capital of Ahorro Corporación, S.A. at 31 December 2018, the carrying amount of which was EUR 1,015 thousand, the impact on profit/(loss) was EUR 837 thousand. This amount was recognised under profit/(loss) from non-current assets and disposal groups of assets classified as held for sale that cannot be classified as discontinued operations. There is an outstanding receivables in the amount of EUR 311 thousand subject to certain milestones and compliance requirements.

The company CEA Trade Services limited, which was wholly owned by the Group, was effectively liquidated on 4 March 2019. As a result of the liquidation situation affecting this investee company, in 2018 the Group reclassified its assets and liabilities to the heading "Non-current assets and disposal groups of assets classified as held-for-sale" in the consolidated balance sheet.

13. Tangible assets

The changes in 2019 and 2018 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 2018	**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**
Additions	-	121	2,060	-	2,181
Disposals	-	(776)	(322)	-	(1,098)
Transfers	-	(29)	-	-	(29)
First application of IFRS 16	1,993	4	1,285	-	3,282
Balance at 31 December 2019	**64,373**	**24,045**	**16,221**	**10,905**	**115,544**
Accumulated depreciation:					
Balance at 1 January 2018	**(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)**
Charge for the year (Note 39)	(825)	(918)	(1,432)	(183)	(3,358)
Disposals	-	772	321	-	1,093
Transfers	-	2	-	-	2
First application of IFRS 16 (Note 39)	(396)	-	(188)	-	(584)
Balance at 31 December 2019	**(25,894)**	**(21,137)**	**(11,945)**	**(3,900)**	**(62,876)**
Tangible assets, net:					
Net balance at 31 December 2018	**37,707**	**3,732**	**2,552**	**7,188**	**51,179**
Net balance at 31 December 2019	**38,479**	**2,907**	**4,276**	**7,005**	**52,667**

At 31 December 2019 and 2018, property, plant and equipment for own use totalling (gross) approximately EUR 26,924 and 26,107 thousand had been depreciated in full.

Either at 31 December 2019 or at 31 December 2018, the tangible assets owned by the Group were not impaired and nor there were any changes in this connection in those years.

In 2019 the rental income earned from investment property owned by the Group amounted to EUR 1,338 thousand (2018: EUR 1,279 thousand) (see Note 34).

In 2019, the losses on disposals arising under "Property, Plant and Equipment – For Own Use" totalled EUR 4 thousand, recognized under "Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net" in the income statement for 2019 (2018: losses of EUR 2 thousand).

The Group has obtained insurance policies to cover its property, plant and equipment.

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Intangible assets with finite useful life	339,430	320,611
Accumulated amortization	(143,886)	(114,898)
Total net	**195,544**	**205,713**

At the time of each accounting closing, the Group determines whether or not there are any indications that the net value of its intangible assets (deposit and custody contracts) exceeds their recoverable value. If so, the carrying amount of the asset concerned is reduced to the recoverable value and future amortisation charges are adjusted in proportion to the adjusted carrying amount and the new remaining useful life, if a new estimate is required. The criteria for recognising the impairment of these assets and, if appropriate, any recovery of impairment losses recognised in prior years, are based on actual and projected equity, revenue, cost and variable payment figures, as well as the fixed price paid by Cecabank:

- The actual amount on deposit at the closing in December of the year being analysed and then the equity figures are taken into consideration based on the revenue estimated in the business plan for each transaction.

- Revenue is obtained from the business plan, which includes the accumulated amount of depository fees effectively collected by Cecabank in the year being analysed and reflecting the expected income based on the business plan.

- Variable payments relate to the amounts paid to customers in accordance with the revenue effectively obtained each year and the projections indicate the maximum amounts payable in the event that the business plan revenue projections are met, as is stipulated in the contracts.

- The net present value is calculated taking into consideration the estimated future cash flows that will be received by Cecabank up until the end of the transaction, using a discount rate in line with Cecabank's ROE before taxes.

At 31 December 2019 the balance of fully amortized intangible assets (computer applications) and in use was 2,224 thousand euros (7,891 thousand euros at 2018).

The changes in 2019 and 2018 in the consolidated balance sheets were as follows:

	Thousands of euros
Cost:	
Balance at 1 January 2018	**322,373**
Additions and transfers	19,877
Disposals	(21,639)
Balance at 31 December 2018	**320,611**
Additions and transfers	30,295
Disposals and other movements	(11,511)
Balance at 31 December 2019	**339,395**
Accumulated amortization:	
Balance at 1 January 2018	**(93,312)**
Charge for the year (Note 39)	(43,225)
Disposals and other movements	21,639
Balance at 31 December 2018	**(114,898)**
Charge for the year (Note 39)	(40,467)
Disposals and other movements	11,514
Balance at 31 December 2019	**(143,851)**
Intangible assets, net:	
Net balance at 31 December 2018	**205,713**
Net balance at 31 December 2019	**195,544**

The additions in 2019 and 2018 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 2019 and 2018 the Group derecognised the amortisation and impairment losses associated with the contracts that were renewed or derecognised, 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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Other assets-		
Prepayments-		
Fees and commissions receivable	12,443	11,371
Non-accrued expenses	179	238
Other prepayments	1,037	1,335
Other assets-		
Transactions in transit	40,493	23,120
Nets Assets Post-Employment plans (Notes 2.11.2 and 35)	2,273	8,189
Other items	9,224	12,368
	65,649	**56,621**

The item "Other assets - 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" in the above table 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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Accrued expenses and deferred income-		
Fees and commissions payable	1,938	1,387
Accrued expenses	32,479	47,100
Accrued revenues	1,064	1,274
Other liabilities-		
Transactions in transit	20,549	53,815
Other	3,974	1,685
	60,004	**105,261**

"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, 2019, balances amounting to 10,657 thousand euros (EUR 19,833 thousand at 31 December 2018) 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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Deposits-		
Central Banks	445,256	349,238
Deposits from credit institutions	1,673,637	1,202,934
Customer deposits	6,943,819	5,115,619
	9,062,712	6,667,791
Measurement adjustments	177	444
	9,062,889	6,668,235
Other financial liabilities	149,539	279,168
	9,212,428	**6,947,403**

Note 21 provides information on the fair value of these financial liabilities.

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 2019 and 2018 is as follows

Thousands of euros

	2019	2018
By geographical location:		
Spain	445,990	349,573
	445,990	**349,573**
By type of instrument:		
Time deposits-		
Deposits accounts	**445,256**	**349,238**
	445,256	**349,238**
Measurement adjustments	**734**	**335**
	445,990	**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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
By geographical location:		
Spain	1,002,437	711,358
Other EMU countries	523,078	327,552
Rest of the world	147,499	163,562
	1,673,014	**1,202,472**
By type of instrument:		
Demand deposits and other-		
Other accounts	730,884	692,899
Time deposits-		
Deposits accounts	456,182	279,187
Repurchase agreements	486,571	230,848
	1,673,637	1,202,934
Measurement adjustments	(623)	(462)
	1,673,014	**1,202,472**

16.4. Financial liabilities at amortized cost – Customer Deposits

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2019 and 2018 based on the geographic area of residence of the counterparty, by type of instrument and by class of counterparty in the operations, is set out below:

Thousands of euros

	2019	2018
By geographical location:		
Spain	6,938,052	5,103,171
Other EMU countries	4,477	7,708
Rest of the world	1,356	5,311
	6,943,885	**5,116,190**
By counterparty:		
Resident public sector	222,323	232,486
Non-resident public sector	-	100
Other resident sectors	6,715,663	4,870,115
Other non-resident sectors	5,833	12,918
Central counterparties	-	-
	6,943,819	**5,115,619**
Measurement adjustments	66	571
	6,943,885	**5,116,190**
By type of instrument:		
Current accounts	6,401,327	4,316,764
Other demand deposits	-	135,214
Fixed-term deposits	424,226	587,185
Repurchase agreements	118,266	76,456
	6,943,819	**5,115,619**
Measurement adjustments	66	571
	6,943,885	**5,116,190**

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Payment obligations	12,499	15,233
Liabilities associated with right of use assets	2,754	-
Collateral received	3,631	208
Clearing houses	3	-
Special accounts	29,803	21,416
Other items	100,849	242,311
	149,539	**279,168**

These items originate from operations carried out by certain credit institutions through the Bank. They are of a transitional nature and are settled on the first business day following the date of origination.

The balance account “Other items” in the preceding table essentially records balances totalling EUR 52,433 thousand in repayments of loans granted to public administrations at 31 December 2019 (EUR 53,770 thousand at 31 December 2018) and EUR 5,474 thousand in fees payable to brokers. At 31 December 2018, the most significant amount was EUR 128,984 thousand in means of payment items pending settlement.

The balance in the account "liabilities associated with right-to-use assets" (see Note 12) includes EUR 2,754 thousand for the mandatory future lease payments under the contracts in force at 31 December 2019.

17. Provisions

The changes in the balances of these items in the consolidated balance sheets at 31 December 2019 and 2018 were as follows:

Thousands of euros

	Other long-term employee remunerations (Note 35)	Commitments and guarantees granted (Notes 2.10, 22 and 27.1)	Litigation proceedings (Note 20.1)	Other provisions
Balances at 1 January 2018	**63,229**	**206**	**14,888**	**73,520**
Net addition/ (reversal) charged/ (credited) to income	(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**
Net addition/ (reversal) charged/ (credited) to income	237	29	(654)	(11,172)
Other net movements	(8,291)	-	(135)	(761)
Balances at 31 December 2019	**41,656**	**303**	**9,011**	**50,878**

“Other Changes, Net” under “Other Long-Term Employee Benefits” in 2019 consists mainly of the benefits paid to participants in the defined benefit plans totalling EUR 13,521 thousand (2018: EUR 13,164 thousand) (see Note 35). This item also includes EUR 5,230 thousand reclassified from the heading “Other liabilities” to this heading since it related to commitments acquired with Cecabank personnel that no longer work at the bank.

The heading “Litigation proceedings” includes provisions that have been recognized to cover potential litigation deriving from the Group’s business activity. “Other Provisions” at 31 December 2019 includes basically the amount recorded, based on an 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.

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 2019 and 2018 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 2019 and 2018 in this item in the consolidated balance sheets at 31 December 2019 and 2018.

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 2019 and 2018 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 2019 and 2018 in this item in the consolidate balance sheets at 31 December 2019 and 2018.

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 2019 and 2018 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 Group'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 2019 and 2018.

19. Capital and Share Premium

19.1. Capital

The Bank was incorporated effective 1 January 2012 (see Note 1.1) with an initial share capital of EUR 100,000,000, represented by 100,000,000 registered shares with a par value of 1 euro each, and its single shareholder at the time of incorporation was CECA.

Subsequently, on 13 November 2012 and within the framework of the segregation process carried out by CECA to the Bank (see Note 1.1), a capital increase was carried out in the amount of 78,932,117.60 euros through the issue of 12,256,540 new shares with the same voting and financial right as those already in existence and with a par value of 1 euro each and a share premium per share of 5.44 euros. The shares were fully subscribed and paid in by the former owners of the Association Participation Units that made up CECA’s capital and reserves, after the acceptance of the Repurchase Offer made by Ceca for those Association participation units after the entity waived its right to exercise the preferred subscription right it held with respect to the Bank’s shares. This meant that CECA maintained an 89% interest in the Bank’s share capital.

At 31 December 2019 and 2018, the Bank's share capital consists of 112,256,540 registered shares with a par value of 1 euro each, fully subscribed and paid in and bearing the same voting and financial rights. Confederación Española de Cajas de Ahorros holds 89% of the share capital of the Bank at 31 December 2019 and 2018. The remaining 11% is owned by other financial institutions.

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

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 2019 and 2018 financial years there were no increases in the number of shares issued by the Bank.

Of the 406 thousand euros recorded under the heading "Non-controlling interests", 85 thousand euros relates to capital, 365 thousand euros to reserves and 44 thousand euros to profit for the year.

19.2. Retained earnings and Other reserves

An analysis of the balances of these captions in the consolidated balance sheets at 31 December 2019 and 2018 is as follows:

19.2.1 Retained earnings

This heading records the net amount of accumulated consolidated profit/(loss) recognized in prior years through the income statement that is pending distribution, or that will be taken to equity during the distribution of profits.

Legal Reserve

The Spanish Companies Act stipulates that companies that obtain profits during a year must apply at least 10% to the creation of the legal reserve. Appropriations must be made until the legal reserve reaches 20% of paid up share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Other than to increase capital, the legal reserve may only be used to offset losses provided that no other reserves are available. The legal reserve is fully funded at 31 December 2019 and 2018 with a balance of 22,451 thousand euros.

Capitalisation reserve

By virtue of Article 25 of Law 27/2014 (27 November), on Corporate Income Tax, at 31 December 2019 the Bank maintains a reserve that is restricted during 5 years after its allocation in 2017 and totals 18,959 thousand euros (15,487 thousand euros at 31 December 2018).

Voluntary reserves

These reserves are freely available to the Bank since there is no legal or bylaw restriction on their use. The balance at 31 December 2019 amounts to 267,698 thousand euros (228,629 thousand euros at 31 December 2018).

19.2.2. Other reserves

This heading includes the amount of reserves not recognized under other headings, such as the amounts originating from permanent adjustments made directly in equity as a result of the expenses incurred on the issue or reduction of its own equity instruments, disposals of its own equity instruments and the retroactive restatement of the financial statements due to errors and changes in accounting criteria, net of any tax effect. At 31 December 2019 these reserves mainly record the impact of the first application of the regulatory modification described in Note 1.4.

19.3 Earnings per share

The parent company's basic earnings per share are calculated by dividing the net earnings by the weighted average number of outstanding shares for the year, excluding the average number of treasury shares held during the year.

The dilution result per share is due to dividing net earnings by the weighted average number of outstanding shares during the year, adjusting for the dilution effect, which is deemed to be the existence of convertible debt and stock options. The parent company has not issued instruments with a potential dilution effect at 31 December 2019 and 31 December 2018.

The earnings per share at 31 December 2019 and 31 December 2018 in accordance with IAS 33 are set out below:

Thousands of euros

	2019	2018
Profit/(loss) for the year	45,185	63,494
Weighted average number of shares	112,256,540	112,256,540
Basic earnings per share	**0,000402516**	**0,000565615**
Profit/(loss) for the year	45,185	63,494
Corrections to results due to issues of convertibles/options	-	-
Adjusted profit/(loss)	**45,185**	**63,494**
Weighted average number of shares	112,256,540	112,256,540
Diluted earnings per share	**0,000402516**	**0,000565615**

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 31 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 2019 and 2018 is as follows:

Thousands of euros - Expenses/(Revenues)

	2019	2018
Income tax expense for the year (Note 20.3)	18,390	25,448
Prior year and other adjustments	(518)	(201)
	17,872	**25,247**

20.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expenses recognized for 2019 and 2018 to the accounting profit before tax multiplied by the tax rate applicable to the Bank, and the income tax charge recognized at 31 December 2019 and 2018 are as follows:

Thousands of euros

	2019	2018
Accounting profit before tax	62,851	88,736
Tax rate	30%	30%
	18,855	26,612
Permanent differences:		
Increases	1,120	191
Decreases	(1,586)	(916)
Total	**18,390**	**25,897**
(Tax credits)/(Tax relief)	-	(449)
Income tax expense for the year (Note 20.2)	**18,390**	**25,447**
Temporary differences effect:		
Increases	4,805	2,699
Decreases	(14,387)	(17,689)
Tax with holdings and prepayments	(9,946)	(11,011)
Limitation of 25% Group taxable income prior integration DTAs	(590)	(2,020)
Income tax charge for the year	**1,728**	**(2,574)**

The corporate income tax payable for the year indicated in the preceding table is recognized under the heading "Tax assets-Current tax assets" in the consolidated balance sheets at 31 December 2019 and 2018.

Transitional Provision Thirty-Nine of Law 27/2014 (27 November) relating to the inclusion of accounting adjustments in the tax base due to the first application of Bank of Spain Circular 4/2017 (27 November) by credit institutions, on public and reserved financial information standards and model financial statements, stipulates that "charges and credits to reserve accounts that are considered to be expenses or income, respectively, since they have tax effects in accordance with the provisions of this Law, as a result of the first application of the Bank of Spain Circular 4/2017 (27 November by credit institutions, on public and reserved financial information standards and model financial statements, will be included equally in the tax base for each of the first three tax periods commencing on or after 1 January 2018, and including those items will not result in the application of the provisions of Article 130 of this Law."

The final paragraph of that Law stipulates that mention must be made in the notes to the financial statements for the years covering those tax periods of the amounts included in the tax base and those that have yet to be included.

For these purposes, the amounts included in the Group's tax base for 2018 and 2019 total EUR 695,038.90 and the amounts that have yet to be included total EUR 347,519.45.

20.4. Tax recognized in equity

In addition to the income tax recognized in the income statement, in 2019 and 2018 the Group recognized the following deferred amounts of income tax in equity during those periods:

Thousands of euros

	Increase/Decrease in Equity	
	2019	2018
Tax effect of actuarial gains and losses on pension plans to defined benefit	1,790	(185)
Tax effect of unrealised gains or losses on equity instruments at fair value through other comprehensive income	(1,140)	(596)
Tax effect of unrealised gains or losses on debt instruments measured at fair value through other comprehensive income	(4,628)	13,478
	(3,978)	**12,697**

20.5. Assets and liabilities by deferred taxes

Pursuant to the tax legislation in force, in 2019 and 2018 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 2019 and 2018 were as follows:

Thousands of euros

	2019	2018
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	7,452	7,625
Additions to provisions	15,583	21,535
Impairment losses	54,801	60,925
Other items	5,063	10,233
	82,899	**100,318**

EUR 27,787 thousand of the total deferred tax assets recognized at 31 December 2019 (31 December 2018: EUR 28,291 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.

The Group expects to recover non-monetize of all deferred assets over the coming 10 years, in accordance with the projections made in Cecabank's budgets and projections of the future.

Thousands of euros

	2019	2018
Deferred tax liabilities arising from:		
Revaluation of property	7,934	7,937
Additions and contributions to pension provisions and funds and to provisions for other long-term obligations to employees	682	2,456
Other items	5,713	7,620
	14,329	**18,013**

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:

Thousands of euros

Year	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 did not avail 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 2019 and 2018 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 measurement techniques in which all the significant inputs are based on directly or indirectly observable market data.
- **LEVEL 3:** instruments whose fair value estimated using measurement 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 measurement 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 measurement 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 measurement techniques and, depending on the specific instrument, the corresponding measurement 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 measurement thereof, or using internal measurement directly. In both cases the following were used:
    - Discounted cash flows.
    - Multiples of comparable listed companies.
    - Adjusted Net Asset Value (NAV).
  - Loans and prepayments 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 2019 and 2018, broken down as indicated above, is as follows:

Financial assets and liabilities – fair value at 31 December 2019-

	Fair value hierarchy			Change in the fair value for the period		Accumulated change in fair value before taxes		
	Tierl 1	Tier 2	Tier 3	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
ASSETS								
Financial assets held for trading	727,904	1,087,972	33,664	56,824	(268)	32,524	951,190	33,664
Derivatives	32	947,867	33,664	54,950	(268)	32	947,867	33,664
Equity instruments	379,531	-	-	-	-	(1,926)		-
Debt securities	348,341	140,105	-	1,874	-	34,418	3,323	-
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	1,087	37,930	-	(124)	-	(182)	2,834	-
Equity instruments	1,087	7,410	-	(662)	-	(182)	2,470	-
Debt securities	-	30,117	-	538	-	-	364	-
Loans and prepayments	-	403	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1,826,942	245,519	-	-	-	5,574	8,566	-
Equity instruments	-	14,269	-	-	-		8,379	-
Debt securities	1,826,942	231,250	-	-	-	5,574	187	-
Derivatives - Hedge accounting	-	12,784	-	12,603	-	-	12,784	-
LIABILITIES								
Financial liabilities held for trading	190,602	987,592	33,552	(55,127)	251	(2,693)	987,592	33,552
Derivatives	22	987,592	33,552	(55,127)	251	22	987,592	33,552
Short positions	190,580	-	-	-	-	(2,715)	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivatives - Hedge accounting	-	13,463	-	(2,378)	-	-	13,463	-

Financial assets and liabilities – fair value at 31 December 2018-

	Fair value hierarchy			Change in the fair value for the period		Accumulated change in fair value before taxes		
	Tier 1	Tier 2	Tier 3	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
ASSETS								
Financial assets held for trading	935,231	985,152	-	(103,277)	-	(10,272)	928,247	-
Derivatives	94	926,849	-	(104,431)	-	94	926,849	-
Equity instruments	240,744	-	-		-	(40,499)	-	-
Debt securities	694,393	58,303	-	1,154	-	30,133	1,398	-
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	5,143	55,270	-	(3,232)	-	(348)	(3,232)	-
Equity instruments	5,143	13,950	-	3,132	-	(348)	3,132	-
Debt securities	-	41,320	-	(6,364)	-	-	(6,364)	-
Loans and prepayments	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	(10)	-	-	-	-
Loans and prepayments	-	-	-	(10)	-	-	-	-
Financial assets at fair value through other comprehensive income	1,276,682	202,291	-	-	-	(1,652)	4,028	-
Equity instruments	-	10,295	-	-	-	-	4,405	-
Debt securities	1,276,682	191,996	-	-	-	(1,652)	(377)	-
Derivatives - Hedge accounting	-	17	-	(26)	-	-	17	-
LIABILITIES			-					
Financial liabilities held for trading	410,589	966,268	-	179,727	-	(6,234)	966,268	-
Derivatives	755	966,268	-	179,727	-	755	966,268	-
Short positions	409,834	-	-	-	-	(6,989)	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivatives - Hedge accounting	-	13,463	-	(2,378)	-	-	13,463	-

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.

During 2019 there were transfers from level 2 to level 3 involving certain securitization swaps whose underlying assets were benchmarked to the IRPH. During 2018 there have been no significant transfers between the different hierarchy levels or any relevant changes in the measurement of unlisted equity instruments.

The breakdown of the securities portfolio with respect to debt securities is also included:

At 31 December 2019:

	Carrying amount		Latent capital losses				
	Total	Corrected acquisition price	Accumulated losses in fair value due to credit risk	Accumulated losses in fair value not due to credit risk	Latent capital gains €	Accumulated impairment	Memorandum: Repo agreements
Debt securities	-	-	-	-	-	-	-
Financial assets held for trading	**488,446**	**488,446**	**-**	**-**	**-**	**-**	**75,632**
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	30,117	30,117	-	-	-	-	-
Financial assets at fair value through other comprehensive income (Note 7)	2,058,192	2,053,830	-	(9,285)	15,046	(1,399)	823,287
Financial assets at amortised cost (Note 8)	307,700	310,108	-	-	-	(2,408)	-
TOTAL	2,884,455	2,882,501	-	(9,285)	15,046	(3,807)	898,919
Of which: Spanish Public Administrations	919,719	923,661	-	(5,118)	1,176	-	498,139
Financial assets held for trading	278,236	278,236	-	-	-	-	75,632
Financial assets at fair value through other comprehensive income	641,483	645,425	-	(5,118)	1,176	-	422,507
Of which: Public administrations not residing in Spain	1,202,687	1,203,227	-	(4,105)	3,565	-	388,617
Financial assets held for trading	3,213	3,213	-	-	-	-	-
Financial assets at fair value through other comprehensive income	913,742	914,282	-	(4,105)	3,565	-	388,617
Financial assets at amortised cost	285,732	285,732	-	-	-	-	-

At 31 December 2018:

	Carrying amount		Latent capital losses				
	Total	Corrected acquisition price	Accumulated losses in fair value due to credit risk	Accumulated losses in fair value not due to credit risk	Latent capital gains €	Accumulated impairment	Memorandum: Repo agreements
Debt securities	-	-	-	-	-	-	
Financial assets held for trading	752,696	752,696	-	-	-	-	92,528
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss	41,320	41,320	-	-	-	-	-
Financial assets at fair value through other comprehensive income (Note 7)	1,468,678	1,471,318	-	(14,834)	12,805	(611)	137,278
Financial assets at amortised cost (Note 8)	21,503	23,246	-	-	-	(1,743)	-
TOTAL	2,284,197	2,288,580	-	(14,834)	12,805	(2,354)	229,806
Of which: Spanish Public Administrations	744,546	732,166	-	(216)	12,596	-	151,774
Financial assets held for trading	419,725	419,725	-	-	-	-	92,528
Financial assets at fair value through other comprehensive income	324,821	312,441	-	(216)	12,596	-	59,246
Of which: Public administrations not residing in Spain	1,060,567	1,071,717	-	(11,150)	-	-	78,032
Financial assets held for trading	117,327	117,327	-	-	-	-	-
Financial assets at fair value through other comprehensive income	943,240	954,390	-	-	-	-	78,032

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 2019, the carrying amount of these properties amounted to EUR 43,887 thousand (31 December 2018: EUR 44,895 thousand) and their estimated fair value at that date was EUR 58,405 thousand at 31 December 2019 and 2018.

The aforementioned fair value was estimated by Instituto de Valoraciones, S.A. using generally accepted measurement 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. On the other hand, 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

La metodología aplicada para el cálculo de la exposición por riesgo de crédito es la estándar prevista en la 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 2019 and 2018.

At 31 December 2019, with regard to distribution by country, the largest exposure was located in Spain (59%), followed by the other European Union countries (39%) rising the exposure in the other countries of the world to 2%. At 31 December 2018, the distribution by country was 76%, 23%, and 1% respectively.

In Note 26 information on the risk of geographical concentration of the Group as of December 31, 2019 and 2018 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 directly or indirectly related to it. Also, the risks in the financial services industry account for more than 92.70% 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 maximum level of credit risk exposure assumed by the Group at 31 December 2019 and 2018 for each class and category of financial instrument is indicated in each of the notes to the various portfolios in the consolidated balance sheet included in these notes to the financial statements.

Contingent risks are presented at the maximum amount guaranteed by the Group. In general, the estimation is that the majority of these balances will reach maturity without representing an actual need for financing on the part of the Group. The guarantees backing these transactions should also be taken into account (see following Note 22.3). The balances relating to contingent commitments (available) are presented at the maximum amount that may be drawn down by the counterparty.

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.

Details of the item "Loans and prepayments" are set out below, indicating the maximum amount of the real or personal guarantee that may be taken into consideration for each of the exposures at 31 December 2019 and 2018:

At 31 December 2019:

	Maximum amount of real or personal guarantees that may be considered				
	Loans secured by property		Other loans with real guarantees		
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	Financial guarantees granted
Loans and prepayments	41,454	-	-	-	74
Of which: Other financial companies	-	-	-	-	-
Of which: Non-financial companies	-	-	-	-	4
Of which: Households	41,454	-	-	-	70
Of which: Home acquisition loans	41,454	-	-	-	28

At 31 December 2018:

	Maximum amount of real or personal guarantees that may be considered				
	Loans secured by property		Other loans with real guarantees		
	Residential properties	Commercial properties	Cash (debt instruments issued)	Other	Financial guarantees granted
Loans and prepayments	41,475	-	-	-	-
Of which: Other financial companies	-	-	-	-	-
Of which: Non-financial companies	-	-	-	-	-
Of which: Households	41,475	-	-	-	-
Of which: Home acquisition loans	41,475	-	-	-	-

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 2019, 76.6% of the exposure had been rated by a credit rating agency recognized by the Bank of Spain (81.3% at 31 December 2018). The distribution, by rating, of the rated exposure is as follows:

Level	Rating (*)	Percentage	
		2019	2018
1	AAA-AA	8,00%	9,8%
2	A	33,20%	24,3%
3	BBB	53,40%	55,0%
4	BB	5,40%	10,4%
5	B	0,00%	0,5%
6	CCC y menor	-	-
		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 measurement adjustments recognized) in connection with financial assets not past-due or impaired at 31 December 2019 and 2018:

At 31 December 2019:

Thousands of euros

	Gross carrying amount						
	Total	Of which: held for trading	Of which: financial assets susceptible to impairment	Of which: restructured or refinanced debt	Of which: doubtful	Accumulated impairment (including stage 1)	Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures
Derivatives	994,347	981,563	12,784	-	-		-
Of which: credit institutions	599,837	587,053	12,784	-	-	-	-
Of which: other financial companies	381,681	381,681	-	-	-	-	-
Equity instruments	402,296	379,531	14,268	-	-	-	-
Of which: credit institutions	140,535	132,375	-	-	-	-	-
Of which: other financial companies	22,480	10,172	12,308	-	-	-	-
Of which: other non-financial companies	239,281	236,983	1,960	-	-	-	-
Debt securities	2,888,262	488,446	2,369,699	-	-	(3,816)	-
Central banks	43,971	-	43,971	-	-	-	-
Public administrations	2,122,406	281,449	1,840,957	-	-	-	-
Credit institutions	216,145	46,237	169,908	-	-	-	-
Other financial companies	182,759	29,890	122,752	-	-	(2,898)	-
Non-financial companies	322,981	130,870	192,111	-	-	(908)	-
Loans and prepayments	6,881,955	-	6,881,553	-	1,189	(702)	-
Central banks	2,009,191	-	2,009,191	-	-	-	-
Public administrations	417,532	-	417,532	-	-	-	-
Credit institutions	4,143,859	-	4,143,859	-	739	(403)	-
Other financial companies	253,638	-	253,638	-	-	(74)	-
Non-financial companies	10,512	-	10,110	-	-	(48)	-
Of which: small and medium sized companies	1,317	-	915	-	-	(7)	-
Of which: loans secured by commercial properties	-	-	-	-	-	-	-
Households	47,223	-	47,223	-	450	(177)	-
Of which: loans secured by residential properties	42,178	-	42,178	-	403	(73)	-
Of which: consumer loans	2,663	-	2,663	-	25	(57)	-

At 31 December 2018:

Thousands of euros

	Gross carrying amount						
	Total	Of which: held for trading	Of which: financial assets susceptible to impairment	Of which: restructured or refinanced debt	Of which: doubtful (including stage 1)	Accumulated impairment	Accumulated negative changes in impairment due to credit risk deriving from doubtful exposures
Derivatives	926,961	926,944	17	-	-	-	-
Of which: credit institutions	557,072	557,055	17	-	-	-	-
Of which: other financial companies	361,536	361,536	-	-	-	-	-
Equity instruments	270,132	240,744	10,295	-	-	-	-
Of which: credit institutions	122,136	103,269	-	-	-	-	-
Of which: other financial companies	14,892	4,768	10,123	-	-	-	-
Of which: other non-financial companies	133,104	132,706	171	-	-	-	-
Debt securities	2,286,549	752,696	1,492,536	-	-	(2,355)	-
Central banks	-	-	-	-	-	-	-
Public administrations	1,805,113	537,053	1,268,061	-	-	-	-
Credit institutions	194,471	125,725	68,747	-	-	-	-
Other financial companies	149,865	52,310	56,236	-	-	(1,909)	-
Non-financial companies	137,100	37,608	99,492	-	-	(446)	-
Loans and prepayments	5,624,521	-	5,624,521	389	904	(650)	-
Central banks	3,046,432	-	3,046,432	-	-	-	-
Public administrations	94,885	-	94,885	-	-	-	-
Credit institutions	2,026,152	-	2,026,152	-	34	(74)	-
Other financial companies	383,790	-	383,790	-	-	(145)	-
Non-financial companies	23,112	-	23,112	-	-	(110)	-
Of which: small and medium sized companies	917	-	917	-	-	-	-
Homeowners	50,150	-	50,150	389	870	(321)	-
Of which: loans secured by residential properties	45,030	-	45,030	389	808	(209)	-
Of which: consumer loans	2,693	-	2,693	-	31	(59)	-

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 2019 and 2018.

22.6. Financial assets renegotiated in the year

At 31 December 2019 and 2018, 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 and there were no refinanced transactions at 31 December 2019.

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 2019 and 2018:

At 31 December 2019:

Carrying amount

	Assets with no significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)			Assets with credit impairment (stage 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
TOTAL DEBT INSTRUMENTS	**159**	**-**	**-**	**-**	**186**	**-**	**1**	**-**	**356**
Debt securities	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and prepayments	159	-	-	-	186	-	1	-	356
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Households	159	-	-	-	186	-	1	-	356
Loans and prepayments for products, real guarantees and subordinated items	-	-	-	-	-	-	-	-	-
Sight and with brief notice periods (current account)	-	-	-	-	-	-	1	-	-
Credit card debt	-	-	-	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repo loans	-	-	-	-	-	-	-	-	-
Other term loans	159	-	-	-	186	-	-	-	356
Prepayments other than loans	-	-	-	-	-	-	-	-	-
Of which: loans secured by property	159	-	-	-	186	-	-	-	352
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	-
Of which: consumer loans	-	-	-	-	-	-	-	-	-
Of which: home acquisition loans	159	-	-	-	186	-	-	-	354
Of which: project financing loans	-	-	-	-	-	-	-	-	-

At 31 December 2018:

Carrying amount

	Assets with no significant increase in credit risk since initial recognition (stage 1)			Assets with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)			Assets with credit impairment (stage 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
TOTAL DEBT INSTRUMENTS	-	1	-	-	-	-	-	-	630
Debt securities	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and prepayments	-	1	-	-	-	-	-	-	630
Central banks	-	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Households	-	1	-	-	-	-	-	-	630
Loans and prepayments for products, real guarantees and subordinated items	-	-	-	-	-	-	-	-	-
Sight and with brief notice periods (current account)	-	-	-	-	-	-	-	-	-
Credit card debt	-	1	-	-	-	-	-	-	2
Trade receivables	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Reverse repo loans	-	-	-	-	-	-	-	-	-
Other term loans	-	-	-	-	-	-	-	-	628
Prepayments other than loans	-	-	-	-	-	-	-	-	-
Of which: loans secured by property	-	-	-	-	-	-	-	-	621
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	-
Of which: consumer loans	-	1	-	-	-	-	-	-	2
Of which: home acquisition loans	-	-	-	-	-	-	-	-	385
Of which: project financing loans	-	-	-	-	-	-	-	-	-

We indicate, in accordance with applicable legislation, the information in the preceding table does not include financial assets classified as “Financial assets designated at fair value through profit or loss” that could be impaired due to credit risk since if they are measured at fair value any impairment loss is recorded as an adjustment to that fair value in the Bank’s financial statements.

Details of impaired financial assets (doubtful) and not doubtful are presented below based on their maturity dates.

At 31 December 2019	Gross carrying amount/ nominal amount												
	Not doubtful				Doubtful								
	TOTAL	Total not doubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤ 90 days	Total doubtful	Improbable payment not due or outstanding ≤ 90 days	Outstanding > 90 days ≤ 180 days	Outstanding > 180 days ≤ 1 year	Outstanding > 1 year ≤ 5 years	Outstandi ng > 5 year	Of which: unpaid	Of which: impaired	Real guarantees received on doubtful exposures
DEBT INSTRUMENTS AT AMORTISED COST	7,191,660	7,190,471	7,190,281	190	1,189	726	-	346	117	-	1,189	1,189	352
Debt securities	310,108	310,108	310,108	-	-	-	-	-	-	-	-	-	-
Public administrations	285,732	285,732	285,732	-	-	-	-	-	-	-	-	-	-
Other financial companies	24,376	24,376	24,376	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	6,881,552	6,880,363	6,880,173	190	1,189	726	-	346	117	-	1,189	1,189	352
Central banks	2,009,191	2,009,191	2,009,191	-	-	-	-	-	-	-	-	-	-
Public administrations	417,532	417,532	417,532	-	-	-	-	-	-	-	-	-	-
Credit institutions	4,143,860	4,143,121	4,143,121	-	739	707	-	-	32	-	739	739	-
Other financial companies	253,637	253,637	253,637	-	-	-	-	-	-	-	-	-	-
Non-financial companies	10,109	10,109	10,109	-	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	915	915	915	-	-	-	-	-	-	-	-	-	-
Households	47,223	46,773	46,583	190	450	19	-	346	85	-	450	450	352
Of which: loans secured by residential properties	42,179	41,775	41,585	190	404	-	-	335	69	-	403	403	352
Of which: consumer loans	2,663	2,638	2,638	-	25	10	-	-	15	-	25	25	-
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2,059,592	2,059,592	2,059,592	-	-	-	-	-	-	-	-	-	-
Debt securities	2,059,592	2,059,592	2,059,592	-	-	-	-	-	-	-	-	-	-
Central banks	43,971	43,971	43,971	-	-	-	-	-	-	-	-	-	-
Public administrations	1,555,226	1,555,226	1,555,226	-	-	-	-	-	-	-	-	-	-
Credit institutions	169,909	169,909	169,909	-	-	-	-	-	-	-	-	-	-
Other financial companies	98,375	98,375	98,375	-	-	-	-	-	-	-	-	-	-
Non-financial companies	192,111	192,111	192,111	-	-	-	-	-	-	-	-	-	-
NON-TRADED DEBT INSTRUMENTS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS OR DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	30,519	30,519	30,519	-	-	-	-	-	-	-	-	-	-
Debt securities	30,117	30,117	30,117	-	-	-	-	-	-	-	-	-	-
Other financial companies	30,117	30,117	30,117	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	402	402	402	-	-	-	-	-	-	-	-	-	-
Non-financial companies	402	402	402	-	-	-	-	-	-	-	-	-	-
DEBT SECURITIES OTHER THAN HELD FOR TRADING	9,281,771	9,280,582	9,280,392	190	1,189	726	-	346	117	-	1,189	1,189	352
OFF-BALANCE SHEET EXPOSURES	2,230,850	2,230,850	-	-	-	-	-	-	-	-	-	-	-
Loan commitments granted	713,894	713,894	-	-	-	-	-	-	-	-	-	-	-
Public administrations	611,429	611,429	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	17,752	17,752	-	-	-	-	-	-	-	-	-	-	-
Non-financial companies	81,224	81,224	-	-	-	-	-	-	-	-	-	-	-
Households	3,489	3,489	-	-	-	-	-	-	-	-	-	-	-
Other commitments granted	1,516,956	1,516,956	-	-	-	-	-	-	-	-	-	-	-
Public administrations	100,000	100,000	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	1,408,941	1,408,941	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	5,315	5,315	-	-	-	-	-	-	-	-	-	-	-
Non-financial companies	2,606	2,606	-	-	-	-	-	-	-	-	-	-	-
Households	94	94	-	-	-	-	-	-	-	-	-	-	-

At 31 December 2018	Gross carrying amount/ nominal amount												
	Not doubtful				Doubtful								
	TOTAL	Total not doubtful	Not due or outstanding ≤ 30 days	Outstanding > 30 days ≤ 90 days	Total doubtful	Improbable payment not due or outstanding ≤ 90 days	Outstanding > 90 days ≤ 180 days	Outstanding > 180 days ≤ 1 year	Outstanding > 1 year ≤ 5 years	Outstanding > 5 year	Of which: unpaid	Of which: impaired	Real guarantees received on doubtful exposures
DEBT INSTRUMENTS AT AMORTISED COST	5,647,768	5,646,863	5,646,862	1	905	33	112	260	500	-	82	905	573
Debt securities	23,247	23,247	23,247	-	-	-	-	-	-	-	-	-	-
Other financial companies	23,247	23,247	23,247	-	-	-	-	-	-	-	-	-	-
Loans and prepayments	5,624,521	5,623,616	5,623,615	1	905	33	112	260	500	-	82	905	573
Central banks	3,046,432	3,046,432	3,046,432	-	-	-	-	-	-	-	-	-	-
Public administrations	94,884	94,884	94,884	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,026,153	2,026,119	2,026,119	-	34	-	-	-	34	-	34	34	-
Other financial companies	383,789	383,789	383,789	-	-	-	-	-	-	-	-	-	-
Non-financial companies	23,113	23,113	23,113	-	-	-	-	-	-	-	-	-	-
Of which: small and medium sized companies	917	917	917	-	-	-	-	-	-	-	-	-	-
Households	50,150	49,279	49,278	1	871	33	112	260	466	-	48	871	573
Of which: loans secured by residential properties	45,030	44,221	44,221		809		107	244	458	-	24	809	573
Of which: consumer loans	2,693	2,662	2,661	1	31	17		6	8	-	14	31	
DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	1,469,289	1,469,289	1,469,289	-	-	-	-	-	-	-	-	-	-
Debt securities	1,469,289	1,469,289	1,469,289	-	-	-	-	-	-	-	-	-	-
Public administrations	1,268,061	1,268,061	1,268,061	-	-	-	-	-	-	-	-	-	-
Credit institutions	68,747	68,747	68,747	-	-	-	-	-	-	-	-	-	-
Other financial companies	32,990	32,990	32,990	-	-	-	-	-	-	-	-	-	-
Non-financial companies	99,491	99,491	99,491	-	-	-	-	-	-	-	-	-	-
NON-TRADED DEBT INSTRUMENTS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS OR DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	41,320	41,320	41,320	-	-	-	-	-	-	-	-	-	-
Debt securities	41,320	41,320	41,320	-	-	-	-	-	-	-	-	-	-
Other financial companies	41,320	41,320	41,320	-	-	-	-	-	-	-	-	-	-
DEBT SECURITIES OTHER THAN HELD FOR TRADING	7,158,377	7,157,472	7,157,471	1	905	33	112	260	500	-	82	905	573
OFF-BALANCE SHEET EXPOSURES	382,744	382,744	-	-	-	-	-	-	-	-	-	-	-
Loan commitments granted	199,602	199,602	-	-	-	-	-	-	-	-	-	-	-
Public administrations	100,000	100,000	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	19,339	19,339	-	-	-	-	-	-	-	-	-	-	-
Non-financial companies	79,056	79,056	-	-	-	-	-	-	-	-	-	-	-
Households	1,207	1,207	-	-	-	-	-	-	-	-	-	-	-
Other commitments granted	183,090	183,090	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	179,445	179,445	-	-	-	-	-	-	-	-	-	-	-
Other financial companies	853	853	-	-	-	-	-	-	-	-	-	-	-
Non-financial companies	2,691	2,691	-	-	-	-	-	-	-	-	-	-	-
Households	101	101	-	-	-	-	-	-	-	-	-	-	-

Transactions considered to be impaired (doubtful assets) by the bank at 31 December 2019 and classified in the categories of "Loans and prepayments to credit institutions" and "Loans and prepayments to customers" total 1,189 thousand euros (905 thousand euros at 31 December 2018).

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 2019 and 2018:

At 31 December 2019:

	Opening balance	Changes due to variances in credit risk	Other adjustments	Closing balance
Total adjustment for debt instruments	**(3,015)**	**(1,418)**	**(82)**	**(4,515)**
Adjustments for financial assets with no increase in credit risk since initial recognition (stage 1)	**(1,009)**	**(658)**	**-**	**(1,667)**
Debt securities (Note 7)	(612)	(788)	-	(1,400)
Loans and prepayments (Note 8)	(397)	130	-	(267)
Of which: jointly measured value adjustments	*(1,009)*	*(657)*		*(1,666)*
Of which: individually measured value adjustments	-	-	-	-
Adjustments for debt instruments with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)	**(1,744)**	**(586)**	**(82)**	**(2,412)**
Debt securities (Note 8)	(1,744)	(582)	(82)	(2,408)
Loans and prepayments (Note 8)		(4)	-	(4)
Of which: jointly measured value adjustments	*(1,744)*	*(586)*	*(82)*	*(2,412)*
Of which: individually measured value adjustments	-	-	-	-
Adjustments due to debt instruments with credit impairment (stage 3)	**(262)**	**(174)**	**-**	**(436)**
Debt securities	-	-	-	-
Loans and prepayments (Note 8)	(262)	(174)	-	(436)
Of which: jointly measured value adjustments	*(228)*	*(174)*	-	*(402)*
Of which: individually measured value adjustments	*(34)*	-	-	*(34)*

At 31 December 2019:

Gross carrying amount/ nominal amount

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Total debt instruments	**190**	**-**	**-**	**-**	**707**	**397**
Debt securities	-	-	-	-	-	-
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and prepayments	**190**	**-**	**-**	**-**	**707**	**397**
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	707	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Households	190	-	-	-	-	397
Commitments and financial guarantees granted	-	-	-	-	-	-

At 31 December 2018:

	Opening balance	Decreases due to disposals in accounts	Changes due to variances in credit risk	Other adjustments	Closing balance
Total adjustment for debt instruments	**(58,261)**	**54,743**	**490**	**13**	**(3,015)**
Adjustments for financial assets with no increase in credit risk since initial recognition (stage 1)	**(1,534)**	**-**	**525**	**-**	**(1,009)**
Debt securities (Note 7)	(921)	-	309	-	(612)
Loans and prepayments (Note 8)	(613)	-	216		(397)
Of which: jointly measured value adjustments	*(1,534)*	-	*525*	-	*(1,009)*
Of which: individually measured value adjustments	-	-	-	-	-
Adjustments for debt instruments with a significant increase in credit risk since initial recognition, but with no credit impairment (stage 2)	**(1,749)**	**-**	**(8)**	**13**	**(1,744)**
Debt securities (Note 8)	(1,749)	-	(8)	13	(1,744)
Loans and prepayments (Note 8)	-	-	-	-	-
Of which: jointly measured value adjustments	*(1,749)*	-	*(8)*	*13*	*(1,744)*
Of which: individually measured value adjustments	-	-	-	-	-
Adjustments due to debt instruments with credit impairment (stage 3)	**(54,978)**	**54,743**	**(27)**	-	**(262)**
Debt securities	-		-	-	-
Loans and prepayments (Note 8)	(54,978)	54,743	(27)	-	(262)
Of which: jointly measured value adjustments	*(157)*		*(71)*	-	*(228)*
Of which: individually measured value adjustments	*(54,821)*	*54,743*	*44*	-	*(34)*

At 31 December 2018:

Gross carrying amount/ nominal amount

	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
Total debt instruments	**-**	**-**	**-**	**-**	**255**	**89**
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and prepayments	**-**	**-**	**-**	**-**	**255**	**89**
Central banks	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Households	-	-	-	-	255	89
Commitments and financial guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**

22.9. Past-due but not impaired assets

At 31 December 2019 and 2018 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 2019 and 2018 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 these years.

22.11. Exposure to real estate risk

The only operations granted by the Group at 31 December 2019 and 2018 concerning real state exposure are those loans intended to be used for housing acquisition, which are granted to its employees. A breakdown is as follows:

At 31 December 2019:

Carrying amount

	Gross carrying amount	Central banks	Public administrations	Credit institutions	Other financial companies	Non-financial companies	Households
LOANS AND PREPAYMENTS	6,881,954	2,009,191	417,531	4,143,456	253,563	10,465	47,046
Real guarantees	-	-	-	-	-	-	-
Of which: loans secured by property	42,178	-	-	-	-	-	42,105
Of which: other loans with real guarantees	3,336,719	-	-	3,246,801	89,863	-	-

At 31 December 2018:

Carrying amount

	Gross carrying amount	Central banks	Public administrations	Credit institutions	Other financial companies	Non-financial companies	Households
LOANS AND PREPAYMENTS	5,624,523	3,046,432	94,884	2,026,078	383,644	23,003	49,829
Real guarantees	-	-	-	-	-	-	-
Of which: loans secured by property	45,030	-	-	-	-	-	44,821
Of which: other loans with real guarantees	1,346,752	-	-	1,238,555	108,142	-	-

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 measurement (loan to value) included in this balance sheets heading as of 31 December 2019 and 2018:

At 31 December 2019:

Carrying amount

	Assets without a significant increase in credit risk since initial recognition (phase 1)			Assets with a significant increase in credit risk since initial recognition, but without credit impairment (phase 2)			Assets with credit impairment (phase 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances to households by products and real guarantees	-	-	-	-	-	-	-	-	-
Other term loans	159	-	-	-	186	-	-	-	356
Of which: loans secured by property	159	-	-	-	186	-	-	-	352
Of which: other loans with real guarantees	159	-	-	-	186	-	-	-	354

At 31 December 2018:

Importe en libros

	Assets without a significant increase in credit risk since initial recognition (phase 1)			Assets with a significant increase in credit risk since initial recognition, but without credit impairment (phase 2)			Assets with credit impairment (phase 3)		
	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days	≤ 30 days	> 30 days ≤ 90 days	> 90 days
Loans and advances to households by products and real guarantees	-	-	-	-	-	-	-	-	-
Other term loans	-	-	-	-	-	-	-	-	628
Of which: loans secured by property	-	-	-	-	-	-	-	-	621
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	385

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 2019 or 2018 or in the years then ended.

In 2019 and 2018 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

It 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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Money and currency markets	1,263	874
Forex products	254	550
Debt table	730	1,239
Variable income table	247	257
Derivatives products	130	493
Credit table	147	165
Banknotes	19	21

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 consolidated balance sheet in terms of cash inflows and outflows.

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, analyse 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 analyse 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 2019 and 2018 (including measurement adjustments):

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

31 December 2019:

Thousands of euros

	Total	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**7,214,535**	**4,143,589**	**2,921,675**	**87,653**	**61,618**
Public institutions	**2,539,957**	**1,337,251**	**1,202,706**	**-**	**-**
Central administration	1,520,481	317,775	1,202,706	-	-
Other public administrations	1,019,476	1,019,476	-	-	-
Other financial institutions	**838,867**	**612,802**	**194,767**	**31,297**	**1**
Non-financial companies and individual businesses	**587,252**	**513,240**	**63,915**	**10,097**	**-**
Construction and real estate development (including land)	-	-	-	-	-
Execution of civil works	-	-	-	-	-
Other purposes	587,252	513,240	63,915	10,097	-
Large companies	569,335	495,699	63,539	10,097	-
SME's and self-employed	17,917	17,541	376	-	-
Other homes	**47,139**	**46,986**	**153**	**-**	**-**
Homes	44,100	43,976	124	-	-
Consumption	2,606	2,604	2	-	-
Other purposes	433	406	27	-	-
Total	**11,227,750**	**6,653,868**	**4,383,216**	**129,047**	**61,619**

31 December 2018:

Thousands of euros

	Total	Spain	Rest of the European Union	America	Rest of the world
Central banks and credit institutions	**6,016,539**	**5,063,950**	**855,505**	**69,562**	**27,522**
Public institutions	**1,899,999**	**839,431**	**1,060,568**	**-**	**-**
Central administration	1,553,330	492,762	1,060,568	-	-
Other public administrations	346,669	346,669	-	-	-
Other financial institutions	**908,527**	**744,840**	**153,261**	**9,992**	**434**
Non-financial companies and individual businesses	**303,863**	**244,545**	**58,324**	**-**	**994**
Construction and real estate development (including land)	-	-	-	-	-
Execution of civil works	-	-	-	-	-
Other purposes	303,863	244,545	58,324	-	994
Large companies	300,254	240,936	58,324	-	994
SME's and self-employed	3,609	3,609	-	-	-
Other homes	**49,930**	**49,790**	**140**	**-**	**-**
Homes	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**

Risk Concentration by activity and geographical area.

Total activity (book value):

31 December 2019:

Thousands of euros

		Autonomous communities								
	Total	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Credit Institutions	**4,143,589**	**112,554**	**1,110**	**-**	**2,578**	**-**	**442,958**	**136,871**	**-**	**-**
Public Administrations	**1,337,251**	**104,120**	**100,458**	**75,227**	**-**	**1,050**	**-**	**117,338**	**139,987**	**-**
Central Administration	317,775	-	-	-	-	-	-	-	-	-
Other	1,019,476	104,120	100,458	75,227	-	1,050	-	117,338	139,987	-
Other Credit Institutions	**612,802**	**24,849**	**993**	**-**	**1,920**	**-**	**-**	**-**	**20,795**	**4,956**
Non- financial societies and individual entrepreneurs	**513,240**	**-**	**-**	**5,893**	**8,060**	**-**	**-**	**-**	**14,960**	**39,770**
Construction and property development	-	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
Other purposes	513,240	-	-	5,893	8,060	-	-	-	14,960	39,770
Large companies	495,699	-	-	896	8,058	-	-	-	14,960	39,210
SMEs and Individual entrepreneurs	17,541	-	-	4997	2	-	-	-	0	560
Rest of households	**46,986**	**-**	**-**	**-**	**-**	**-**	**-**	**299**	**186**	**1**
Houses	43,976	-	-	-	-	-	-	292	186	-
Consumption	2,604	-	-	-	-	-	-	7	-	-
Other purposes	406	-	-	-	-	-	-	-	-	1
Total	**6,653,868**	**241,523**	**102,561**	**81,120**	**12,558**	**1,050**	**442,958**	**254,508**	**175,928**	**44,727**

Thousands of euros

	Autonomous communities								
	Extremadura	Galicia	Madrid	Murcia	Navarra	Com, Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit Institutions	**-**	**246,668**	**2,336,032**	**-**	**-**	**432,629**	**432,189**	**-**	**-**
Public Administrations	39,165	140,328	16,598	4,404	92,760	122,269	65,772	-	-
Central Administration	-	-	-	-	-	-	-	-	-
Other	39,165	140,328	16,598	4,404	92,760	122,269	65,772	-	-
Other Credit Institutions	**-**	**19,546**	**539,729**	**-**	**-**	**-**	**14**	**-**	**-**
Non- financial societies and individual entrepreneurs	**-**	**54,628**	**338,205**	**-**	**1,668**	**79**	**49,923**	**54**	**-**
Construction and property development	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-
Other purposes	-	54,628	338,205	-	1,668	79	49,923	54	-
Large companies	-	54,628	328,297	-	1,668	-	47,982	-	-
SMEs and Individual entrepreneurs	-	-	9,908	-	-	79	1941	54	-
Rest of households	**-**	**-**	**46,492**	**-**	**-**	**7**	**-**	**1**	**-**
Houses	-	-	43,498	-	-	-	-	-	-
Consumption	-	-	2,589	-	-	7	-	1	-
Other purposes	-	-	405	-	-	-	-	-	-
Total	**39,165**	**461,170**	**3,277,056**	**4,404**	**94,428**	**554,984**	**547,898**	**55**	**-**

31 December 2018:

Thousands of euros

		Autonomous communities								
	Total	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	CastillaLa Mancha	Castilla y 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**	**-**

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 2019 and 2018: Details of the financial instruments classified based on the market on which they are listed have been provided in Notes 8, 9 and 10, respectively.

31 December 2019:

Thousands of euros

	Financial assets held for trading (Note 8.1)	Financial assets not held-for-trading measured 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
Based on the type of issuer-					
Spanish Financial Institution	132,375	8,160	-	-	140,535
Other Spanish companies	244,838	337	13,997	-	259,172
Other foreign companies	2,318	-	272	-	2,590
	379,531	**8,497**	**14,269**	**-**	**402,297**

31 December 2018:

Thousands of euros

	Financial assets held for trading (Note 8.1)	Financial assets not held-for-trading measured 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
Based on the type of issuer-					
Spanish Financial Institution	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**

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 consolidated balance sheets at 31 December 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Loan commitments given		
General governments	611,429	100,000
Other financial corporations	17,752	19,339
Non-financial corporations	81,224	79,056
Households	3,489	1,207
	713,894	**199,602**
Financial guarantees given		
Credit institutions	-	52
	-	**52**
Other commitments given		
Credit institutions	1,408,941	179,445
Public Administrations	100,000	-
Other financial corporations	5,315	853
Non-financial institutions	2,606	2,691
Households	95	101
	1,516,957	**183,090**
	2,230,851	**382,744**

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.

The heading "Other commitments granted" mainly records the commitments relating to buy/sell backs and lending of deposits in the amount of 1,389,970 thousand euros at 31 December 2019 (46,343 thousand euros at 31 December 2018).

The fee and commission income from these financial guarantees is recognized under "Fee and Commission Income" in the consolidated 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 303 thousand at 31 December 2019 (31 December 2018: EUR 274 thousand), were recognized under "Provisions - Commitments and guarantees granted" in the consolidated balance sheet (see Note 16).

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 2019 and 2018, 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 2019 and 2018 was as follows:

Thousands of euros

	2019	**2018**
Spanish Public Debt classified as financial assets at fair value through other comprehensive income	53,300	575,870
Other Assets classified as financial assets at fair value through other comprehensive income	19,917	45,000
Spanish Public Debt classified as financial Assets Held for Trading	-	16,300
Issued securities by other public organisms classified as financial assets at fair value through other comprehensive income	272,000	81,700
Issued securities by other public organisms classified as financial Assets Held for Trading	-	-
Issued Public Debt by no residents public administrations classified as financial assets at fair value through other comprehensive income	221,000	352,188
Issued Public Debt by no residents public administrations classified as financial Assets Held for Trading	24,000	-
	590,217	**1,071,058**

At 31 December 2019 and 2018, the Group had securities with a face value of EUR 126,250 and 71,233 thousand respectively as security for the performance of the Group's obligations relating to transactions with the clearing and settlement services.

Additionally, at 31 December 2019, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 1,390,478 thousand (31 December 2018: EUR 306,030 thousand).

In the headings "Memorandum Item: Loaned or Advanced as Collateral", which is shown in each of the Group's financial asset categories in the consolidated balance sheets at 31 December 2019 and 2018, 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 2019 and 2018 is as follow:

Thousands of euros

	2019	2018
Financial instruments granted to third parties-		
Equity instruments	90,063,960	54,887,084
Debt instruments	69,152,905	78,887,084
	159,216,865	**133,315,415**
Other financial assets	14,363,890	20,505,195
	173,580,755	**153,820,610**
Conditional bills and other securities received for collection	120,427	112,058
Borrowed securities (Note 27.4)	114,904	68,272
	173,816,086	**154,000,940**

In the heading “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 consolidated 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 Group at 31 December 2019 and 2018:

Thousands of euros

	2019	2018
Equity instruments	261,401	-
Debt instruments	-	-
	261,401	**-**

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 2019 and 2018:

Thousands of euros

	2019	2018
Securities borrowed by the Group-		
Debt instruments issued by Public sector – Spain (Note 27.3)	114,904	68,272
	114,904	**68,272**

27.5 The Group's Customer Care Service

Set forth below is a summary of the complaints and claims received by the Group's Customer Care Service in 2019 and 2018. Certain claims submitted to the Service were not admitted for consideration in 2019 and 2018 because they were claims that affected entities other than the Group:

	2019	2018
Number of complaints and claims received	**2**	**3**
Number of complaints and claims not admitted for considerations	1	2
Number of complaints and claims admitted for consideration	1	1
Number of complaints and claims resolved	1	1
Number of complaints and claims resolved in favour of the complainant	-	-
Number of complaints and claims resolved against the claimant	1	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 2019 and 2018, by type of instrument giving rise to it, is as follows:

Thousands of euros

	2019	2018
Financial assets held for trading	12,998	14,344
Non trading financial assets mandatorily at fair value through profit or loss	417	6,638
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	20,444	29,145
Financial assets at amortised cost	13,324	6,346
Derivatives – hedge accounting, interest rate risk	6,478	6,131
Interest income on liabilities	25,145	26,776
Other assets	492	675
	79,298	**90,055**

"Interest Income on liabilities" in the table above includes the income arising in 2019 and 2018, respectively, from the Group's on-balance-sheet financial liabilities that bore negative interest rates.

29. Interest expense

The detail of the balance of "Interest Expense" in the consolidated income statements for 2019 and 2018, by type of instrument, is as follows:

Thousands of euros

	2019	2018
Financial liabilities held for trading	9,924	10,149
Financial liabilities at amortized cost	29,505	24,709
Derivatives – hedge accounting, interest rate risk	13,973	4,953
Interest Expense on assets / other liabilities	39,212	43,872
Interest cost of pension funds (Note 35)	175	68
	92,789	**83,751**

"Interest Expense on Assets/other liabilities" in the table above includes the expenses arising in financial years 2019 and 2018 from the Group's on- consolidated balance-sheet financial assets that bore negative interest rates.

30. Income from dividends

Below is a breakdown of this caption in the consolidated income statements for 2019 and 2018:

Thousands of euros

	2019	2018
Financial assets held for trading	10,443	12,803
Non-trading financial assets mandatorily at fair value through profit or loss	1,595	1,723
Financial assets at fair value through other comprehensive income	718	673 673
	12,756	**15,199**

31. Commission income

Following is a detail of the commission income earned in 2019 and 2018, classified on the basis of the main items giving rise thereto:

Thousands of euros

	2019	2018
Commissions arising from contingent liabilities (Note 27.1)	301	289
Commissions for contingent commitments	948	267
Commissions arising from collection and payment services	28,749	25,839
Commissions arising from securities services	100,109	98,356
Commissions arising from foreign exchange and foreign banknotes	229	260
Other commissions	10,858	9,348
	141,194	**134,359**

The balance of "Commissions Arising from Securities Services" in the foregoing table includes, inter alia, EUR 96,559 thousand earned in 2019 (2018: EUR 93,632 thousand) relating to the depository and custody services in connection with securities of third parties deposited at the Group.

32. Commission expense

Following is a detail of the commission expense incurred in 2019 and 2018, classified on the basis of the main items giving rise thereto:

Thousands of euros

	2019	2018
Commissions assigned to other entities and correspondents	10,172	5,983
Commission expenses on securities transactions	11,265	9,189
	21,437	**15,172**

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Net gains/losses on financial assets and liabilities held for ‘trading	(47,978)	(15,900)
Gains (losses) on non-trading financial assets mandatorily at ‘fair value through profit or loss, net	2,728	(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	29,337	23,427
Net gains/losses on financial assets and liabilities designated at ‘fair value through profit or loss	-	(10)
Net gains/losses resulting from hedge accounting	680	(3,824)
	(15,230)	**(781)**

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Rental income (Note 13)	1,338	1,279
Income from expenses charged	5,372	12,130
Other income	35,764	41,889
	42,474	**55,298**

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 2019 EUR 11,387 thousand (EUR 11,386 thousand in 2018) (see Note 40).

35. Administrative expenses – Staff Costs

The detail of "Administrative Expenses – Staff Costs" in the consolidated income statements for 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Wages and salaries	33,372	40,654
Social security costs	7,330	7,357
Insurance premiums (Note 2.11.2)	244	181
Termination Benefits (Note 2.11.4)	2,250	785
Contributions to defined contribution plans (Note 2.11.2)	733	717
Normal cost for the year of defined benefit obligations	-	13
Training expenses	258	320
Other staff costs	603	1,385
	44,790	**51,412**

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 Group pays a portion of the annual variable remuneration of certain employee groups through non-monetary instruments linked to the Group'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 measurement 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 measurement 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 2019 and 2018, the average number of employees at the Group, by level, was as follows:

	2019			2018		
Professional levels	Men	Women	Total	Men	Women	Total
1 - LEVEL I	4	-	4	4	-	4
1 - LEVEL II	5	4	9	9	4	13
1 - LEVEL III	16	8	24	15	11	26
1 - LEVEL IV	30	15	45	32	19	51
1 - LEVEL V	32	25	57	33	25	58
1 - LEVEL VI	64	55	119	68	60	128
1 - LEVEL VII	26	42	68	27	41	68
1 - LEVEL VIII	30	55	85	33	64	97
1 - LEVEL IX	8	17	25	6	15	21
1 - LEVEL X	7	10	17	7	12	19
1 - LEVEL XI	3	4	7	9	9	18
1 - LEVEL XII	-	1	1	-	1	1
1 - LEVEL XIII	1	2	3	-	-	-
2 - LEVEL I	1	-	1	-	-	-
2 - LEVEL II	3	-	3	1	-	1
2 - LEVEL III	0	-	-	4	-	4
OTHERS	7	2	9	10	8	18
	236	**241**	**477**	**258**	**269**	**527**

In 2019 and 2018 there were no employees with a disability greater than or equal to 33%.

At 31 December 2019, the total number of employees was 477 (2018: 488), of whom 238 were men (2018: 244) and 239 women (2018: 244), representing 50% and 50%, respectively (50% and 50% respectively, at 31 December 2018).

Concerning 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 arranged through this type of instrument and where the associated obligation is covered by the recognition of provisions by the Group:

At 31 December 2019:

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	177,731	180,004	(2,273)	-	-	-	(2,273)
Not instrumented in pension plans or insurance policies	-	-	-	41,656	-	41,656	41,656-
Total at 31 December 2019	**177,731**	**180,004**	**(2,273)**	**41,656**	**-**	**41,656**	**39,383**

(*) This amount is recognized under "Provisions – Other Long-Term Employee Benefits" on the liability side of the balance sheet as at 31 December 2019 (see Note 17).

(**) This amount is recognized under "Other Assets – Other" in the balance sheet as at 31 December 2019 (see Note 15.1).

Al 31 de diciembre de 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 2019	**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).

(**) This amount is recognized under “Other Assets – Other” in the balance sheet as at 31 December 2018 (see Note 15.1).

As may be observed, a significant part of the Bank’s pension commitments are structured in external pension plans or covered by insurance policies and there is therefore no expectation that in coming years the settlement of these commitments will have a material impact on the Bank’s future cash flows. Nevertheless, the following sections include a sensitivity analysis of the impact that any change in certain variables included in the measurement could have on the amounts presented in these annual accounts. It should be noted that the average duration of the pension commitments set out in the preceding tables at 31 December 2019 was 10.91 years for retired employees and there are no active employees at the end of 2019 (at 31 December 2018, 26.03 years for serving employees and 10.54 years for retired employees).

Following is the reconciliation of the beginning and ending balances in 2019 and 2018 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 2019:

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 2019	171,878	180,067	(8,189)	49,710	-	49,710	41,521
2. Current service cost	-	-	-	5,055	-	5,055	5,055
3. Expected return on plan assets	-	2,377	(2,377)	-	-	-	(2,377)
4. Interest cost	2,327	-	2,327	175	-	175	2,501
5. Contributions made by the participants of the plan	-	-	-	-	-	-	-
6. Contributions made by the Bank	-	-	-	-	-	-	-
7. Effect of the recalculation on the measurement of the net obligations:	13,497	7,531	5,966	650	-	650	6,616
7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions	(894)	1,250	356	-	-	-	356
7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions	14,391	(8,781)	5,610	-	-	-	5,610
7.3 Effect of the change in return on plan assets	-	-	-	-	-	-	-
8. Benefits paid	(9,971)	9,971	-	(13,521)	-	(13,521)	(13,521)
9. Past service cost	-	-	-	494	-	494	494
10. Business combinations	-	-	-		-	-	-
11. Plan reductions	-	-	-	(907)	-	(907)	(907)
12. Plan settlements	-	-	-	-	-	-	-
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	-
14. Early retirement commitments in year	-	-	-	-	-	-	-
15. Other movements	-	-	-	-	-	-	-
Amount at 31 December 2019	**177,731**	**180,004**	**(2,273)**	**41,656**	**-**	**41,656**	**39,383**

Year 2018:

Thousands of euros

	Post-employment benefits			Long-term pre-retirement obligations			Total (III + VI)
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I – II) (**)	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I – II) (**)	Value of the obligation (I)
1. Amount at 1 January 2019	**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 measurement 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 year	-	-	-	-	-	-	-
15. Other movements	3	-	3	-	-	-	3
Amount at 31 December 2019	**171,878**	**180,067**	**(8,189)**	**49,710**	**-**	**49,710**	**41,521**

In 2019 the three serving members in the defined benefit plan were moved to the defined contribution plan (subplan 3) and therefore no contribution accrued in this respect.

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 175 thousand in 2019, under "Interest Expenses" in the consolidated income statement (having recognized EUR 68 thousand in the same connection under "Interest Expenses" in the consolidated income statement for 2018) (see Note 29).

In financial year 2019, the Group recognized a release amounted to EUR 237 thousand under "Provisions or reversal of provisions" in the consolidated income statement for the provisions to other long-term employee benefits (2018: release for EUR 423 thousand) (see Note 17).

In 2019 and 2018 the Group recognized the net amount, adjusted by the corresponding tax effect, of the actuarial gains and losses arising from the measurement of the provision for defined benefit obligations amounting to EUR 4,176 and EUR 432 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 consolidated statement of changes in equity.

The assumptions used in the actuarial calculations at 31 December 2019 and 2018 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 2019 and 2018:

- Mortality tables: PERM 2000-P, at 31 December 2019 and 2018.
- Discount rate::
  - For the liabilities, 0.56% (market discount rate) at 31 December 2019 (31 December 2018: 1.39%).
- Adjustable pension increase rate: 1.5% at 31 December 2019 and 2018.
- Expected rate of return on plan assets:
  - 0.56% for the assets included in the pension plan at 31 December 2019 (At 31 December 2018: 1%).
  - 1.39% for the obligations covered by the insurance policy at 31 December 2019 (At 31 December 2018: 1.17%).

Other long-term obligations at 31 December 2019 and 2018:

- Mortality tables: PERM/F 2000-P, at 31 December 2019 and 2018.
- Discount rate (market discount rate):
  - 2011, 2012, 2013 and 2015 pre-retirement plan: -0.02% at 31 December 2019 and 0.41% at 31 December 2018.
- Salary increase:
  - 2011 pre-retirement plan: 1.50% at 31 December 2019 and 2018.
  - 2012, 2013 and 2015 pre-retirement plan: 0.00% at 31 December 2019 and 2018.

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 2019 and 2018, 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 2019 would give rise to a EUR 9,524 and a EUR 10,159 thousand reduction/increase , respectively, in the value of the obligations (At 31 December 2018: EUR 8,896 and EUR 9,711 thousand, respectively).

A 50 basis point upward/downward shift in the pension discount rate at 31 December 2019 would give rise to a EUR 8,897 thousand reduction and a EUR 9,710 thousand increase, respectively, in the value of the assets (At 31 December 2018: EUR 8,913 and EUR 9,717 thousand, respectively).

Long-term pre-retirement obligations

A 50 basis point upward/downward shift in the discount rate used would give rise to a EUR 461 thousand reduction and a EUR 472 thousand increase, respectively, at 31 December 2019, in the value of the obligations (At 31 December 2018: EUR 609 and EUR 624 thousand, respectively).

With regard to the sensitivity analysis described above, it should be noted that, for the other actuarial assumptions used in the measurement of the obligations at 31 December 2019, 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 Group at 31 December 2019 and 2018 shown in the previous tables is shown below, taking into account the nature of the same:

Thousands of euros

	2019			2018		
	Pension obligations	Other long-term obligations	Total	Pension obligations	Other long-term obligations	Total
Pension fund	8,736		8,736	4,505	-	4,505
Insurance policies taken out with CASER	171,267		171,267	175,562	-	175,562
TOTAL	**180,004**		**180,004**	**180,067**	**-**	**180,067**

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 2019 and 2018, is as follows:

	2019	2018
Quoted Spanish government debt	34,80%	34,36%
Quoted private fixed-income securities	41,25%	39,08%
Quoted equity securities	17,39%	20,28%
Cash and bank balances	6,56%	5,47%
Other assets (1)	0,00%	0,81%
	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 2019 and 2018 there were no financial assets relating to assets issued by the Bank.

There are no active recipients of the defined benefits at the end of 2019 since they were moved to defined contributions (Subplan 3) on 1 January 2019.

36. Administrative expenses - Other general administrative expenses

The detail of this heading in the consolidated income statements for 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Property, fixtures and supplies	2,771	3,194
IT equipment	16,793	22,310
Communications	1,407	1,788
Advertising and publicity	434	471
Technical reports	1,793	2,111
Surveillance and cash courier services	8,606	8,186
Insurance and self-insurance premiums	633	612
Outsourced administrative services	25,392	24,653
Levies and taxes	3,472	3,783
Entertainment and travel expenses	720	675
Association membership fees	1,408	1,408
External personnel	1,868	1,844
Subscriptions and publications	3,891	3,755
Other administrative expenses	1,104	1,933
	70,292	**76,723**

The balance of "Technical Reports" in 2019 and 2018 includes the fees paid for the audit of the consolidated financial statements of the Group by the Group's auditor in 2019, PricewaterhouseCoopers Auditores, S.L., as well as the auditor in 2018, Deloitte, S.L., which are set out below:

Thousands of euros

	2019	2018
Audit services	285	324
Other attest services	44	211
Total audit and related services	**329**	**535**
Tax counselling services	-	-
Other services	-	211
	-	**211**
Total professional services	**329**	**746**

In addition to the services indicated under "Technical Reports" in the preceding table, EUR 107 thousand were billed in 2018 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

In accordance with Final Provision Two of Law 31/2014 (3 December), which amends Additional Provision Three of Law 15/2010 (5 July) which, in turn, amended Law 3/2004 (29 December), on the establishment of measures against late payments in commercial transactions, and relating to the information to be included in the notes to the financial statements regarding deferrals of payments to suppliers in commercial transactions calculated on the basis of the Resolution dated 29 January 2016 by the Audit and Accounting Institute, details of the average payment period for the Group's suppliers in 2019 and 2018 are as follows:

	2019	2018
	Days	Days
Average period of payment to suppliers	47,5	42,8
Ratio of transaction settled	47,9	43,3
Ratio of transaction not yet settled	24,1	9,1
		Thousand euros
Total payments made	84,372	88,634
Total payments outstanding	1,625	1,355

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 2019 and 2018 is as follows:

Thousands of euros

	2019	2018
Contribution to the Deposit Guarantee Fund (Note 1.10.a)	98	118
Contribution to the Single Resolution Fund (Note 1.10.b)	4,092	3,835
Other Items	6,153	5,861
	10,343	**9,814**

The balance under "Other items" in 2019 and 2018 includes the eliminations that arise due to the effect of the consolidation of Cecabank, S.A. and Trionis S.C.L., the amount of which in 2019 is 6,067 thousand (5,828 thousand euros in 2018).

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 2019 and 2018 is as follows:

	Thousands of euros	
	Net (Additions)/ Reversals (Charged)/ Credited to Income	
	2019	2018
Financial assets at fair value through other comprehensive income		
Debts instruments (Note 22.8)	788	309
Equity instruments	-	-
	788	**309**
Financial assets at amortised cost (Note 22.8)	629	181
	629	181
	1,417	**490**

39. Amortisation/depreciation

The breakdown of this heading in the consolidated income statements for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Depreciation of tangible assets (Note 13)	3,942	3,058
Depreciation of intangible assets (Note 14)	40,467	43,225
	44,409	**46,283**

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 CECA losing its status as a credit institution in 2014, as described in Note 1.1, on 19 December 2014, with effect from 1 January 2015, a new "Agreement for the Provision of Services between the Confederación Española de Cajas de Ahorros (CECA) and Cecabank, S.A." was signed. This agreement redefines the services that Cecabank, S.A. renders to CECA in accordance with its new status.

Once CECA ceased to be a credit institution the process for CECA to join the Association of Savings Banks for Labour Relations (ACARL) was started. A public document "Overall Assignment of ACARL Assets and Liabilities to CECA" was executed on 30 September 2016 and the latter began to perform the duties falling to ACARL with respect to the negotiation of the Collective Bargaining Agreement for Savings Banks, among others.

Since 4 years have elapsed since that Agreement was concluded, Cecabank has made organizational modifications that recommend a review of the identity of the Departments and specific areas that have been rendering services to CECA by virtue of the aforementioned Agreement, and this has led the Parties to sign an adaptation of the Appendixes to the Service Agreement that reflects the updated services that Cecabank renders to CECA. This agreement was signed on 9 May 2019 but took retroactive effect as from 1 January 2019.

The services that are rendered by Cecabank, S.A. to CECA after this agreement was signed are listed below:

- Rendering of association services:
    - Regarding regulatory and interest representation matters
    - Regarding financial and economic matters
    - Regarding cooperation matters
    - Regarding communication matters
    - Regarding Community Projects Fund matters
    - Regarding customer service matters
    - Regarding financial education matters
    - Regarding institutional relationship matters
    - Regarding knowledge management matters
    - Regarding technological matters
    - Regarding quality matters
    - Regarding CSR matters
    - Regarding regulatory compliance matters
- Rendering of support services:
    - Regarding legal, tax and governing body support matters
    - Regarding financial planning matters
    - Regarding internal audit matters
    - Regarding computer security matters
    - Regarding operating risk and control matters
    - Regarding resource matters
    - Regarding protocol matters
    - Regarding technological matters
    - Regarding external network support matters

Income received by the Bank for these services, which amounted to EUR 11,387 and 11,386 thousand in 2019 and 2018 respectively, are recognized under "Other operating income" in the consolidated income statement for the year 2019 and 2018 (see Note 34).

The interest relating to the sight accounts that CECA maintains at the bank is included in the heading “Interest revenue” in the consolidated income statement. This represented 147 thousand euros at 31 December 2019 (3 thousand euros in “Interest expense” at 31 December 2018). The amount in these sight deposits, excluding accruals, totalled 27,083 thousand euros and 25,591 thousand euros at 31 December 2019 and 2018, respectively.

The amount of the fees received by the Bank, parent of the Group, accrued by CECA amounted to EUR 5 thousand at December 31, 2019 (31 December 2018: EUR 5 thousand).

Senior management and the members of the Board of Directors of the Bank leading the Group, and companies or persons associated with them, had 957 thousand euros and 834 thousand euros, respectively, in sight accounts at 31 December 2019 and 2018. In 2019 these amounts accrued 1 thousand euros, recorded under the heading "Interest expense" in the consolidated income statement for the year (no expense was recognised in this respect in 2018). Loans totalled 682 thousand euros and 574 thousand euros, respectively. In 2019 and 2018 these amounts accrued 2 thousand euros, which was recognised under the heading "Interest revenue" in the consolidated income statement for the year.

41. Significant events after the balance sheet date

On 23 October 2019 the Entity reached a brokerage agreement with Kutxabank S.A. under which Cecabank will be designated a depository entity for investment funds, pension funds and voluntary retirement vehicles that are currently deposited at Kutxabank, S.A. This agreement calls for the deposit service, if the process has a successful outcome, to start in March 2020.

Independent of the matters mentioned in these notes to the accounts, between 31 December 2019 and 20 February 2020, the date on which the Group's Lead Entity Governing Body prepared these consolidated annual accounts, no significant event has taken place that must be included in the accompanying annual accounts to adequately present a true and fair view of the equity, financial situation, results from operations, changes in equity and the cash flows recorded by the Group.

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 2019:

Thousands of euros

			Proportion of ownership Interest (%)			Entity data at 31 December 2019(*)			
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	3,504	2,601	1,903	20

(*) Financial information pending approval by shareholders at a General Meeting.

At 31 December 2018:

Thousands of euros

			Proportion of ownership Interest (%)			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

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 corporate object is:

- 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.

- The provision of technological, administrative and advisory services to public authorities, as well as to any other public or private-sector entity; and

- 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 branches in London (United Kingdom) and Lisbon (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 211,171 thousand in 2019 and EUR 250,551 thousand in 2018.

c) Number of employees on a full time equivalent basis:

At 31 December 2019, the Cecabank Group had 477 full-time employees (a further six had reduced working hours and four worked part-time). At 31 December 2018, the Group had 478 full-time employees (a further six 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 2019 year-end amounted EUR 62,851 thousand (2018: EUR 88,736 thousand).

e) Tax on profit or loss:

Tax on the profit for the year ended 31 December 2019 amounted to EUR 17,872 thousand (2018: EUR 25,247 thousand).

f) Public subsidies received:

The entity has not received any subsidies during the year 2019 and 2018.

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 2019 by the total balance sheet, is 0.38% at 31 December 2019 (31 December 2018: 0.66%).

7. Annual Accounts 2019

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

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 2019

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 2019. It should be noted that Cecabank, S.A. represents 99.98% 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 2019, 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 2020.

1. Strategic Plan 2020 and development of the business

Cecabank is in the final stages of the Strategic Plan that it defined in 2016. The defined strategy is based on 3 essential pillars: 1) strengthening of recurring income; 2) increase in the customer base; 3) consolidate its national leadership in the Securities Services market. It also presents specific targets to be attained in 2020 with respect to the following business indicators:

- Gross margin of EUR 270 million.
- Efficiency between 40% and 45%.
- Profitability within a range of 9% and 11%.
- Solvency between 20% and 25%.

In 2019 the Entity continued to roll out this strategy, making the necessary adjustments and adaptations when the context and the environment have so required, but always maintaining the strategic essentials intact.

The business model included in the Strategic Plan is structured into 3 large lines of business, for which specific strategies have been developed:

1. **Securities Services,** focused on maintaining the leadership of the depository business through acquisition opportunities that arise in the domestic market, expanding the validity of existing contracts and supplementing the services offered within the Securities Services value chain and promoting the entry into other markets.
2. **Cash,** focused on seeking profitability despite the difficult economic context, by offering new services and maintaining the leadership held in the Notes business in Spain.
3. **Banking services,** providing the market with multiple solutions in a mature business that is conditioned by new players and regulatory changes, with the objective of attaining and increasing the degree of customer loyalty, generating economies of scale and establishing collaborate of models in order to obtain new business.

Furthermore, the Strategic Plan presents different components for each of the core businesses:

- Services that form part of the main scenario in each of the 3 main lines of business, the objective of which is to maintain and consolidate traditional businesses.

- **Incremental initiatives:** In 2016 nine initiatives in total were identified to grow the businesses. Over recent years these initiatives have been developed in a heterogeneous manner, and some of them have redirected their initial strategy to adapt to changes in the market and in customer interests. New initiatives have been created in order to respond to the changing needs of our customers and to new business opportunities, while others have been closed or stopped for various reasons.

- Internal projects for the cultural transformation of the Entity.

- **Disruptive levers:** In this section the Strategic Plan calls for the continuous analysis of potential corporate opportunities that could substantially change the size of the Entity.

In overall terms, we note that in 2019 the following development took place with respect to each of the components of the Strategic Plan:

- **Main Scenario:** the development of profits has been affected by several items, such as: the interest rate situation and market volatility, lower growth in fees associated with the evolution of fund assets and the delay in implementing some projects in progress. All of these factors have had an impact on the evolution of the gross margin.

- Due to the decline in revenue, efficiency plans have been implemented to seek cost savings.

- **Three of the incremental initiatives** have been moved to the main stage due to having complied with the objectives set out in the Strategic Plan (digital payments, currency exchange in means of payment networks and FX-Sharing). A new initiative, Direct Home Service, has also been identified and is already fully operational. There is another being defined but yet to be approved that has a high degree of innovation. The rest of the incremental initiatives continue to work to attain the established objectives.

- Over the past three years intense work has been performed on the internal Transformation Initiatives and significant advances have been made with respect to their implementation and attained maturity level, driving actions to promote a culture of change within the Entity. One of the projects with the most effect in 2019 was in the area of sustainability. This year, within our commitment to the environment, we have measured our Greenhouse Gas Footprint and we are working on an action plan to reduce our “carbon footprint”.

- **Disruptive Levers** has included the analysis of potential corporate transactions in practically all of Cecabank’s business areas. In 2019 the corporate transactions relating to Securities Services are notable.

The overall targets established for the final horizon of the Strategic Plan, which focus on gross margin, efficiency, profitability and solvency, were all at an average level of compliance exceeding 80% at the end of 2019.

The development of the three lines of business in 2019, together with the services and initiatives they involve, are set out below:

1.1. Securities Services

The Securities Services business consists of 2 large lines of services (Depository and Securities) and two active incremental initiatives (FADO Project, which consists of the development of the Securities Services business in the Portuguese market and the expansion of the Securities Services value chain).

The low growth of the value of off-balance sheet assets in the market, the decline in the average fees for marketing lower value funds, together with the delay in the transfer of BPI funds in Portugal have given rise to growth that was lower than expected in this line of business.

However, growth continues in terms of deposit volume, with EUR 119,143 million and EUR 158,749 million in balances in custody.

The Securities Services business has focused its efforts on the strategic projects making up Cecabank’s value proposal in the Securities Services area, and the expectation is that it will have a significant impact on the income statement in 2020.

The incremental business initiatives in Securities Services are:

- **FADO project** (development of the Securities Services business in the Portuguese market): All of the steps necessary to develop the business have been completed over the course of 2019 with the objective of commencing the effective rendering of services for our first customers in 2020.

- The initiative to **Expand the Securities Services value chain** consists of several projects:

    - The Complete Securities Solution is already operational for two customers and is being implemented for another two. These are innovative projects that complete the Entity's value chain through dedicated internal resources and external resources through various specialized suppliers.

    - International custody, and in 2019 relevant customers joined the service.

    - The launch of the external operating functions service relating to the settlement and custody of securities market transactions.

- Furthermore, within the framework of innovation, we are designing a new initiative relating to the Cryptoasset world. This is an initiative that is at an incipient stage.

1.2. Treasury

The main stage consists of 3 services (financial activity, execution of fixed income and Notes) each with incremental initiatives (Access to the primary market, bond platform, securities lending program and home delivery of foreign currency).

The Financial Margin has been affected by the context of interest rates, market instability and geopolitical conflicts. Given this scenario, Cecabank has continued with its customer diversification strategy and the creation of new products.

The Notes area has developed favourably as a result of the increase in the volume of customer purchases and the good performance of the tourism industry.

The Equities Execution initiative is a fully operational service that serves as a point of entry for new customers and a mechanism to increase the loyalty of existing customers.

The incremental initiatives in current businesses notably include:

- **Bond platform:** under review based on its development with respect to the premises and expectations established in the Strategic Plan.

- **Securities Lending:** continues on "stand-by" until definitive approval of the regulations that will allow its development has been obtained.

- **New initiative - Home delivery of foreign currency.** This service is fully operational and it launched during the final quarter of the year. It seeks to supplement the service rendered in the Notes area.

1.3. Bank services

The Banking Services line of business includes 9 different services (Payment systems, Offset and Discount; External Network; Means of Payment; Treasury and Risk Support Platform; Financial Reporting; Interactive Services; Technology Services; Association Services and Bank Training School), together with 5 incremental initiatives (Extension of Digital Services, Digital Payment Platform, Currency Exchange in Payment Networks, FX Sharing and Blockchain).

Banking Services revenue was in line with the budget, although performance was heterogeneous. At a further level of detail and grouping the revenue by nature of the service rendered, we note:

The Payments business (grouping together Payment Systems, Offset and Discount, External Network, Means of Payment and the FX Sharing and Currency Exchange in Payment Networks initiatives) ended above budget, thanks to the favourable performance of all of its services and initiatives:

- A review and adaptation of rates for the **Payments Service and Offset and Discount service** to the content of the service rendered has been performed and the transfer business has increased. We note the recruitment of new entities for the SNCE representation service.

- **External Network.** Good performance by all foreign offices (London, Paris and Frankfurt). The External Network houses the FX Sharing incremental initiative, which in 2019 obtained relevant international customers.

- **Means of Payment** showed positive performance supported by the use of cards and consumption, as well as in the added value services provided, notably including the strategic incremental initiative of the foreign-currency exchange in payment networks service, which has exceeded expectations and is used by relevant Spanish customers.

The two Payment incremental initiatives **(FX Sharing and Foreign-currency Exchange in Payment Networks),** has been moved to the main stage as it has met the objectives established in the Plan.

The Digital Solutions business (grouping together the Support Platform for Treasury and Risk, Financial Reporting, Interactive Services and Technology Services, as well as the incremental initiatives for the Extension of Digital Services and the Digital Payment Platform) ended the year in line with the budget:

- The **Support Platform for Treasury and Risks** focused its commercial efforts on extending the CVA (Credit Valuation Adjustment) and on the development of the new SFTR (Securities Financing Transaction Regulation) service to offer added value to customers, thereby increasing their loyalty.

- **Reporting.** This item was below the budget as a result of the delay in the entry of customers into the basic module and the development of some projects.

- **Interactive Services.** Favourable development supported by the renewal of electronic banking contracts, the increase of API platform customers and the increase in digital and immediate payment operations and users.

- **Technology services.** The agreements reached for the rendering of outsourcing services are notable and they arose through the creation of ecosystems with leading partners.

The growth of both users and digital payment volumes in the incremental initiatives has allowed the **Digital Payments Platform** to attain the established objectives and to be moved on to the main stage. In the case of the **Extension of Digital Services,** we have completed the projects involving the new electronic invoicing platform and the API platform as they are both fully operational and have therefore been moved to the main stage. The initiative is therefore now involved with the monitoring of the electronic **Mandate Project,** which is still in the development stage.

The Association and Other Services business (grouping together the Bank Training School, Association and Support Services and Other Banking Services and Block chain, which is still being defined and seeking business opportunities) came in below budget due to the fact that the revenue generated by the training program involving the law on real estate lending contracts was less than projected.

1.4. Internal transformation

The Strategic Plan involved a series of initiatives addressing the transformation of the Entity's culture. In 2018 all of these initiatives were converted into the Cultural Transformation Project CKBe Smart.

The project's main objectives are the extension of new ways of working that allow time-to-market to be reduced and to increase efficiency thanks to a new customer focused culture. We note the following with respect to 2019:

- Cultural transformation and talent management measures, notably including telecommuting, flexible hours, talent maps, internal mobility, performance management systems and objective-based remuneration.

- We are encouraging new ways of working by extending the use of agile methods. With this objective, we have intensified training on these types of methods and an Agile office has been launched consisting of agile internal and external coaches that closely monitor the projects.

- We have designed a new workspace model with an increased dedication to collaborative and flexible spaces that facilitate the implementation of new ways of working. In this line, we have launched the 0 Paper Project which has the objective of reducing the use of paper as much as possible through review, digitalization, archiving and process adaptation measures to reduce the need to use paper.

- All of these methods are accompanied by the design of a Digital Workplace model that pursues making the necessary computer tools available to users so that they can work comfortably without paper and securely from any location.

This is just the start, since the internal transformation project does not have a set and as it is a manner of understanding work and will form part of the Entity's culture and, accordingly, it will be adapted to market and environment requirements at any given moment, which will provide flexibility to the organization in an increasingly changing market.

One of the challenges in the financial sector environment is finding a space in the sustainability area. This year Cecabank obtained significant advances that show its commitment to society. Work was performed on three large pillars in 2019:

1. **Environment:** We measured the Greenhouse Gas Effect Footprint (known as the "Carbon Footprint") through the verification by AENOR of the results obtained. The data shows that our footprint fell by 13.8% in 2019 thanks to the savings measures resulting from the implementation of initiatives such as the ISO 50001 Energy Management System. We are preparing an action plan to continue with this reduction throughout 2020.

   We also launched the 0 Paper project which reduced total printing in 2019 by nearly 30% compared to last year and it includes a clean desk protocol that promotes the recycling of waste at the office.

2. The **social action policy** includes the "You Choose" Program, in which more than 80% of employees participated in 2019 and to which EUR 100,000 was donated to NGOs and foundations selected by employees and contributions were made to two natural catastrophes such as Tropical Cyclone Idai and the floods caused by Dana. It also includes the employee volunteer program for secondary school children called "Improve society, DIGITALIZE IT".

3. Our commitment to **Good Governance** is set out in the Strategic Plan through a Corporate Governance initiative to obtain the best market standards for good governance. The Board performs a self-assessment in this respect on an annual basis. Furthermore, in 2019 an external analysis was performed and will result in an action plan. Another action in this area was the creation of the Mobile Risk Control unit to adapt the entity to the best internal governance standards in terms of the risk management and control model and to clarify the boundaries between the first and second line of risk defence.

1.5. Strategic business objectives

Supplementary to the Strategic Plan and the Entity's budgets, certain commercial targets are defined every year to promote and intensify the Entity's commercial activities to attain the highest impact possible on results.

In general, in 2019 the effort and results of the commercial activities were notable. This intense commercial activity was particularly relevant in Cecabank's non-traditional market (77%), with the objective of obtaining new customers and continuing with the diversification of revenue. We expect the impact of 2019 commercial activities on results to be significant in 2020.

The attainment of the objectives established for 2019 gave rise to a heterogeneous result:

New billing		New income		Contracted negotiations		New customers	
Objective	Degree of compliance	Objective	Degree of compliance	Objective	Degree of compliance	Objective	Degree of compliance
€ 11.2 M	349%	€ 14.8 M	63%	134	128%	50	68%

New invoicing - This covers estimated annualized revenue from the new contracts that were obtained during the period. The objective for all of 2019 was EUR 11.2 million and we actually obtained EUR 39.2 million, primarily due to the closing of certain corporate operations in the Securities Services area. However, discounting the success of unique transactions and thanks to the intense commercial activity, this objective would have been met regardless.

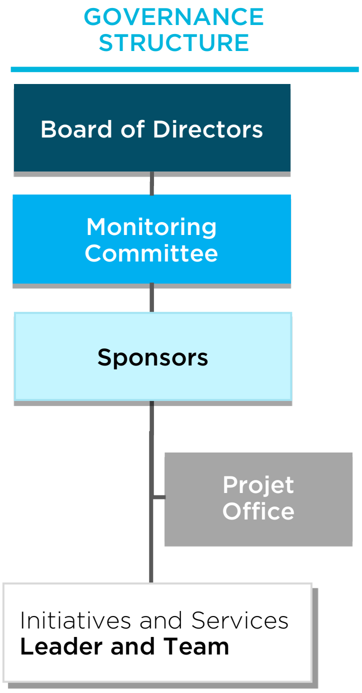
New revenue - This item records the actual impact on the income statement of the new contracts obtained during the year in progress (EUR 9.3 million). Despite not attaining the objective as a result of the delay in the implementation of some projects, the "quality" of that revenue is notable as it mainly represents recurring revenue that will have an impact in coming years.

Contracted negotiations - This record all new negotiations or renegotiations successfully completed and for which the estimated revenue exceeds EUR 10,000/year. The objective for the year was 134 negotiations and it ended with a total of 171 contracted negotiations. The contribution of some lines of business in attaining the objective is notable (i.e. Interactive Services, Reporting and Payments, Offset and Discount).

New customers – This record the customers that have contracted a service or product and have never before been a customer or to whom no service had been rendered by Cecabank for 3 or more years. Despite obtaining new customers, the rate is lower than in past years and somewhat lower than the established target for 2019 (34 versus 50). The Treasury business has traditionally been one where new customers enter, but as a result of the less favourable development of the financial market this year fewer activities have taken place with new counterparties.

1.6. Governance model in the Strategic Plan

The governance model in the Strategic Plan was maintained in 2019 to ensure compliance with the targets established in the Plan. This governance model consists of several monitoring levels:



The Board of Directors receives a complete monitoring report on a quarterly basis that provides details of the evolution of the implementation of the Strategic Plan, the main stage and on strategic initiatives. These reports are debated by the Board of Directors.

In addition, in 2019 the Board of Directors played a relevant role in the taking of decisions regarding the Entity's strategy giving rise to two important strategic outputs, one consisting of the 6-month report and the other is the annual monitoring report. Both outputs have resulted in the adoption of strategic decisions that have allowed some deviations that were occurring during the year to be corrected.

The Strategic Plan Monitoring Committee (CSPE) met monthly during 2019 to review the Strategic Plan overall using the approved monitoring method. Moreover, all of the incremental initiatives have been reviewed in depth by the responsible persons on that Committee.

2. 2019 statement of profit or loss

			Variance	
	Actual 2019 (*)	Budget 2019 (*)	Amount (*)	%
Financial margin (**)	59,283	84,114	(24,831)	(30)
Fee and commission and operating income (***)	151,888	163,504	(11,616)	(7)
Gross income	**211,171**	**247,618**	**(36,447)**	**(15)**
Operating expenses (including provisions) (****)	(149,347)	(164,224)	14,877	(9)
Profit from operations	**61,824**	**83,395**	**(21,571)**	**(26)**
Other income and expenses	1,027	0	1,027	-
Profit before tax	**62,851**	**83,395**	**(20,544)**	**(25)**
Income tax	(17,872)	(24,185)	6,313	(26)
Profit for the year	**44,979**	**59,209**	**(14,230)**	**(24)**

(*) 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.

The various headings of the income statement are analysed below:

- **Financial margin:** performed below the expectations in the budget of 24.8 million euros, primarily due to the market interest rate situation, aggravated by the budget forecast for light increases during the last quarter of the year. This situation led to an absence of opportunities to obtain profitability and excess liquidity at a cost that was higher than expected. Geopolitical tension throughout the year also added greater volatility to markets.

- **Fees and operating products:** They came in 7% lower than budgeted due mainly to less favourable performance of Securities Services compared to projections, caused by the decline in the average fees for the funds on deposit and the delay in the implementation of some of the strategic projects. The fees in Treasury were slightly lower than those obtained from financial activities and within Banking Services the fees were slightly above expectations.

- **Gross margin:** this item reflects all of the net revenue obtained from operating activities and totalled 211 million euros, which is 15% below the budgeted figure due to the reasons mentioned above.

- **Operating expenses:** operating expense headings showed savings across the board: staff costs fell by 9% due to the exits originating from the staff reduction plan that was implemented between 2016 and 2018 and the adjustment of this expense item as a result of the development of the business compared to the projections in the budget. Other administrative expenses declined by 5% as a result of the measures adopted in the Efficiency Plan that was launched during the year and amortisation was 7% lower than expected due to the variable component based on the revenue obtained by the Securities Services.

- **Profit/(loss) for the year:** the actual net profit after taxes is 45 million euros, 24% less than the Budget.

Continuing with the line taken in prior years, the distribution of those profits, with the relevant allocation to reserves, will not take place until the Company's accounts are approved and as a result of its comfortable solvency position.

3. External rating

The ratings granted to Cecabank at 31 December 2019 by the international agencies Fitch Ratings, Moody's and Standard & Poor's, are as follows:

	Short term	Long term
FITCH RATINGS	F-3	BBB-
MOODYS	P-2	Baa2
STANDARD & POOR'S	A-2	BBB+

In 2019 Standard & Poor's improved its rating of Cecabank to BBB+. When rating the Entity, the agencies generally consider Cecabank's business model consolidation to be positive, which has brought it to a national leadership position in the securities depository and custody business while diversifying its service portfolio. All of them note its capital strength, which is combined with a conservative risk profile that is adequately controlled.

4. Risk management

Notes **22, 23, 24, 25 and 26** of the notes to the company's accounts reflect the information regarding its objectives, policies and risk management procedures, as well as its exposure by type of risk.

5. Events occurring after the reporting period

On 23 October 2019 the Entity reached a brokerage agreement with Kutxabank S.A. under which Cecabank will be designated a depository entity for investment funds, pension funds and voluntary retirement vehicles that are currently deposited at Kutxabank, S.A. This agreement calls for the deposit service, if the process has a successful outcome, to start in March 2020.

6. Business objectives for 2020

The business objectives next year are one of the main levers that will allow the goals established in the Strategic Plan to be attained and to ensure that the Entity has the foundation, knowledge and human team necessary to reach those goals.

Objectives

	2019 Objective	2019 Exercise	2020 Objective
New billing	€ 11.2 M	€ 39.2 M	€ 9.9 M
New income	€ 14.8 M	€ 9.3 M	€ 29.7 M
Contracted negotiations	134	171	161
New customers	50	34	46

A series of premises have been used to set the business objectives for 2020:

- The 2020 objectives are an ambitious **"target"** that will allow the goals established in the Strategic Plan to be attained by directing business "tension" towards the strategic objectives.
- Compliance with the 2020 objectives will give rise to **"growth"** that will improve the revenue from prior years.
- **"Alignment with the budgets"** established by the various business units at Cecabank.

The business activity targets for 2020 are as follows:

EUR 9,894 thousand in new potential invoicing, or the potential invoicing from the new contracts. The target established for this indicator is the most conservative of all of them due to the fact that it does not include the impact of the potential unique/corporate transactions involving the assignment of depository business.

EUR 29,700 thousand in new revenue during the year (actual 2020 revenue from new contracts). This is the most important indicator and, in turn, the most ambitious.

161 contracted negotiations > EUR 10,000, which represents more than 13 agreements/month for contracts or renewals.

46 New customers. Despite the difficulty to maintain the constant growth of this indicator, the target set for 2020 shows the commitment to diversify the customers in the profit and loss account established in the Strategic Plan.

7. Transactions with treasury shares

During the period between 1 January and 31 December 2019 the bank did not record any treasury shares on its balance sheet.

8. Payments to suppliers

In compliance with Article 262 of the Spanish Companies Act., Note 36 of Cecabank Group´s notes to the financial statements reflect the information relating to the deferral of payments to suppliers.

The information regarding investments in R&D+i and employees with disabilities is presented in the Non-Financial Information Statement included in the consolidated Directors' Report for Cecabank.

7. Annual Accounts 2019

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

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 materials.

As a result, and taking into consideration the Company's business model, the following matters were identified as the most materials:

- Ethical behaviour and transparency.
- Economic solvency and stability.
- Prevention of corruption and fraud.
- Equal opportunity and work-life balance.

This non-financial information statement forms part of Cecabank's Consolidated Directors' Report, which is presented in a separate document.

Then, 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.

01. About Cecabank

01A. 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.

Cecabank is a Spanish wholesale bank that offers innovative, customised financial solutions to its customers, which it accompanies in projects so that they can achieve their business objectives. Our areas of specialisation, in which we can say we offer innovative financial solutions are grouped into these lines: Securities Services, Treasury and Banking Services -although the latter is subdivided into Digital Solutions and Payments:

a) 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.

b) Treasury management, focusing on increasing the returns, completing the offering with new services and maintaining its leadership in the banknote business in Spain.

c) Digital Solutions, which focus on services relating to the digitalisation of related services / omnichannel services / business intelligence / technological solutions / technology outsourcing in order to capture and increase customer loyalty, create economies of scale and establish collaborative models to obtain new business.

d) Payments, focused on processing and means of payment solutions, infrastructure and international payments, provides markets with multiple solutions in a mature business conditioned by new adjustments in the sector and new players.

For further information about us and the services that the Bank offers, click on the link on the corporate website[1].

1 https://www.cecabank.es/sobre-nosotros/

01B. Cecabank's Profile

Cecabank is headquartered in Madrid and 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:

Company	Number of shares	% shareholding
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 Vizcaya Argentaria, S,A,	644,683	0,57 %
Banco Sabadell, S,A,	574,171	0,51 %
C,A, y M,P, Ontinient	57,920	0,05 %
Caixa D'Estalvis de Pollença	52,881	0,05 %

As for the organization and structure of Cecabank, the entity's corporate governance is made up of a set of rules, principles and policies that regulate the composition, structure and operation of the governing bodies (the General Meeting, the Board of Directors and its Commissions), which are continuously updated to adapt to national and international best practices.

The General Shareholders' Meeting in March 2019 fixed the number of members of the Board of Directors at twelve, consisting of seven proprietary directors, four independent directors and one executive director. In addition, in compliance with the regulations of capital companies and in matters of organization, supervision and solvency of credit institutions, Cecabank has constituted four committees, which are the Audit Committee, the Appointments Committee, the Remuneration Committee and the Risk Committee, all of them formed by Directors, in line with the provisions of the regulations for each of them, and with the functions set forth in their respective operating regulations.

Additionally, Cecabank has a Management Committee that is responsible for deciding on matters that are directly submitted to it by the Board of Directors, or those matters submitted by the Chief Executive Officer prior to approval by the Board of Directors, as well as approving the rules of conduct and the internal regulations of the entity, which do not correspond to approving the Board of Directors. Said Committee, formed by the main executives of the entity, is chaired by the General Director, being the General Secretary who acts as Secretary of said Committee. However, its meetings may be attended, with voice and without vote, by those other employees of the entity that are required by the Chairman of the Committee.

01C. Market environment and business strategy

One of the large transformations taking place in the global financial industry is the growing connection between sustainability, economic activity and financing.

This change process has a global roadmap: the Sustainable Development Goals (ODG), also known as Agenda 2030 and, with respect to the climate aspects, the Paris Agreement (COP-21).

Consensus around these objectives is permitting the transformation to accelerate.

The Spanish financial industry in general and Cecabank in particular have a vocation to contribute to economic and financial activities that are more sustainable and responsible and, therefore, the Bank's objectives and strategy includes the promotion and strengthening of our Sustainability Plan 2018-2020, the essential actions and efforts of which are:

- Increase public awareness of Sustainability.
- Seminars and debates with Stakeholders.
- Continue and encourage new actions under the Social Action Plan.
- Volunteer and Financial Education initiatives.
- Workplace initiatives such as the reduction of consumption and the promotion of healthy habits.
- The encouragement of training and outreach actions.

Those defined objectives and strategies are the core of Cecabank's extra financial performance based on:

- **Cecabank Values:** Solvency, Integrity, Specialization, Innovation and Customer Service. For further information about our values and its corporate culture at Cecabank, click on the link on the corporate website[2].
- **Sustainability Plan:** Cecabank used a materiality study to present a plan to develop its relationship with stakeholders. The Sustainability Plan 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. It also has in place control structures and procedures for the prevention of money laundering, an Internal Rules of Conduct for securities market activities, proprietary codes for the treasury room, as well as a Euribor protocol and code of conduct. For further information regarding these documents, click on the link to the corporate website.
- **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 determines the material aspects of the Sustainability Plan and defines its scope. This wholesale 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, sustainability 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.

[2] https://www.cecabank.es/nuestros-valores/

- **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 of Directors 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), both available on the corporate website[3].

  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 Sustainability Plan and, their organisational structure in this respect or whether they offer responsible products and services. This assessment is part of the non-financial analysis of attentional 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.

02. Our customers

Cecabank provides services to 311 customers, which include its associates as well as other savings banks, banks, and management companies, among others, extending the customer-oriented culture and continuous improvement throughout the organisation. Development of the following three lines of action defined has continued in 2019:

- 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:

  a) Improve the quality of our processes.

  b) Improve the customer experience, which forms the basis for forming long-lasting trusting relationships with customers.

The work in these areas has resulted in the following improvements:

- In 2019 the Securities and Depository Services system certification was renewed (valid until 2023) and certification of the Reporting (Pyramid), Collection and Payment Services and the Banking Training School was maintained all under the criteria of the ISO 9001:2015 standard.

- 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 more compliance with the standard's requirements.

[3] Information of Prudential Relevance (IRP) of March 2019: https://www.cecabank.es/wp-content/uploads/2019/05/IRP.pdf

- Support has been provided and certification has been maintained for other certified management systems throughout Cecabank:

  a) Criminal Compliance Management System, certified pursuant to UNE 19601:2017.

  b) Energy Management System, certified pursuant to ISO 50001:2011.

- The customer experience measurement model has been completely revised, seeking a deeper customer journey map that is defined and validated by our customers in order to obtain improvement plans that are perfectly adapted to each Service.

The information gathered has been integrated as a tool to improve the various lines of business through specific actions and detection of needs.

- In line with its commitment to and investment in quality and customer experience, Cecabank belongs to the Spanish Association for Quality and in 2019 it has increased and diversified its actions in order to cover the broadest possible field of activity and knowledge. In 2019 it also participated in the Association for Development of the Customer Experience.

- In 2018 the customer satisfaction index was 8.4 out of 10; the net recommended index was 40%, meaning that 81% of our customers could continue to place their trust in Cecabank for new solutions. In 2019 the customer satisfaction index was 8.3 out of 10; the net recommended index was 65%, meaning that 79% of our customers could continue to place their trust in Cecabank for new solutions. Furthermore, 70% of our customers say that the range of services offered by Cecabank covers their needs.

  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. In 2019, only two complaints were received during the year, of which one was admitted for consideration and was subsequently been resolved in favour of the Company. The complaint submitted via this service that were not admitted for consideration do not relate to customers or users of Cecabank's financial services.

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, such as those for security, change, data integrity, continuity and outsourcing risks, all of which are included in Cecabank’s risk management policy.

03. People management

03A. Our employees

With respect to the staff, one of the lines of action defined in Cecabank's Sustainability Plan 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 workplace.

Cecabank has 467 employees in Spain and seven in the foreign office network (2 employees in Paris and 2 in Frankfurt, 2 in London and 1 in Lisbon). In the report on the other indicators in the Non-Financial Information State relating to the section "Our employees", the data relating to the employees at offices located outside of Spain have been excluded as they only represent 1.5% of Cecabank's total employees.

Cecabank's 467 employees in Spain are distributed as follows:

Male		Female	
2018	2019	2018	2019
234	230	236	237

<30		30-50		>50	
2018	2019	2018	2019	2018	2019
3	4	322	310	145	153

	Category I	Category II	Category III	Category IV	Category V	Category VI	Category VII	Category VIII	Category IX	Category X	Category XI	Category XII	Category XIII
Group 1													
Male	3	5	16	30	32	64	26	30	8	7	3	1	1
Female	-	4	8	15	25	55	42	55	20	7	4	-	2
Group 2													
Male	-	-	-	-	-	-	-	-	-	4	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: Group 2, consisting of 4 people not involved with financial duties, receive remuneration and have professional levels that are different from Group 1.

Note 2: See Appendix 1 for a comparison with 2018 of the number of employees by category. It should be noted that the employee figures for 2019 do not include the Managing Director of Cecabank given the mercantile nature of his relationship with the entity.

All of Cecabank's employees have indefinite-term employment contracts and work full time.

During 2019 there were seven exits, 4 dismissals and 3 voluntary leaves involving 6 men (2 Category I. 1 Category II, 1 Category V, 1 Category XI and 1 Category XII) and 1 woman (Category XII), five between the age of 30 and 50 and 2 over the age of 60.

The data regarding the entry and exit of employees is set out below:

New hires		Exits	
2018	2019	2018	2019
17	4	48	7

The Human Resource Transformation Plan CRECE is one of the lines included in the 2017-2020 Strategic Plan and the new Internal Mobility Policy forms part of those lines.

This Policy seeks to underscore Cecabank's commitment to the growth and professional development of its employees and provide them with the possibility of learning new ways of working, acquire knowledge in different areas and strengthen their internal employability.

The internal Mobility Policy is intended to establish the basic principles and present the working procedure that will be followed in those cases in which, after the Resource Analysis and Planning process is carried out by the Human Resources Division, the conclusion is reached that personnel needs should be covered by the Bank's current personnel.

Accordingly, this Policy will allow:

- The establishment of common rules and criteria, known throughout the Bank.
- The creation of a professional development formula for employees.
- The strengthening the exchange of knowledge among departments.

The data relating to bank employee internal mobility are as follows:

Internal employee mobility	2018	2019
Internal mobility processes for Cecabank employees carried out	19	34

No significant risks have been identified with respect to personnel matters.

03B. Equality

The new plan for equality between women and men and for achieving a work-life balance was approved in 2017 and during 2018 detailed surveys into equality were conducted in 2018 (pay gap and achieving a work-life balance), and in 2019 work was performed on the design of training action concerning diversity for all employees and on the creation of actions to obtain recognition in this area.

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 Company. It also presents a protocol for the prevention of any kind of sexual and gender-based harassment.

The main objectives of the equality plan are 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.

Although Cecabank does not have any employees with disabilities on its staff, during 2019 it has enriched the process for selecting temporary workforce companies, including a high number of persons with differing capacities and hired 6 employees with disabilities to temporarily render services to the Bank. Cecabank also works alongside entities that promote the inclusion of individuals with disabilities in the workplace.

Indicator description	Indicator units	2018	2019
Total number of employees at Cecabank	Number	470	467
Percentage of women at Cecabank	Percentage (%)	50.21%	50.74%

03C. Training

Training at Cecabank is geared towards strengthening specialisation and the development of new skills by its employees, which is accredited by means of official certifications. We are promoting the transformation of the Bank through new ways of working, such as the implementation of different "agile" methodologies that put into practice personal and digital 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	Indicator units	2018	2019
% of employees with various types of university degree (engineers, graduates, diploma-holders)	Percentage (%)	77.00%	78.00%
Hours of training (employees' of Cecabank Spain)	Hours per employee	64 hours	45 hours
Investment in employee training in Spain	Euro per employee	1,296 €	1,191 €

Throughout 2019 improvements have been made to the tolls utilised, applying part of the training investment to these new projects. Specifically, a new training website has been launched that keeps a record of all of the training actions taken by Cecabank employees and places the training on their CV and, furthermore, allows managers to view the courses requested by their teams and the status of those requests.

The second milestone in 2019 was the acquisition of a new e-learning platform called Learning Cloud to which the on-line courses are being migrated together with new actions that we are designing on an ad hoc basis.

We also implemented a new system for measuring and recording all training KPIs using Power BI.

A new approach is being applied to training plans, participating in the design and development of on-line content, reducing the number of hours required for mandatory courses, moving to micro-learning actions and organizing in-company specialisation programs instead of external Masters, which brings about a higher focus on content, a reduction in the number of training hours and better use of the budget.

The hours of training by gender and professional category in accordance with the collective agreement, which gave rise to a total of 21,043 hours training in 2019, are as follows:

	Category I	Category II	Category III	Category IV	Category V	Category VI	Category VII	Category VIII	Category IX	Category X	Category XI	Category XII	Category XIII
Group 1	106	900	1513	2131	3498	4833	2844	3096	1093	505	262	100	74
Group 2	-	-	-	-	-	-	-	-	-	88	-	-	-

Note 3: To see a comparison of the number of training hours by category based on 2018 data, see Appendix 2.

Cecabank also promotes employment through its 14 agreements with universities and study centres, granting work- experience scholarships to 16 students of different nationalities in 2019.

03D. 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, 100% of the fixed component for all employees was taken into consideration and the variable component was included for 95.53% of Cecabank's staff, consisting of the employees in Spain and abroad, based on data at the end of 2019. Specifically, the calculation does not include the variable remuneration paid to 20 employees working in the Treasury and Equity Sales Divisions in the Financial Area. Those employees have a specific variable remuneration system that could reach 200% of their fixed remuneration and which, in accordance with Prudential remuneration regulations, is subject to deferral, payments in nonpecuniary instruments, as well as “malus and claw back” clauses should certain events occur in accordance with the general remuneration policy at Cecabank.

The average salaries,[4] by gender, age and professional category in accordance with the collective agreement is indicated below, and the pay gap in 2019 was -17% while in 2018 it was 18%:

Average remuneration by gender	2018	2019
Male	72,830 €	74,813 €
Female	59,866 €	62,075 €

Average remuneration by age	2018	2019
<30	30,274 €	35,653 €
30-50	71,178 €	67,019 €
>50	64,349 €	71,783 €

Average remuneration by professional category	2018	2019
Category II	153,660 €	159,524 €
Category III	128,624 €	131,627 €
Category IV	89,832 €	96,424 €
Category V	76,535 €	78,267 €
Category VI	62,774 €	63,523 €
Category VII	57,064 €	59,936 €
Category VIII	48,933 €	50,489 €
Category IX	44,245 €	46,409 €
Category X	39,835 €	42,331 €
Category XI	34,573 €	42,468 €
Category XII	25,565 €	25,528 €
Category XIII	-	26,185 €

Note 4: The employees in Professional Group 2 for the purposes of the calculation of average remuneration were placed in the compensation Category X.

Note 5: If the calculation included the employees in the Treasury and Equity Divisions, whose compensation system is special, as has already been indicated, and for which the variable component was excluded from the calculation of the average salary, the salary gap would be -22%. In 2018 the salary gap was -26%.

On a supplementary basis, Cecabank has calculated the salary gap taking into account the mean remuneration by gender instead of the measured compensation due to the distortion that may be caused in the results by the data, including the fixed and variable components for all employees, except for senior management in Spain and abroad. Taking into account that variable, the gap would be -18%, breaking down as follows between men and women.

Median remuneration	2018	2019
Male	66,290 €	66,828 €
Female	54,119 €	55,076 €
Total mean	**59,643 €**	**60,819 €**
Gender Pay Gap	**-18%**	**-18%**

Cecabank has 12 directors, of which 9 are men and three are women. Cecabank directors only receive income from the Bank as per diems for attending the Board of Directors and its delegated committees and commissions. The individual amount of the per diems is the same for all directors and therefore the total amount collected by each director only depends on the number of governing body meetings that they attend. In 2019 the average amount collected by each director was 28,250 euros for men and 50,333 euros for women. In 2018 the amount was 29,889 euros for men and 48,333 euros for women.

[4] The average remuneration data for 2018 has been calculated following the same criteria and perimeter as for the calculation of the 2019 data to facilitate comparability between them.

Cecabank has 8 senior management executives, of which 7 are men and 1 is a woman. The average remuneration received by each executive was 279 thousand euros in 2019. A disclosure by gender or of the salary gap for senior management is not included since that would result in the direct publication of the salaries for individual directors, which would violate data protection rights. In 2018 the average remuneration collected by directors was 308 thousand euros. The average amount of vested pension rights totalled 340 thousand euros in 2019 and 448 thousand euros in 2018.

03E. Employee benefits

Cecabank offers its employees certain benefits to motivate and retain them and build on their loyalty. The main benefits that Cecabank offers its employees are: financial advantages, reconciliation measures (flexibility or additional leaves), group life insurance, group health insurance, nursery cheques and assistance for education and toys for the children of employees.

The per-employee investment for benefits by the Bank in 2019 is set out below:

Indicator description	Indicator units	2018	2019
Company investment in benefits per employee (includes fund contributions, help for nursery fees/study grants for employees' children/employee healthcare insurance)	EUR/employee	4,264 €	3,694 €

Since 2018 Cecabank has 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.

A total of 703 products have been contracted and the most demanded are as follows:

- Health insurance for employee family members: contracted by 31% of employees.
- Transportation card: contracted by 35% of employees.

03F. Reconciliation

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.

There are 119 employees that have entered into the Remote Working scheme at 31 December 2019.

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 Company 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 2019, 15 employees took parental leave, of whom 8 were men and 7 were women.

03G. Prevention of occupational hazards

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 2019, 43% of the employees underwent the annual medical check-up offered by Cecabank to its employees on a voluntary basis.

The Ckbe-Well programme was launched in 2017 at Cecabank and a series of actions have been taken to improve the health of our employees. The programme is intended to improve both their mental and physical health, and to promote healthy eating among our employees. During 2019 the following actions, among others, were taken: back school, healthy food seminars offered by a nutritionist, ecological market and "health week" consisting of activities relating to sports and food, and the physical therapy and nutrition activities have continued with excellent results. Employees have broadly participated in all of the activities organised within this health programme.

In 2018 the Spanish social security authorities awarded Cecabank the bonus, representing an incentive amounting to 10% of the amount of the quotas for professional contingencies since all relevant occupational risk prevention requirements were met.

In 2019 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.

The percentage of employees covered by collective agreement in Spain and the absenteeism hours in 2019 are as follows:

Indicator description	Indicator units	2018	2019
Percentage of employees covered by collective agreement in Spain (%)	Percentage (%)	100.00%	100.00%
Company absenteeism in hours	Hours	38,636	19,219

Note 5: The measure the number of absenteeism hours at Cecabank we have taken into account only the number of hours leave taken due to illness or occupational injury, in accordance with the GRI 403-2 indicator. We modified the data reported in the NFIS 2018 since the absenteeism figure included hours leave taken to care for a sick family member, official leaves, non-recoverable partial leave illness, medical consultations, union leave, maternity, paternity, family deaths and wedding leave.

In 2019 there were no work-related illnesses among the staff, and five minor accidents resulting in sick leave were logged, one of which involving a man and four involving women. Of the 5 accidents that occurred, 3 took place during commutes, 1 at the habitual work centre and 1 during movement within the work centre.

The Frequency Index[5] in 2019 is 3 accidents per million hours worked at Cecabank. The Severity Index[6] in 2019 indicates that around 8 days were lost for each thousand hours of work.

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.

[5] The Frequency Index has been calculated using the following formula: IF = (number of accidents x 1,000,000) / total hours worked at Cecabank, S.A.

[6] The Severity Index has been calculated using the following formula: IG = (number of days lost due to accident in working hours x 1000) / total hours worked at Cecabank, S.A.

04. Our suppliers

Cecabank has 112 non-resident suppliers and 554 Spanish suppliers, which represents 83% of the total volume of suppliers, 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 Corporate Code of Conduct for relationships with suppliers and commercial partners.
- 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.

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.

Following these principles of action, in 2019 a specific organisational unit was created to manage purchases and contracts, called Purchasing Centre, and a Director has been appointed to manage and launch an electronic platform for suppliers and contracted services, with the following objectives:

- General contact with suppliers for their selection, reporting requirements, certification, uploading of electronic invoices, etc.
- Selection of suppliers by competitive bid and the generation of RFPs to provide transparency, uniformity, objectivity and to obtain a higher number of bidders.
- Support for previously certified suppliers based on the nature of each service to be provided and subsequent regular execution by requesting suppliers to update the necessary support documentation, all automatically and systematically.
- Maintenance of a record of outsourced activities.
- Maintenance of a log of suppliers in the purchasing platform.
- Regular review of prices and renegotiation of those prices.
- Maintenance of a log of metadata concerning contracts so as to manage their useful lives, monitor compliance with service levels and outsourcing requirements, and the preparation of automatic reports for the authorities.

05. Social matters

One of the specific areas of action defined in the Sustainability Plan 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 Company.

The lines of action of the Social Action Policy are described below:

- 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 2019 Cecabank set in motion the fifth edition of Cecabank's social aid programme, "You Choose". Cecabank employees submitted 26 projects and after the voting process, in which 88.75 % of the staff participated, 15 finalists were chosen which Cecabank supported with EUR 100,000. (There were seven winners two years ago and last year there were 12 projects) which shows that the outreach to beneficiaries is increasing in hand with employee participation.

The finalist projects within the social aid programmes "You Choose" are presented below:

Category	Beneficiary	Importe
Social	The Foundation "El Sueño de Vicky"	15,000,00 €
Social	Dog Therapy Association, Assistance intervention using animals	13,000,00 €
Social	PAUTA Association Psycho-educational services for autism and associated conditions	10,000,00 €
Social	Association for Lupus Sufferers in Madrid	7,500,00 €
Social	ALEPH-TEA Association	7,500,00 €
Social	Apromar Association	7,500,00 €
Social	Dare Association	7,500,00 €
Social	Menudos Corazones Foundation	5,000,00 €
Social	University of Lleida Biomedical Research Institute	5,000,00 €
Social	Virgen de Lourdes School	5,000,00 €
Social	Hamor Association	5,000,00 €
Environmental	Las Nieves Association	3,000,00 €
Social	Alenta Association	3,000,00 €
Cultural	Achalay Association	3,000,00 €
Cultural	Laborvalia Association	3,000,00 €
Total assistance		**100,000,00 €**

- **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 Sustainability Plan, in 2018 Cecabank signed an agreement with the Spanish Emergencies Committee[7]. 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. The main actions involving humanitarian emergencies this year were as follows:

    a) **Cyclone Idai:** in March 2019, Cecabank responded to the international emergency by urgently collaborating with ACNUR and donating €3,700 for the construction of family tents and water cisterns to help those affected by the disaster.

[7] https://www.comiteemergencia.org/

b) **DANA floods on Spain's Mediterranean coast:** in December 2019 the torrential rains caused by DANA devastated part of Spain's Mediterranean coast, causing severe material damages and personal injury. The bank launched a campaign through which Cecabank employees donated 1,537 euros, which was matched by Cecabank. The assistance with evenly distributed between the Spanish Red Cross and Doctors of the World, both of which were already on the ground with affected parties.

- **Donations:** in 2019 we were able to collaborate with the following foundations and schools, donating computer equipment: Pama Foundation, Senara Foundation, Pinar de San José Public School and Bobath Foundation. We also note:

a) **Operation Kilo for the Food Bank:** through a website Cecabank employees were able to help the families most in need in our community. This Cecabank Solidarity Project is geared solely for this Madrid Food Bank action and allows the distribution of food to the homeless, the elderly, children, unemployed, etc. The Madrid Food Bank works with more than 550 benefactors in the Region of Madrid. Cecabank is aware of these needs and through its alliance with the Madrid Food Bank it collaborates with the Christmas Operation Kilo each year. This year we collected 2,245 euros from employees, which was matched by the Bank and the final contribution was 4,490 euros. This translated into more than 2,400 kilos of food distributed to the neediest organisations.

b) **Blood donation campaign:** in April 2019 a bool donation campaign was carried out in collaboration with the Red Cross at the bank's office, with record participation by employees.

c) **Collaboration 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. These efforts amounted to 12,000 euros this year.

d) **Clothing container and Mother Courage Shoes:** during the last quarter of the year a container was placed to receive donations of clothes and shoes at the bank's office and more than 180 kilos of clothes were collected. According to the NGO's information, the donation of clothes resulted in the sending of 352 kilos of food as Humanitarian Assistance, which allows approximately 3,520 people to be fed.

e) **Computer classrooms sponsored by Cecabank:** to promote digitalisation, financial education and social inclusion, the Sustainability Department and Stakeholder Relations at Cecabank sponsored the creation of two computer rooms:

- The first computer rook at Real Oratorio de Caballero de Gracia, for the elderly, immigrants and the unemployed.

- The second computer room at the school operated by Bobath Foundation, for child and adult victims of cerebral palsy to varying degrees.

Lastly, it should be noted that no significant contingencies relating to social issues were detected.

06. Environmental issues

Cecabank's environmental impact is limited compared to other industries because it operates primarily in offices. It therefore does not have a specific policy for managing environmental matters. However, one of the lines of action defined in the Sustainability Plan is responsible and sustainable management of material resources, and specific initiatives are designed to be performed in this area such as, for example, the measurement of its carbon footprint. Cecabank also 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.

The changes in the main environmental indicators are as follows:

Building consumption		Year			
Alcalá,27 & C. Gracia, 28-30	Measurement unit	2016	2017	2018	2019
Energy (electricity)[8]	GJ	9,909	6,124	8,095	7,021
Energy (natural gas) [9]	GJ	1,776	1,998	2,164	1,191
Paper (Ecological- Ecolabel)	Kg	40,270	37,800	27,310	23,900
Water	M3	4,294	4,907	3,766	3,871
Carbon footprint	TonCO2		3,531	3,043	867[10]

8 The source for the conversion of energy consumption from indirect emissions as a consequence of the Entity's electricity consumption is “Emission Factors - Ministry for Ecological Transition”: www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

9 The source for the conversion of energy consumption from direct emissions from the Entity's natural gas consumption is "Emission Factors - Ministry for Ecological Transition": www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf

10 The calculation of the 2019 Carbon Footprint only covers scope 1 and 2 emissions. Pending verification by AENOR in the second half of year 2020 of the complete Carbon Footprint, including scope 3.

Cecabank is aware of its climate change responsibility and the importance of participating tin the fight to reduce greenhouse gas emissions. It objective is to therefore gain knowledge of its impact on the environment and in 2019 it performed a verified measurement of its carbon footprint in 2017 and 2018, with the results shown in the table.

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. Cecabank generated the following waste in 2019:

Waste generated by Cecabank, S.A.		Year
Alcalá,27 & C. Gracia, 28-30	**Measurement unit**	**2019**
Paper and cardboard	Tn	43,75
Mixed	Tn	17,82
Batteries	Tn	0,15
Hazardous waste	Tn	1,01
Total	Tn	62,73

Note 6: No data is reported for this indicator in 2018 due to the fact that this is the first year that Cecabank has made this measurement.

Due to Cecabank's activities, food waste is considered to be immaterial. Food suppliers and waste from the meal room is managed adequately and it is not relevant compared to the rest of the waste generated.

Lastly, as has already been mentioned, in 2019 the organisation obtained a carbon footprint certificate for Cecabank. It identified all direct and indirect emissions, resulting in the data set out in the table. The carbon footprint certification for 2019, which will be carried out in mid-2020, will reflect a substantial reduction as a result of having obtained an Energy Supply Certificate covering the Source of Origin (renewable) applied by the data processing centres (DPCs) at Cecabank. This year the organisation also took the steps necessary to ensure that the electricity supplies for corporate buildings also has a certificate of origin, which will also be reflected in the carbon footprint certification. The planning and launch of other measures and projects to contribute to a drastic reduction of the carbon footprint in coming years is also included. The protection of biodiversity is not considered to be material since Cecabank's activities relate to financial services and it does not operate in protected areas.

07. 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 2019 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 Corporate Code of Ethics ensures compliance with and the defence of human rights and provides its employees with the Corporate Conduct Channel so that they can make complaints regarding any kind of breach thereof. In 2019 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.

08. Anti-corruption and anti-bribery information

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 in accordance with the UNE 19601 Criminal Compliance standard.
- Supporting document of the criminal compliance organisation and management system.
- Corporate Code of Conduct, which 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. Incidents are treated as confidential.
- Anti-money laundering and terrorist financing procedures and control structure.
- Internal code of conduct regarding the stock market.
- 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	2018	2019
Actions (corrective, improvements, preventive) in progress arising from the Compliance system	Number of shares	6	6
Internal Audit recommendations regarding the system	Number of recommendations	3	2

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.

Indicator description	Indicator units	2018	2019
Operations assessed for risks related to corruption	Number of transactions	13,662	12,480
Confirmed incidents of corruption and actions taken	Number of cases	-	-

09. Tax and accounting information

Cecabank obtained consolidated profits before taxes (taking into account Madrid, the representation offices in Frankfurt and Paris and the branches in London and Lisbon and the company in Belgium) in 2019 totalling 62,851 thousand euros. In 2018 the figure was 88,736 thousand euros. The profit before taxes in 2019 broken down by country was 65,166 thousand euros, the company in Belgium recorded a loss of (206) thousand euros, the operating branches in London and Lisbon saw a loss of (1,665) thousand euros and (444) thousand euros, respectively.

Cecabank paid 4,973 thousand euros in taxes in 2019[11]. In 2018, it paid 13,031 thousand euros in taxes.

Cecabank did not receive any official subsidies during the year ended 31 December 2019 and did not receive any in 2018.

[11] Said taxes correspond to Madrid, as it is the only place where taxes for Benefits are generated.

Appendix 1: Comparison of the number of employees by professional category in 2018 and 2019

	Category I		Category II		Category III		Category IV		Category V		Category VI		Category VII		Category VIII		Category IX		Category X		Category XI		Category XII		Category XIII	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Group 1																										
Male	4	3	8	5	15	16	30	30	28	32	69	64	23	26	31	30	7	8	6	7	8	3	1	1	-	1
Female	-	-	3	4	8	8	15	15	21	25	55	55	40	42	59	55	14	20	11	7	9	4	1		-	2
Group 2																										
Male	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4	-	-	-	-	-	-
Female	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix 2: Comparison of training hours in 2018 and 2019

	Category I		Category II		Category III		Category IV		Category V		Category VI		Category VII		Category VIII		Category IX		Category X		Category XI		Category XII		Category XIII	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Group 1	65	106	883	900	2589	1513	3222	2131	3470	3498	6886	4833	3591	2844	4930	3096	1370	1093	1453	505	1342	262	59	100	-	74
Group 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	121	88	-	-	-	-	-	-

Appendix 3: Table of compliance with Law 11/2018 (28 December)

The following table provide details regarding which section of this Non-Financial Information Statement responds to the requirements of Law 11/2018 and identifies the reporting standard that has been used in this respect.

CONTENT OF LAW 11/2018 NFIS	CHAPTER OF THE NON-FINANCIAL INFORMATION STATEMENT PRESENTING THE INFORMATION	ASSOCIATED GRI INDICATOR
BUSINESS MODEL		
Strategic lines and business model	01A. Our business model	GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-6
Organisation and structure	01B. Cecabank's Profile	
Markets in which it operates	01B. Cecabank's Profile	
Objectives and strategies	01B. Cecabank's Profile 01C. Market environment and business strategy	
Main factors and trends that may affect future development	01C. Market environment and business strategy	
POLICIES	Details are provided in each of the sections in this report, depending on the topic.	GRI 103 - Management approach in each material matter
MAIN RISKS	Details are provided in each of the sections in this report, depending on the topic.	GRI 102-15
ENVIRONMENTAL ISSUES		
Global		
Effects of the organization's activities on the environment and health and safety, environmental evaluation or certification procedures;	06. Environmental issues	GRI 102-15 GRI 102-29 GRI 102-30 GRI 102-31
Precautionary principle, the amount of provisions and guarantees for environmental risks.	06. Environmental issues	GRI 102-11 GRI 103-2
Resources dedicated to preventing environmental risks	06. Environmental issues	GRI 102-29
POLLUTION		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment; taking into account any specific atmospheric pollution from a business, including noise and light contamination.	06. Environmental issues	GRI 103-2 GRI 301-1 GRI 302-1 GRI 302-4 GRI 302-5 GRI 305-5
CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT		
Circular economy, prevention measures, recycling, reuse, other forms of recovery and elimination of waste.	06. Environmental issues	GRI 103-2 GRI 301-1 GRI 302-1 GRI 306-2
Actions to fight food waste	06. Environmental issues	No material/GRI 103 - Desperdicio de alimentos
SUSTAINABLE USE OF RESOURCES		
Water consumption and supply in accordance with local limitations	06. Environmental issues	GRI 303-1
Consumption of raw materials and the measures adopted to improve their efficient use	06. Environmental issues	GRI 103-2 GRI 301-1
Energy: Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies	06. Environmental issues	GRI 103-2 GRI 302-1 GRI 302-4
CLIMATE CHANGE		
Greenhouse gas emissions	06. Environmental issues	GRI 305-1 GRI 305-2
Measures taken to adapt to the consequences of climate change	06. Environmental issues	GRI 305-5
Medium- and long-term voluntary targets to reduce greenhouse gas emissions and measures implemented to that end.	06. Environmental issues	GRI 103-2
PROTECTION OF BIODIVERSITY		
Measures taken to preserve or restore biodiversity	06. Environmental issues	Not material/GRI 103 - Biodiversity
Impacts caused by activities or operations in protected areas	06, Cuestiones medioambientales	

CONTENT OF LAW 11/2018 NFIS	CHAPTER OF THE NON-FINANCIAL INFORMATION STATEMENT PRESENTING THE INFORMATION	ASSOCIATED GRI INDICATOR
SOCIAL AND EMPLOYEE INFORMATION		
EMPLOYMENT		
Total number and distribution of employees by gender, age, country and professional category	03A. Our employees	GRI 102-8
Total number and distribution of types of employment contracts	03A. Our employees	GRI 102-8
Annual average of indefinite contracts, temporary contracts and part-time contracts, by gender, age and professional category	03A. Our employees	GRI 102-8
Number of dismissals by gender, age and professional category	03A. Our employees	GRI 401-1
Average compensation and remuneration development broken down by gender, age and professional category, or an equivalent value	03D. Remuneration	GRI 405-2
Salary Gap, remuneration for	03E. Employee benefits	GRI 405-2
identical job positions or average positions at the company	03D. Remuneration	GRI 102-35 GRI 102-36
The average compensation for directors and executives, including variable compensation per diems, severance payments, payments into long-term retirement savings systems and any other amount broken down by gender	03D. Remuneration	GRI 103-2 (employment)
Implementation of work disconnect policies	03F. Reconciliation	GRI 405-1
ORGANISATION OF WORKING TIME		
Organization of working time	03F. Reconciliation	GRI 103-2
Absenteeism in hours	03G. Prevention of Occupational Hazards	GRI 403-2
Measures intended to facilitate the reconciliation and encouragement of co-parenting responsibilities	03E. Employee benefits 03F. Reconciliation	GRI 103-2 GRI 401-3
HEALTH AND SAFETY		
Occupational health and safety conditions	03G. Prevention of Occupational Hazards	GRI 103-2 (Salud y Seguridad)
Occupational accidents (frequency and seriousness) disaggregated by sex	03G. Prevention of Occupational Hazards	GRI 403-2
Occupational illnesses (frequency and seriousness) disaggregated by sex	03G. Prevention of Occupational Hazards	GRI 403-2
LABOUR RELATIONS		
Organization of social dialog, including procedures to inform and consult employees and to negotiate with them	03G. Prevention of Occupational Hazards	GRI 103-2 (employee-employer relations) GRI 102-43 GRI 403-1
Percentage of employees covered by collective bargaining by country	03G. Prevention of Occupational Hazards	GRI 102-41
Balance of collective bargaining agreements, particularly in the area of Occupational Health and Safety	03G. Prevention of Occupational Hazards	GRI 403-1
TRAINING		
Training policies implemented	03C. Training	GRI 103-2 (training and education)
Total number of training hours by professional category	03C. Training	GRI 404-1
UNIVERSAL ACCESSIBILITY OF DISABLED PERSONS	03C. Training	GRI 103-2 (Diversity and equal opportunities / non-discrimination)
EQUALITY		
Measures adopted to promote equal treatment and opportunities for men and women	03B. Equality	GRI 103-2 (Diversity and equal opportunities)
Equality plans, measures adopted to promote employment, protocols to fight against sexual harassment and gender discrimination, the integration and universal accessibility of disabled persons	03B. Equality	GRI 103-2 (Diversity and equal opportunities / non-discrimination)
Non-discrimination policy and any diversity management	03A. Our employees 03B. Equality	GRI 103-2 (Diversity and equal opportunities / non-discrimination)
HUMAN RIGHTS		
Application of due diligence procedures in human rights matters	07. Human rights matters	GRI 103-2 (human rights assessment)

CONTENT OF LAW 11/2018 NFIS	CHAPTER OF THE NON-FINANCIAL INFORMATION STATEMENT PRESENTING THE INFORMATION	ASSOCIATED GRI INDICATOR
Prevention of human rights violation risks and measures to mitigate, manage and repair any abuses	07. Human rights matters	GRI 103-2 (human rights assessment)
Reports of human rights violations	07. Human rights matters	GRI 102-16 GRI 102-17 GRI 406-1
Promotion and compliance with the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour	07. Human rights matters	GRI 103-2 (non-discrimination; freedom of association and collective bargaining; child labour; forced or compulsory labour and human rights)
CORRUPTION AND BRIBERY		
Measures adopted to prevent corruption and bribery	08. Anti-corruption and anti-bribery information	GRI 103-2 (anti-corruption) GRI 205-1 GRI 205-3
Measures to fight against money laundering	08. Anti-corruption and anti-bribery information	GRI 103-2 (anti-corruption)
Contributions to foundations and non-profit organizations	05. Social matters	GRI 103-2 (anti-corruption) GRI 413-1
COMPANY		
THE COMPANY'S COMMITMENT TO SUSTAINABLE DEVELOPMENT		
Impact of the organization's activities on employment and local development, local populations and territories	05. Social matters	GRI 413-1
Relationships and types of dialog with members of local communities	05. Social matters	GRI 102-43 GRI 413-1
Association or sponsorship actions	05. Social matters	GRI 102-13
SUBCONTRACTING AND SUPPLIERS		
The inclusion in the purchasing policy of social, gender equality and environmental issues	04. Our suppliers	GRI 103-3 (supplier environmental and social assessment).
Consideration of social and environmental responsibility in relationships with suppliers and subcontractors	04. Our suppliers	GRI 102-9
Supervision and audit systems and their results	04. Our suppliers	GRI 308-1 GRI 414-2
CONSUMERS		
Measures for consumer health and safety	02. Our customers	GRI 103-2 (customer health and safety)
Claims systems, complaints received and their resolution	02. Our customers	GRI 103-2 (customer health and safety)
TAX INFORMATION		
Profit/loss by country	09. Tax and accounting information	103.- Financial performance GRI 201-1
Corporate income tax paid	09. Tax and accounting information	GRI 201-1
Official subsidies received	09. Tax and accounting information	GRI 201-4

7. Annual Accounts 2019

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

Independent Auditor’s Report
on Consolidated Financial Statements

Consolidated Statements

Annual report

Director’s report

- Appendix, Non-financial information

Independent Limited Assurance Report

Formulation of the Annual Accounts and Management Report

Diligence to record that the Board of Directors of Cecabank, S.A., at its meeting of 20 February 2020, formulated the consolidated annual accounts and the consolidated management report between 1 January and 31 December 2019, documents that have been transcribed, including the present request, on the front of 160 sealed sheets and which are endorsed with the signature below of all members of the Board of Directors of Cecabank, S.A.

Madrid, 20 February 2020

D. Manuel Azuaga Moreno

Non-executive chairman. Spanish national identity card number (D.N.I.): 24.750.256 W

D. José María Méndez Álvarez-Cedrón

Director – General Manager. Spanish national identity card number (D.N.I.): 33.858.605 Y

D. Francisco Botas Ratera

Director. Spanish national identity card number (D.N.I.): 32.782.987 Y

D. Santiago Carbó Valverde

Director. Spanish national identity card number (D.N.I.): 25.393.887 R

D. Francisco Javier García Lurueña

Director. Spanish national identity card number (D.N.I.): 14.576.670 Y

Dª. María del Mar Sarro Álvarez

Director. Spanish national identity card number (D.N.I.): 50.292.331 W

D. Víctor Manuel Iglesias Ruiz

Director. Spanish national identity card number (D.N.I.): 25.143.242 X

Dª. Carmen Motellón García

Director. Spanish national identity card number (D.N.I.): 09.754.790 F

D. Antonio Ortega Parra

Director. Spanish national identity card number (D.N.I.): 22.889.335 B

D. Javier Pano Riera

Director. Spanish national identity card number (D.N.I.): 35.046.035 S

D. Jesús Ruano Mochales

Director. Spanish national identity card number (D.N.I.): 33.518.307 Q

Dª. Julia Salaverría Monfort

Director. Spanish national identity card number (D.N.I.): 15.951.097 E