5.1

ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

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ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

Confederación Española de Cajas de Ahorros y sociedades dependientes

Informe de Auditoría, Cuentas Anuales Consolidadas e
Informe de Gestión Consolidado al 31 de diciembre de 2019

Informe de auditoría de cuentas anuales consolidadas emitido por un auditor independiente

A los asociados de la Confederación Española de Cajas de Ahorros:

Opinión

Hemos auditado las cuentas anuales consolidadas de la Confederación Española de Cajas de Ahorros (la Entidad dominante) y sus sociedades dependientes (el Grupo), que comprenden el balance a 31 de diciembre de 2019, la cuenta de resultados, el estado de ingresos y gastos reconocidos, el estado total de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2019, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España, según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Aspectos más relevantes de la auditoría

Los aspectos más relevantes de la auditoría son aquellos que, según nuestro juicio profesional, han sido considerados como los riesgos de incorrección material más significativos en nuestra auditoría de las cuentas anuales consolidadas del periodo actual. Estos riesgos han sido tratados en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esos riesgos.

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Aspectos más relevantes de la auditoría	Modo en el que se han tratado en la auditoría

Depositaría y custodia de valores de terceros

Tal y como se describe en la nota 1, el Grupo está especializado en servicios de valores, siendo uno de sus principales negocios la depositaría y custodia de títulos.

El Grupo mantiene registrados en sus cuentas de orden al 31 de diciembre de 2019, instrumentos financieros confiados de terceros por importe de 159.217 millones de euros, derivados de la operativa de depositaría y custodia prestada a distintas entidades financieras, tal y como se detalla en las notas 14 y 28.3.

Asimismo, por la prestación de los mencionados servicios de depositaría y custodia, el Grupo ha percibido durante el ejercicio 2019 comisiones por importe de 96.554 miles de euros, tal y como se detalla en la nota 32, siendo, por tanto, el negocio más relevante por cifra de ingresos para el Grupo.

Consideramos este negocio como uno de los aspectos más relevantes de la auditoría dada su relevancia sobre las cuentas anuales consolidadas en su conjunto, así como por la significatividad de los ingresos percibidos por el mismo.

Nuestro trabajo se ha centrado en el análisis, evaluación y comprobación del control interno, así como en la realización de pruebas de detalle.

Respecto al control interno, nos hemos centrado en el diseño y operatividad de los controles del negocio de depositaría y custodia, principalmente, en la verificación de las conciliaciones de títulos y patrimonios depositados y custodiados de terceros, así como de las comisiones devengadas por la realización de esta actividad.

Adicionalmente, hemos realizado pruebas en detalle consistentes en:

- Obtención y análisis para una muestra de la documentación contractual que rige la prestación de servicios entre el Grupo y sus clientes de depositaría y custodia y cotejo de su coincidencia con los registros contables.
- Recálculo de la totalidad de las comisiones de depositaría y de una muestra de las comisiones de custodia percibidas durante el ejercicio 2019.
- Procedimientos de confirmación de terceros para una muestra de las comisiones devengadas durante el ejercicio por la operativa de depositaría.
- Comprobación de las conciliaciones de títulos realizadas por la Dirección del Grupo, así como análisis de las partidas en conciliación a 31 de diciembre de 2019.
- Confirmación externa de la totalidad de las contrapartes depositadas y custodiadas a 31 de diciembre de 2019.
- Comprobación del correcto registro de los desgloses de los saldos revelados en las cuentas anuales consolidadas del Grupo a 31 de diciembre de 2019.

Como resultado de los procedimientos anteriormente descritos, no se han puesto de manifiesto incidencias significativas que afecten a este aspecto.

Aspectos más relevantes de la auditoría	Modo en el que se han tratado en la auditoría
Valoración de instrumentos financieros	
Al 31 de diciembre de 2019, el Grupo mantiene inversiones en instrumentos financieros de diversa tipología, por importe de 4.281 millones de euros de activo y 1.225 millones de euros de pasivo. Estos saldos representan al cierre de ejercicio un 36% sobre el total activo y un 12% sobre el total pasivo del balance de las cuentas anuales adjuntas. A efectos de valoración, estos instrumentos financieros se encuentran clasificados como de nivel 1, nivel 2 y nivel 3. Tal y como se detalla en la nota 22, el valor razonable de los instrumentos financieros se determina como sigue: • Nivel 1: precio de cotización en mercados activos. • Nivel 2: técnicas de valoración en las que los inputs significativos están basados en datos de mercado observables directa o indirectamente. • Nivel 3: técnicas de valoración en las que algún input significativo está basado en datos no observables en el mercado. Además, la valoración de los instrumentos financieros es una de las estimaciones más significativas efectuadas por la Dirección del Grupo, utilizando para ello distintas técnicas y metodologías de valoración en función de cada clase de instrumento, tal y como se explica en las notas 2.2, 2.3 y 22 de las cuentas anuales consolidadas adjuntas. Por todo lo anterior, consideramos uno de los aspectos más relevantes de la auditoría la clasificación y valoración de los instrumentos financieros debido a la representatividad de éstos sobre las cuentas anuales consolidadas y el alto grado de juicio profesional requerido.	Hemos llevado a cabo un entendimiento del proceso de estimación efectuado por la Dirección, con la colaboración de nuestros expertos en valoraciones de instrumentos financieros. Respecto al control interno, nos hemos centrado en la evaluación del diseño y operatividad de los controles de los siguientes procesos: • Metodologías de cálculo aplicadas por la Dirección verificando que se encuentran alineadas con la normativa contable aplicable. • Cumplimiento normativo y del funcionamiento de los modelos internos aprobados por la Dirección. • Fiabilidad de las fuentes de datos utilizados en los cálculos y la adecuación de los modelos teniendo en cuenta las circunstancias. Adicionalmente, hemos realizado pruebas de detalle consistentes en: • Comprobación de que la metodología del proceso de valoración llevado a cabo por la Dirección se encuentra alineada con la normativa contable aplicable, la práctica de mercado y las expectativas específicas del sector. • Comprobación de la clasificación de los instrumentos financieros por niveles, en función de los precios observables en mercados activos. • Contraste y reejecución de la valoración efectuada por la Dirección del Grupo en función de su clasificación, para diferentes muestras de las carteras de instrumentos financieros. • Contraste y reejecución del test de eficacia para una muestra de expedientes de coberturas contables.

Aspectos más relevantes de la auditoría	Modo en el que se han tratado en la auditoría
	• Comprobación del correcto registro de los desgloses de los saldos revelados en las cuentas anuales consolidadas del Grupo a 31 de diciembre de 2019. En la realización de las pruebas anteriormente descritas, no se han identificado diferencias, por encima de un rango razonable.
Aspectos asociados a los sistemas informáticos Dada su operativa, el Grupo utiliza sistemas informáticos complejos tanto en el propio ejercicio de su actividad como en los cálculos, procesamientos, registro, almacenamiento, elaboración y presentación de su información financiera y contable. Por tanto, un adecuado control sobre los mismos, y los protocolos de acceso a las aplicaciones y bases de datos, es fundamental para garantizar el correcto procesamiento de la información financiera. En este contexto, el conocimiento, la evaluación y la verificación de controles generales relativos a los sistemas de información financiera, incluyendo los accesos a las aplicaciones y bases de datos, constituyen un área clave de nuestro trabajo. Por ello, hemos considerado la efectividad del marco general de control interno de los sistemas de información relacionados con el proceso de registro y cierre contable uno de los aspectos más relevantes para la realización de ciertos procedimientos de auditoría basados en el control interno.	Nuestro trabajo ha consistido en la comprobación de los controles generales informáticos y los controles automáticos de los aplicativos que soportan los procesos de negocio más significativos del Grupo. Para la realización de los trabajos de auditoría realizados en esta área, hemos contado con la colaboración de nuestros especialistas en sistemas de tecnología de la información. Los principales procedimientos de auditoría llevados a cabo sobre los sistemas de información de las sociedades de Grupo considerados relevantes en el proceso de generación de la información financiera han sido: • Comprobación de los controles en relación con aspectos derivados del proceso de explotación, desarrollo y mantenimiento de las aplicaciones, seguridad de éstas, así como las definiciones de las políticas de perfil de usuarios y accesos y segregación de funciones de los usuarios que acceden a estos sistemas. • Entendimiento de los procesos clave de negocio, identificación de controles automáticos existentes en las aplicaciones que los soportan y validación de los mismos. • Entendimiento y comprobación del proceso de cierre contable, generación de asientos *"non standard"* y pruebas selectivas de extracción y filtrado de estos asientos incluidos en los sistemas de información financiera. Como resultado de nuestros procedimientos, no se han puesto de manifiesto aspectos relevantes que pudieran afectar de forma significativa a la información financiera incluida en las cuentas anuales consolidadas adjuntas.

Otras cuestiones

Las cuentas anuales consolidadas del Grupo, correspondientes al ejercicio terminado a 31 de diciembre de 2018 fueron auditadas por otro auditor que expresó una opinión favorable sobre dichas cuentas anuales el 20 de febrero de 2019.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2019, cuya formulación es responsabilidad de los administradores de la Entidad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión. Nuestra responsabilidad sobre la información contenida en el informe de gestión consolidado se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

a) Un nivel específico que resulta de aplicación al estado de la información no financiera consolidada, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión consolidado, o en su caso, que se ha incorporado en éste la referencia correspondiente al informe separado sobre la información no financiera consolidada en la forma prevista en la normativa, y en caso contrario, a informar sobre ello.

b) Un nivel general aplicable al resto de la información incluida en el informe de gestión consolidado, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas consolidadas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en el informe de gestión consolidado y que el resto de la información que contiene el informe de gestión concuerda con la de las cuentas anuales consolidadas del ejercicio 2019 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores de la entidad dominante en relación con las cuentas anuales consolidadas

Los administradores de la Entidad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Entidad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los citados administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.

- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.

- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Entidad dominante.

- Concluimos sobre si es adecuada la utilización, por los administradores de la Entidad dominante, del principio contable de empresa en funcionamiento y basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.

- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del Grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con los administradores de la Entidad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

Entre los riesgos significativos que han sido objeto de comunicación a los administradores de la Entidad dominante, determinamos los que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, los riesgos considerados más significativos.

Describimos esos riesgos en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Fco. Javier Astiz Fernández (15411)

27 de febrero de 2020

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2020 Núm. 01/20/01099
96,00 EUR
SELLO CORPORATIVO:
Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

5.1

ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS 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 advances	-	-
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 (Note 8.2)	**39,017**	**60,413**
Equity instruments	8,497	19,093
Debt securities	30,117	41,320
Loans and advances	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 advances	-	-
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 advances	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*	*72,244*
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)	**52,695**	**51,207**
Property, plant and equipment	45,662	43,991
For own use	45,662	43,991
Assigned under operating lease	-	-
Assigned to Community Projects	-	-
Investment property	7,033	7,216
Of which: Assigned under operating lease	-	-
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 21)	**99,017**	**118,834**
Current tax assets	16,118	18,516
Deferred tax assets	82,899	100,318
Other assets (Note 15.1)	**65,940**	**56,621**
Insurance contracts associated with pensions	-	-
Inventories	-	-
Rest of other assets	65,940	56,621
Non-current assets and disposal groups of assets classified as held-for-sale (Note 12)	**3,002**	**3,791**
Total assets	**11,735,033**	**9,663,643**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

(Thousands of euros)

Equity and liabilities	2019	2018
Liabilities		
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 liabilities at fair value through profit or loss	**-**	**-**
Financial liabilities at amortised cost (Note 16)	**9,185,655**	**6,920,907**
Deposits	9,035,955	6,641,643
Central banks	445,990	349,573
Credit institutions	1,673,014	1,202,472
Customers	6,916,951	5,089,598
Issued debt securities	-	-
Other financial liabilities	149,700	279,264
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 long-term 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 21)	14,329	18,013
Share capital refundable on demand	**-**	**-**
Other liabilities (Note 15.2)	**60,759**	**106,240**
Liabilities included in disposal groups of assets covered by a portfolio interest	**-**	**-**
Total liabilities	**10,587,800**	**8,552,548**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2019

(Thousands of euros)

Equity and liabilities	2019	2018
Fondos propios	**1,010,855**	**986,583**
Capital	-	-
Called share capital not paid	-	-
Memorandum: uncalled share capital	-	-
Issue premium(Note 19)	-	-
Equity instruments issued, other than capital	-	-
Other equity items	-	-
Retained earnings	981,605	938,482
Revaluation reserves	-	-
Other reserves (Note 19)	4,982	4,980
(-) Treasury shares	-	-
Profit attributable to parent company shareholders	24,268	43,121
(-) Interim dividends	-	-
Accumulated other comprehensive income	**15,532**	**7,264**
Items that will not be reclassified to profit or loss	10,158	11,510
Actuarial gains or (-) losses on defined benefit pension plans (Note 18)	5,043	8,764
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	5,115	2,746
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 may be reclassified to profit or loss	5,374	(4,246)
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)	5,374	(4,246)
Hedge instruments	-	-
Non-current assets and disposal groups of assets classified as held-for-sale (Notes 12 and 18)	-	-
Non-controlling interests (Note 20)	**120,846**	**117,248**
Accumulated other comprehensive income	2,080	1,066
Other items	118,766	116,182
Total equity	**1,147,233**	**1,111,095**
Equity and liabilities	**11,735,033**	**9,663,643**
Memorandum		
Loan grant commitments (Note 28.1)	**713,894**	**199,602**
Financial guarantees granted (Note 28.2)	**-**	**52**
Other commitments granted (Note 28.3 and 28.4)	**1,516,957**	**183,090**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

	2019	2018
Interest revenue (Note 29)	**79,152**	**90,055**
Financial assets at fair value through other comprehensive income	20,444	29,145
Financial assets at amortised cost	13,178	6,346
Remaining interest revenue	45,530	54,564
Interest expense (Note 30)	(92,789)	(83,748)
Interest margin	**(13,637)**	**6,307**
Dividend income (Note 31)	12,756	15,199
Fee income (Note 32)	141,189	134,354
Fee expense (Note 33)	(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 34)	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 34)	(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 34)	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 34)	-	(10)
Profit or loss resulting from hedge accounting, net (Note 34)	680	(3,824)
Exchange differences, net	75,248	65,158
Other operating income (Note 35)	34,818	46,812
Other operating charges (Note 38)	(10,343)	(9,814)
Gross margin	**203,364**	**242,063**
Administration expenses	(129,902)	(138,836)
Staff costs (Note 36)	(45,579)	(52,178)
Other general administrative expenses (Note 37)	(84,323)	(86,658)
Depreciation and amortisation (Note 40)	(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 39)	(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 (Notes 13 and 14)	**(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	**40,224**	**69,547**
Income tax expense or income on earnings from continuing operations(Note 21.2)	(11,084)	(19,490)
After-tax profit or loss from continuing operations	**29,140**	**50,057**
After-tax profit or loss from discontinued operations	-	-
Profit/(loss) for the year	**29,140**	**50,057**
Attributable to non-controlling shareholdings	**4,872**	**6,936**
Attributable to parent company shareholders	**24,268**	**43,121**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

A) STATEMENT OF CONSOLIDATED RECOGNISED INCOME AND EXPENSE

	2019	2018
Profit/(loss) for the year	**29,140**	**50,057**
Other overall profit/(loss)	**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 36)	(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 8 and 21.4)	3,799	1,987
Tax on profits relating to items that will not be reclassified (Note 21.4)	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 (Note 21.4)	**15,427**	**(44,926)**
Gains or losses recognised under equity	44,764	(21,499)
Transferred to income statement (Notes 8 and 21.4)	(29,337)	(23,427)
Tax on profits relating to items that may be reclassified to profit or loss (Note 21.4)	(4,628)	13,478
Total comprehensive income for the year	**38,421**	**20,432**
Attributable to non-controlling shareholdings	**5,886**	**3,701**
Attributable to parent company shareholders	**32,535**	**16,731**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS 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

	Equity								Non-controlling interests		
	Capital	Share premium	Retained earnings	Other reserves (Note 19)	(-) Treasury shares	Profit attributable to parent company shareholders	(-) Interim dividend	Otro resultado global acumulado (Nota 18)	Accumulated other comprehensive income (Note 18)	Other items	Total equity
Opening balance (before restatement) at 1 January 2018	**-**	**-**	**-**	**884,465**	**-**	**53,940**	**-**	**38,700**	**4,920**	**110,502**	**1,092,527**
Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-
Effects of the changes in accounting policies	-	-	-	4,932	-	-	-	(5,046)	(619)	604	(129)
Opening balance at 1 January 2018	**,**	**,**	**-**	**889,397**	**-**	**53,940**	**-**	**33,654**	**4,301**	**111,206**	**1,092,498**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**43,121**	**-**	**(26,390)**	**(3,235)**	**6,936**	**20,432**
Other changes in equity	**-**	**-**	**938,482**	**(884,417)**	**-**	**(53,940)**	**-**	**-**	**-**	**(1,960)**	**(1,835)**
Dividends (or shareholder compensation)	-	-	-	-	-	-	-	-	-	(1,998)	(1,998)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	938,406	(884,466)	-	(53,940)	-	-	-	-	-
Other increases/decreases in equity	-	-	76	49	-	-	-	-	-	38	163
Ending balance at 31 December 2018	**-**	**-**	**938,482**	**4,980**	**-**	**43,121**	**-**	**7,264**	**1,066**	**116,182**	**1,111,095**
Effects of error corrections	-	-	-	-	-	-	-	-	-	-	-
Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Opening balance at 01 January 2019	**-**	**-**	**938,482**	**4,980**	**-**	**43,121**	**-**	**7,264**	**1,066**	**116,182**	**1,111,095**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**24,268**	**-**	**8,268**	**1,013**	**4,872**	**38,421**
Other changes in equity	**-**	**-**	**43,123**	**2**	**-**	**(43,121)**	**-**	**-**	**1**	**(2,288)**	**(2,283)**
Dividends (or shareholder compensation)	-	-	-	-	-	-	-	-	-	(2,288)	(2,288)
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Transfers between components of equity	-	-	43,121	-	-	(43,121)	-	-	-	-	-
Other increases/decreases in equity	-	-	2	2	-	-	-	-	1	-	5
Ending balance at 31 December 2019	**-**	**-**	**981,605**	**4,982**	**-**	**24,268**	**-**	**15,532**	**2,080**	**118,766**	**1,147,233**

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

	2019	2018
Cash flows from operating activities:	**(965,935)**	**633,370**
Profit/loss for the year	**29,140**	**50,057**
Adjustments made to obtain cash flows from operating activities	**1,812**	**96,087**
Depreciation and amortisation (Note 40)	44,409	46,283
Other adjustments	(42,597)	49,804
Net (increase)/ decrease in operating assets	**3,010,971**	**829,944**
Financial assets held for trading (Note 8.1)	(123,204)	(215,535)
Financial assets not held-for-trading mandatorily measured at fair value through profit or loss (Note 8.2)	(22,570)	(31,355)
Financial assets at fair value through profit or loss	-	(256,866)
Financial assets at fair value through other comprehensive income (Note 9)	582,762	(160,483)
Financial assets at amortised cost (Note 10)	2,575,702	(185,556)
Other operating assets	(1,719)	(19,851)
Net increase/(decrease) in operating liabilities	**2,014,222**	**(329,687)**
Liabilities held for trading (Note 8.1)	(165,111)	(163,121)
Financial liabilities designated at fair value through profit or loss	-	-
Financial liabilities at amortised cost (Note 16)	2,264,748	(83,120)
Other operating liabilities	(85,415)	(83,446)
Corporate income tax income/(expense)	**(138)**	**(13,031)**
CASH FLOWS FROM INVESTING ACTIVITIES	**(30,624)**	**(21,706)**
Payments:	**(32,476)**	**(21,706)**
Property, plant and equipment (Note 13)	(2,181)	(1,829)
Intangible assets (Note 14)	(30,295)	(19,877)
Investments in joint ventures and associates	-	-
Non-current assets and liabilities classified as held-for-sale	-	-
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 (Note 12)	1,852	-
CASH FLOWS FROM FINANCING ACTIVITIES	**(2,288)**	**(1,999)**
Payments:	**(2,288)**	**(1,999)**
Dividends	(2,288)	(1,999)
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	-	-

5.1

ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

Translation of a report originally issued in Spanish based on our work performed in accordance with the International Standards on Audit. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS 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

Confederación Española de Cajas de Ahorros ("CECA" or "the ENTITY") is a banking institution established in Spain in accordance with applicable Spanish law. CECA operates mainly in Spain. Its registered office is at calle Alcalá, 27, Madrid. Public information on the CECA can be consulted both on the CECA's corporative website (www.cajasdeahorros.es) and at its registered office.

CECA is the National Association of all member, or potential member, popular savings banks, whether or not they are grouped together in Federations. Membership of CECA, with the same rights and obligations, is also open to financial entities which, in accordance with current legislation, carry on the financial activity of one or several savings banks.

In 2012, following approval by the competent authorities, CECA carried out a spin-off of all its assets and liabilities, except certain assets and liabilities relating to its community projects, to Cecabank, S.A., (the "Bank") a financial institution incorporated in that year, which was subrogated to all the rights and obligations held by the CECA until that date. As a result of this spin-off, since 2012 CECA has been carrying on its activity through Cecabank, S.A., an entity in which CECA holds an 89% ownership interest and carries out most transactions with Cecabank (Note 41).

On 28 December 2013, Law 26/2013, of 27 December, on savings banks and banking foundations ("Law 26/2013") was published in the Official State Gazette. Additional Provision Eleven of this law establishes that:

- CECA may consist of any savings banks, banking foundations and credit institutions that join, and it may maintain the functions and purposes that it possesses pursuant to the legislation prior to the entry into force of Law 26/2013, and any other functions and purposes specified in its bylaws.

- CECA shall lose its status as a credit institution on the entry into force of the bylaws to which the following paragraph refers, without prejudice to the fact that it may provide its services through a bank in which it has an ownership interest, in the terms established in its bylaws.

- Within six months from the entry into force of Law 26/2013, CECA shall submit for authorisation by the Ministry of Economy and Competitiveness a proposal for adapting its bylaws to its new legal regime.

In this regard, on 25 March 2014, the General Assembly of CECA resolved to amend its bylaws in order to adapt them to the above provisions. On 30 July 2014, Bank of Spain recorded the removal of CECA from the Register of Credit Institutions, which entailed its deregistration from the Bank of Spain's Special Register and the resulting loss in 2014 of the status as a credit institution.

CECA´s object is to achieve the following goals:

- To promote, facilitate and intensify the domestic and international activities of its member savings banks and other member entities.
- To represent them, individually or collectively, vis-à-vis the public authorities, and to encourage the participation of these institutions in the political, economic and social activities of the Spanish Government.
- In the area of employment: to represent the member entities in the negotiation of collective agreements, study the employment relationships between the association members and their employees, maintain relationships with other business organisations and participate in institutions, bodies and associations, of any type and territorial scope, which are related to the purposes of CECA, and become members thereof or join them subject to authorisation by the General Assembly.
- To represent them also in the international sphere and, in particular, at the World Savings and Retail Banking Institute, the European Savings Banks Group and other international organisations.
- To facilitate the activities abroad of the member savings banks and other member entities.
- To provide operating services, information services and legal, administrative, tax, technical and investment advisory services; to report on all manner of regulatory reforms affecting savings in general or either the savings banks or the CECAS's other member entities; to prepare statistics and conduct analyses of the management of the member savings banks and entities, both individually and taken as a whole; to provide advisory services on organisational matters and to promote saving.
- To act as a study and training centre for all issues affecting the financial markets. It may also issue such technical and cultural publications as it may deem appropriate.
- To provide technological, administrative and advisory services to public authorities, as well as to any other public or private-sector entity.
- In accordance with Additional Provision Eleven of Law 26/2013, of 27 December, CECA must provide the services included in its company object through Cecabank, S.A.

Cecabank S.A. 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.)

CECA is the parent of Cecabank, S.A. forming a corporate group ("the Group" or "the CECA Group"). Therefore, CECA is obliged to prepare the Group's consolidated financial statements, which are filed with the Madrid Mercantile Registry and they are prepared within the legal deadline, i.e. before 31 March each year. The consolidated financial statements for CECA Group for 2018 were formally prepared by the directors of the CECA Group at its Board of Directors meeting held on 19 February 2019 and approved by the General Assembly held on 26 March 2019.

CECA holds an 89% interest in Cecabank, S.A. which, in turn, holds a 78.6% interest in the company Trionis, S.C.R.L. (which forms part of the Cecabank consolidated group). As a result, CECA Group, which is headed by CECA, is made up of the following companies at 31 December 2019 and 2018:

Subsidiaries

- Cecabank, S.A., established in 2012 with the purpose of developing the Confederación's activity, as previously explained.

- Trionis S.C.R.L., incorporated in 1990 and located in Brussels (Belgium), whose company object is the development, maintenance and operation of international payment services

In addition to Trionis S.C.R.L. and Cecabank, S.A., at 31 December 2018, Cea Trade Services Limited and Servipagos, S.A.U. also formed part of the Group.

The company CEA Trade Services limited, which was wholly owned by the Group, was effectively liquidated on 4 March 2019.

The accompanying Appendix I includes certain relevant financial information on these companies. Also, Note 3 contains the 2019 condensed separate financial statements of CECA, which include comparative information for 2018.

1.2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the CECA Group for 2019 were authorised for issue by the Directors of CECA at the Board meeting held on 26 February 2020 and are pending approval by the General Assembly.

Taking into consideration the eleventh final provision of Law 62/2003, of December 30, on fiscal, administrative and social measures with respect to the legislative accounting framework applicable to the preparation of consolidated annual accounts which has been applied by the Entity'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-IFRSs"), taking into account Bank of Spain Circular 4/2017, of 27 November, applicable to credit institutions, on public and confidential financial reporting rules and formats, as well as successive modifications ("Circular 4/2017"). Bank of Spain Circular 4/2017 implements and adapts for the Spanish credit institution sector the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for 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 financial position of the Group as of 31 December 2019 and the results of its operations and cash flows in the financial year then ended, in accordance with the applicable financial reporting framework to which reference has been made in the previous paragraph and, in particular, with the principles and accounting criteria contained therein.

The consolidated financial statements were prepared from the accounting records kept by CECA 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 CECA 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 Group consolidated financial statements for the 2019 year.

1.3. RESPONSIBILITY FOR THE INFORMATION AND USE OF ESTIMATES

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

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.

On 1 January 2018 IFRS 9 - "Financial Instruments" entered into force and included modifications to the requirements governing the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting (Note 1.12). Note 2 of these financial statements describes the accounting treatment applied.

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 envisaged 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 credit entities.

1.6. INVESTMENTS IN THE SHARE CAPITAL OF CREDIT INSTITUTIONS

Appendix 1 details the investments held by CECA at 31 December 2019 and 2018 in the share capital of other Spanish and foreign credit institutions, representing 5% or more of their share capital or voting power. These are the only investments held by the Group entities in the share capital of other credit institutions exceeding this percentage.

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, no provision has been necessary for this concept, and the Group's consolidated financial statements for 2019 and 2018 do not contain any disclosures on environmental issues.

1.8. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

As mentioned in Note 1.1., as a result of CECA´s loss of its status as a credit institution, Cecabank, S.A., as the head of the Cecabank Group, became the Spanish parent credit institution of a consolidable group of credit institutions as defined by Rule One of Bank of Spain Circular 4/2017. Therefore, Cecabank, S.A. is the entity subject to the minimum capital requirements under current legislation, which are applicable to consolidable groups of credit institutions, subject to supervision by the Bank of Spain, in accordance with 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 amending Regulation (EU) No 648/2012, as well as to individual Spanish credit institutions, irrespective of whether or not they form part of a consolidable group of credit institutions.

The capital management objectives, policies and processes of Cecabank and the Cecabank Group are detailed in the consolidated financial statements of the Cecabank Group. In this connection, at 31 December 2019 and 2018 and throughout those years, the Cecabank eligible capital exceeded the minimum required under the applicable regulations.

1.9. MINIMUM RESERVE RATIO

Throughout 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 (see Note 7). This ratio is calculated on the basis of the daily ending balance held by the Bank in this account during the required period.

1.10. DEPOSIT GUARANTEE FUND, NATIONAL RESOLUTION FUND AND SINGLE RESOLUTION FUND

a) Deposit guarantee fund

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

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

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

i. Two-fifths to be paid within 20 business days from 31 December 2013. The 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: 118 thousand euros), which were recognised under "Other Operating Expenses" in the accompanying income statement (Note 38 "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 expense incurred by the Bank in relation to the contribution made to the SRF in 2019 totalled 4,092 thousand euros (3,835 thousand euros in 2018) and is recognised under “Other Operating Expenses” in the accompanying income statement (See Note 38 “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 January 30, amending Circular 8/2015, of December 18, to the entities and branches attached to the Credit Institutions Deposit Guarantee Fund, on information to determine the basis for calculating contributions to the Credit Institutions Deposit Guarantee Fund. (BOE of February 8, 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 (Note 13).

IFRIC 23 “Uncertainty over income tax treatments”

The interpretation explains how to recognise 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 prepayable 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.

Amendments to IAS 1 and IAS 8 - "Definition of Material (or relative importance)"

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 the future.	1 January 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 the future.	1 January 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 the future.	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 the future.	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 the future.	Pending adoption in the EU 1 January 2022.

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. CONSOLIDATION PRINCIPLES

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 Entity owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that give the Entity 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 recorded from the date of acquisition in the net assets of the consolidated subsidiaries, which is not attributable to results for 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 recognised on the settlement date; equity instruments traded in Spanish secondary securities markets are recognised on the trade date and debt instruments traded in these markets are recognised 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. In addition, will be recorded in this portfolio those equity instruments that the Group has voluntarily and irrevocably designated at the beginning in the 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 34).

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

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

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

2.5. FOREIGN CURRENCY TRANSACTIONS

2.5.1. Functional currency

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

The detail, by currency and item, of the equivalent value in thousands of euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2019 and 2018, taking into account the nature of the items that comprise them and the most significant currencies in which they are denominated, is as follows:

	Equivalent Value in Thousands of Euros (*)			
Nature of Foreign Currency Balances:	2019		2018	
	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 amortized 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 loans and receivables	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 balance sheet positions for a correct understanding of the Group's exposure to such risks (see Note 23).

2.5.2. Translation of foreign currency balances

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

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

2.5.3. Exchange rates

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

2.5.4. Recognition of exchange differences

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

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

2.6. RECOGNITION OF INCOME AND EXPENSES

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

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

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

2.6.2. Commissions, fees and similar items

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

- Commission income and expenses relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognized, in case of existence, in the consolidated income statement when collected or paid.

- Those arising from transactions or services that are performed over a period of time, such as fees and commissions arising from custody services, are recognized in the consolidated income statement over the life of these transactions or services.

- Those relating to services provided in a single act are recognized in the consolidated income statement when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

2.7. OFFSETTING

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

In this regard, the presentation required by the applicable legislation in these consolidated financial statements in respect of the financial assets subject to 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 28.2 and 28.4 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 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. Instrumentos de deuda valorados a su coste amortizado

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 Bank of Spain based on sector information and its accrued experience.

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

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

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

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

2.10. FINANCIAL GUARANTEES AND PROVISIONS FOR FINANCIAL GUARANTEES

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

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

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

- The amount determined in accordance with IAS 37. In this connection, financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost described in Note 2.9 above.

- The amount initially recognised for these instruments, less the amortisation of this amount which, in accordance with IFRS 15, is recognised in the consolidated profit or loss on a straight-line basis over the term of these contracts.

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

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

2.11. STAFF COSTS

2.11.1 Short-term remuneration

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

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

2.11.2. Pension Obligations

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

The Bank's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Bank makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods.

Post-employment obligations that do not meet the aforementioned conditions are classified as "defined benefit plans".

The 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 1986 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 36 to these financial statements, “Administrative expenses – Staff Costs”, 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 Group recognized a “Net Asset for Pensions” in the heading “Other assets – Rest of other assets” in the accompanying balance sheets at 31 December 2019 and 2018 of EUR 2,273 and 8,189 thousand, respectively (see Notes 15.1 “Other assets” and 36 “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". The Group measures, where appropriate, the recognized asset at the lower of the following two values:

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

    ii. The present value of the cash flows available to the 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:

    iii. 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”.

    iv. 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.

    v. The amounts recognized in the statement of changes in equity should not be reclassified to the consolidated income statement in a future year.

    As regards the preceding paragraph, we note that as a result of the application of the amendments to the regulations applicable to the Group set out in Bank of Spain Circular 5/2013, since 2013 actuarial gains and losses arising on the measurement of the defined benefit pension obligations have been recognised 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. Furthermore, during 2019 there have been no reimbursements relating to the insurance policy for employees that have left the company (EUR 3 thousand in 2018) (See Note 36 "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"). No accrual and payment of any premium occurred in 2019 and 2018 financial years.

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 (see Note 36).

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 Bank'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 Bank'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 Bank's income statement in the year in which they are disclosed.

The obligations in respect of future salaries, future social security costs and study aids relating to early retirees corresponding to commitments given in the preceding paragraphs as well as the obligations for future contributions to the Pension Plan (all of which were considered as defined benefit obligations) were covered by an internal provision amounting to EUR 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 (see Notes 17 and 36) 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 36 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 profit or loss in 2019, amounting to EUR 2.250 thousand, is recognized under “Administrative Expenses - Staff Costs” in the consolidated statement of profit or loss (see Note 36). At 31 December 2018 is 785 thousand.

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 Bank implementing it, employees of the Bank may, in specific cases, apply for interest free advances and other “welfare” loans or loans for the expansion of their residence, with a repayment period of 10 and 15 years, respectively, at the Euribor interest rate.

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

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

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 21).

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 CECA. For each entity that files consolidated tax returns, the Grupo Confederación Española de Cajas de Ahorros 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/depreciation" 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.

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 as a consequence of the future increases at their respective market prices.

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.

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 (reversal) 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. CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

Confederación Española de Cajas de Ahorros is the Parent of the Group. The regulatory financial reporting framework applicable to CECA is as follows:

(i) Commercial Code and other commercial legislation.

(ii) Organic Law 1/2002, of 22 March, regulating the Right of Association and all other Spanish corporate law.

(iii) Spanish National Chart of Accounts approved by Royal Decree 1514/2007 of November 16, 2007 and its sectoral adaptations.

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

(v) International Financial Reporting Standards as adopted by the European Union.

As a result of the loss of its status as a financial institution mentioned in Note 1 above, CECA formally prepared its separate financial statements in accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, and subsequent amendments thereto. In this regard, set forth below are the separate financial statements of CECA as at 31 December 2019 and 2018 and for the years then ended included in its separate financial statements for 2019:

BALANCE SHEET (THOUSANDS OF EUROS):

Assets	2019	2018
Non-current assets	**648,845**	**648,845**
Property, plant and equipment	28	28
Non-current investments in group companies	648,817	648,817
Current assets	**40,000**	**37,184**
Trade and other receivables	12,795	10,592
Cash and cash equivalents	27,083	26,592
Current prepayments and accrued income	122	-
Total assets	**688,845**	**686,029**
Equity	**687,781**	**684,955**
Equity (Note 9)	687,781	684,955
Capital	684,955	682,081
Profit/(loss) for the year (Note 3)	2,826	2,874
Current liabilities	**1,064**	**1,074**
Trade and other payables (Note 11)	1,064	1,074
Total equity and liabilities	**688,845**	**686,029**

INCOME STATEMENTS (THOUSANDS OF EUROS):

	2019	2018
Revenue	3,731	2,900
Personnel costs	(789)	(766)
Other operating expenses	(25,423)	(21,326)
Asset depreciation/amortisation	-	-
Profit/(loss) from operating activities	**(22,481)**	**(19,192)**
Financial income	18,667	16,309
Financial expenses	(148)	-
Financial income and expense	**18,519**	**16,309**
Profit/(loss) before tax	(3,962)	(2,883)
Income tax	6,788	5,757
Earnings for year from continued operations	2,826	2,874
Profit/loss for the year	**2,826**	**2,874**

STATEMENT OF RECOGNISED INCOME AND EXPENSES AND STATEMENT OF CHANGES IN EQUITY (THOUSANDS OF EUROS):

	2019	2018
Profit/(loss) recognised in the income statement	2,826	2,874
Income recognised directly in equity	-	-
From cash-flow hedges	-	-
Grants, donations and bequests received	-	-
On actuarial gains and losses and other adjustments	-	-
Tax effect	-	-
Total income and expense recognised directly in equity	-	-
Amounts transferred to the income statement	-	-
Total transfers to the income statement	-	-
Total recognised income and expense	**2,826**	**2,874**

	Capital	Share premium	Reserves	(Treasury shares)	Profit/ loss for the year	(Interim dividend)	Other instruments	Total
Ending balance 2018	-	-	682,081	-	2,874	-	-	684,955
Adjustments due to errors in 2018 and previous years	-	-	-	-	-	-	-	-
Adjusted opening balance 2019	-	-	682,081	-	2,874	-	-	684,955
Total recognised income and expense	-	-	-	-	2,826	-	-	2,826
Transactions with shareholders or owners	-	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-
Trading of treasury shares (net)	-	-	-	-	-	-	-	-
Other changes in equity	-	-	2,874	-	(2,874)	-	-	-
Total recognised income and expense	-	-	-	-	-	-	-	-
Ending balance 2019	-	-	684,955	-	2,826	-	-	687,781
Adjustments due to errors in 2017	-	-	-	-	-	-	-	-
Adjusted opening balance 2018	-	-	676,360	-	5,721	-	-	682,081
Total recognised income and expense	-	-	-	-	2,874	-	-	2,874
Transactions with shareholders or owners	-	-	-	-	-	-	-	-
Capital increases	-	-	-	-	-	-	-	-
Capital reductions	-	-	-	-	-	-	-	-
Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-
Trading of treasury shares (net)	-	-	-	-	-	-	-	-
Other changes in equity	-	-	5,721	-	(5,721)	-	-	-
Total recognised income and expense	-	-	-	-	-	-	-	-
Ending balance 2018	-	-	682,081	-	2,874	-	-	684,955

STATEMENTS OF CASH FLOWS (THOUSANDS OF EUROS):

	2019	2018
Cash flows from operating activities	**491**	**(2,629)**
Profit/(loss) before taxes	**(3,963)**	**(2,883)**
Adjustments to results	**(18,665)**	**(16,309)**
Asset depreciation/amortisation	-	-
Measurement adjustments due to impairment	-	-
Change in provisions	-	-
Allocation of subsidies	-	-
Profit/(loss) on write-off and disposal of assets	-	-
Profit/loss on write-offs and disposals of financial instruments	-	-
Financial income	(18,665)	(16,309)
Financial expenses	-	-
Differences on exchange	-	-
Change in fair value of financial instruments	-	-
Other revenues and expenses	-	-
Changes in ordinary capital	**(383)**	**254**
Inventories	-	-
Loans and other receivables	(169)	-
Other current assets	10	-
Borrowings and other payables	(224)	254
Other current liabilities	-	-
Other non-current assets and liabilities	-	-
Other cash flows from operating activities	**23,502**	**16,309**
Interest paid		-
Dividends received	18,665	16,306
Interest received	2	3
Corporate income tax income/(expense)	4,835	-
Other payments (collections)	-	-
Cash flows from operating activities	**-**	**-**
Cash flows from investing activities	**-**	**-**
Cash flows from financing activities	**-**	**-**
Net increase/ decrease in cash and cash equivalents	**491**	**(2,629)**
Cash and cash equivalents at start of the year (Note 8)	26,592	29,221
Cash and cash equivalents at end of the year (Note 8)	27,083	26,592

Cecabank, S.A. contributes to the consolidated financial statements of CECA Group at 31 December 2019 (excluding the relevant items eliminated due to consolidation) the following figures:

- Total assets: €11,719,500 thousand.
- Equity: €1,106,684 thousand.
- Fee income: €142,716 thousand.
- Profit before taxes: €63,057 thousand.

4. DISTRIBUTION OF CECA´S PROFIT

The proposed distribution of the profit for 2019 that CECA´s directors proposed to the General Assembly to allocate the profit for 2019 in full to reserves. Similarly, 2018 profit was taken to reserves after approval was obtained from the General Assembly held on 26 March 2019.

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%.

The following information is a detail of the revenue from external customers of the Group in 2019 and 2018 divided by geographical areas:

2019:

Thousands of Euros

	Spain	Rest of Europe	Rest of the World	Total
Interest income (Note 29)	79,152	-	-	79,152
Commission income (Note 32)	141,189	-	-	141,189
Gains/losses on financial assets and liabilities (net) (Note 34)	(15,230)	-	-	(15,230)
Other operating income (Note 35)	26,203	8,515	-	34,818

2018:

Thousands of Euros

	Spain	Rest of Europe	Rest of the World	Total
Interest income (Note 29)	90,055	-	-	90,055
Commission income (Note 32)	134,354	-	-	134,354
Gains/losses on financial assets and liabilities (net) (Note 34)	(781)	-	-	(781)
Other operating income (Note 35)	39,781	7,031	-	46,812

Note 27 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 CECA receive, on account of their attendance at the meetings of the Board and, as the case may be, those of their support committees, the breakdown of which is shown in the following table for 2019 and 2018:

	Thousands of Euros	
	2019	**2018**
Aguirre Loaso, José Luis	15	17
Azuaga Moreno, Manuel	11	10
Carbonell Tatay, Antonio	14	16
Cifre Rodríguez, Josep A,	15	16
Egea Krauel, Carlos	-	2
Fainé Casas, Isidro	14	17
Medel Cámara, Braulio	10	12
Villalabeitia Galarraga, Gregorio	14	15
	93	**105**

The fees for the items indicated above in 2019 relating to the representation on CECA´s Board of Directors of one member of Bankia, S.A, which is paid directly to these entity, amounts to EUR 10 thousand (2018: EUR 11 thousand).

Additionally, in 2019, the directors were paid fees for attending Standing Committee meetings and representing the Board amounting to EUR 196 thousand (2018: EUR 183 thousand). As of December 31, 2019, and 2018, there are no balances or commitments of any additional type held with current or former members of the Board of Directors of CECA

6.2. REMUNERATION OF BANK´S SENIOR EXECUTIVES AND MEMBERS OF THE BOARD OF DIRECTORS IN THEIR CAPACITY AS CECA EXECUTIVES

For the purposes of the preparation of these consolidated financial statements, the senior executives of the CECA in 2019 and 2018 were considered to be the General Manager, the Corporate Director of the Association Services, Control and Resources, the General Secretary – Corporate Director of General Secretary and Manager of the Tax and Legal Advisory Area and the Corporate Director of the Planning Area of Cecabank, S.A., who provide their services to the CECA on a part-time basis.

In 2019 and 2018 no members of the Board of Directors performed executive duties and, therefore, no remuneration has been earned in this connection. Short-term remuneration to senior executives amounted to EUR 607 thousand in 2019 (2018: EUR 530 thousand).

During 2019 and 2018, no additional remuneration has accrued to senior management, nor are there any obligations incurred, under “Post-employment remuneration”, "Other long-term benefits", “Termination benefits”, or “Payments based on equity instruments”.

In 2019 and 2018, no consolidated pension rights were recognised either for the senior executives or for the members of the Board of Directors, current or former maintained by CECA.

As of 31 December 2019, the total accrued variable remuneration pending of payment to Senior Management amounts to EUR 236 thousand. In 2019 there were no additional remuneration accrued to the members of CECA's Board of Directors or its senior executives in relation to post-employment benefits or any kind of commitments regarding with this Note.

6.3. TRANSPARENCY OBLIGATIONS

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

The statements made by the Company's Directors in accordance with Article 229 and subsequent of the Spanish Companies Act report that they have not informed the Board of Directors of any direct and indirect conflicts 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 balance sheets at 31 December 2019 and 2018 is as follows:

Thousands of Euros

	2019	2018
Cash in euro	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 euro	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 ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

8.1. FINANCIAL INSTRUMENTS HELD FOR TRADING – DEBTOR AND CREDITOR PORTFOLIO

8.1.1. Financial instruments held for trading – Breakdown

Following is a detail of the balances of "Financial Assets/Liabilities Held for Trading" in the consolidated balance 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 institutions	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 23 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 24 and 25 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category.

Note 22 provides information on the fair value of the financial instruments included in this category. Note 27 includes information on the concentration of risk relating to the financial assets held for trading. Note 26 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:

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**

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

8.2. NON TRADING FINANCIAL ASSET MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

The detail, by nature, of the financial assets included in “Non trading financial asset mandatorily at fair value through profit or loss” in the consolidated balance sheets at 31 December 2019 and 2019 is as follows:

Thousands of 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 23 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 22 discloses information on the fair value of these financial instruments at 31 December 2019 and 2018. Note 26 includes information about the exposure to interest rates.

Note 25 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2019 and 2018.

Note 27 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 AVAILABLE FOR SALE

Following is a detail of the balances of “Available-for-Sale Financial Assets” in the consolidated 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 23.8 and 39)	(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 23.8 and 39)	(17,501)	(17,501)
	(9,122)	(13,096)
	14,269	**10,295**
	2,072,461	**1,478,973**

Note 22 contains certain information on the fair value of the financial instruments included in this category.

Note 23 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 24 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 26 discloses certain information on interest rate risk.

Note 27 includes information on the concentration risk associated to these financial assets.

10. LOANS AND RECEIVABLES

Following is a detail of the financial assets included in "Loans and Receivables" in the consolidated balance sheets at 31 December 2019 and 2018:

	Thousands of 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
Doubtful assets	-	-
	308,576	23,150
Measurement adjustments-		
Impairment losses (Notes 23.8 and 39)	(2,408)	(1,743)
Accrued interest	1,532	96
	(876)	(1,647)
	307,700	**21,503**
Loans and advances 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 23.8 and 39)	(403)	(75)
Accrued interest	(409)	(281)
	(812)	(356)
	4,038,453	**1,924,448**
Loans and advances 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 22 provides information on the fair value at 31 December 2019 and 2018 of the financial assets included in this category. Note 23 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 25 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2019 and 2018.

Note 27 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2019 and 2018. Note 26 shows information on the exposure to interest rate risk.

11. DERIVADOS DE COBERTURA

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 of the Group (see Note 34).

The Note 22 discloses information on the fair value of these hedging derivatives at 31 December 2019 and 2018. Note 23 includes certain information on the credit risk associated with these derivatives at those same dates.

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:	(12,625)	(12,625)
Balances at 1 January	-	-
Additions	10,716	-
Transfers	(2)	-
Balances at 31 December	**(1,911)**	**(12,625)**
Net Balances at 31 December	**3,002**	**3,791**

PROPERTIES

The Group 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 2,163 thousand euros. 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 1,015 thousand euros, the impact on profit/(loss) was 837 thousand euros. 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 311 euros 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	**71,063**	**24,104**	**12,389**	**2,812**	**110,368**
Additions	-	839	990	-	1,829
Disposals	-	(301)	(212)	-	(513)
Transfers	(8,656)	-	-	8,656	-
Balance at 31 December 2018	**62,407**	**24,642**	**13,167**	**11,468**	**111,604**
Additions	-	121	2,060	-	2,181
Disposals	-	(776)	(322)	-	(1,098)
Transfers	(27)	(34)	31	-	(30)
First application of IFRS 16	1,993	4	1,285	-	3,282
Balance at 31 December 2019	**64,373**	**23,957**	**16,221**	**11,468**	**116,019**
Accumulated depreciation:					
Balance at 1 January 2018	**(26,937)**	**(20,342)**	**(9,636)**	**(1,007)**	**(57,922)**
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)**	**(20,906)**	**(10,646)**	**(4,252)**	**(60,477)**
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	(396)	-	(188)	-	(584)
Balance at 31 December 2019	**(25,894)**	**(21,050)**	**(11,945)**	**(4,435)**	**(62,876)**
Tangible assets, net:					
Net balance at 31 December 2018	**37,734**	**3,736**	**2,521**	**7,216**	**51,207**
Net balance at 31 December 2019	**38,479**	**2,907**	**4,276**	**7,033**	**52,695**

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 2087, the tangible assets owned by the Group were not impaired or there were no 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 35).

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
Less:		
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 thousands of euros (7,891 thousands of 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 2019 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 derecognized, which had been amortised in full.

15. OTHER ASSETS AND LIABILITIES

15.1. OTHER ASSETS

The breakdown of the balance of “Other Assets and 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 36)	2,273	8,189
Other	9,515	12,368
	65,940	**56,621**

“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.

The balances included under the heading "Other assets - Other assets - Transactions in Transit" in the table above correspond mainly include temporary balances related basically to securities underwriting operations and other transactions carried out in organized markets pending settlement.

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	48,079
Accrued revenues	1,064	1,274
Other liabilities-		
Transactions in transit	20,549	53,815
Other	4,729	1,685
	60,759	**106,240**

“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 organised markets pending settlement.

The balance of the heading "Accruals - Accrued expenses" in the foregoing table includes, among other items, as of December 31, 2019, balances amounting to 10,657 thousand euros (EUR 19,964 thousand at 31 December 2018) that originate in variable remuneration paid by the outstanding staff.

16. FINANCIAL LIABILITIES AT AMORTISED COST

16.1. BALANCE 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	6,916,885	5,089,027
	9,035,778	6,641,199
Measurement adjustments	177	444
	9,035,955	6,641,643
Other financial liabilities	149,700	279,264
	9,185,655	**6,920,907**

Note 22 provides information on the fair value of these financial liabilities.

16.2. FINANCIAL LIABILITIES AT AMORTISED COST - DEPOSITS – CENTRAL BANKS

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balances of this item in the balance sheets at 31 December 2018 and 2019 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-		
Deposit accounts	445,256	349,238
	445,256	349,238
Measurement adjustments	734	335
	445,990	**349,573**

16.3. 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	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-		
Deposit 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, 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	6,911,118	5,076,579
Other EMU countries	4,477	7,708
Rest of the world	1,356	5,311
	6,916,951	**5,089,598**
By counterparty:		
Resident public sector	222,323	232,486
Non-resident public sector	-	100
Other resident sectors	6,688,729	4,843,523
Other non-resident sectors	5,833	12,918
Central counterparties	-	-
	6,916,885	5,089,027
Measurement adjustments	66	571
	6,916,951	**5,089,598**
By type of instrument:		
Current accounts	6,374,393	4,290,172
Other demand deposits	-	135,214
Fixed-term deposits	424,226	587,185
Repurchase agreements	118,266	76,456
	6,916,885	**5,089,027**
Measurement adjustments	66	571
	6,916,951	**5,089,598**

16.5. FINANCIAL LIABILITIES AT AMORTIZED COST - OTHER FINANCIAL LIABILITIES

The breakdown 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
Payment obligations	12,499	15,235
Liabilities associated with right of use assets	2,754	-
Collateral received	3,631	208
Clearing house	3	-
Collection accounts	29,803	21,510
Other Items	101,010	242,311
	149,700	**279,264**

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

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

The balance in the account "liabilities associated with right-to-use assets" (see Note 12) includes 2,754 thousand euros 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 36)	Commitments and guarantees granted (Notes 2.10, 23 and 28.1)	Litigation proceedings	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 36). This item also includes 5,230 thousand euros 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 recognised to cover potential litigation deriving from the Group’s business activity. At 31 December 2019, the heading “Remaining Provisions” essentially records the amount calculated based on an internal model developed by the Group to hedge the operating risk to which the Directors consider the Group is exposed as a result of its securities custody and depository activities on behalf of third parties, as well as the provisions created with respect to 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 36). 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. OWN FUNDS

The breakdown of the equity of the accompanying consolidated balance sheets at December 31, 2019 and 2018 is as follows:

Thousands of Euros

	2019	2018
Reserves	986,587	943,462
Income attributable to the parent company	24,268	43,121
	1,010,855	**986,583**

20. MINORITY INTERESTS

The detail by company of the heading of the consolidated balance sheets of 31 December 2019 and 2018, "Minority interests" and the profit/loss attributed to external partners for 2019 and 2018 is presented below:

Thousands of Euros

	2019		2018	
	Minority Interests	Profit attributed to minority	Minority Interests	Profit attributed to minority
Cecabank, S,A,	120,846	4,872	117,248	6,936
	120,846	**4,872**	**117,248**	**6,936**

21. TAX MATTERS

CECA is the parent company of the consolidated tax group made number 508/12 from 1 January 2012, being Cecabank, S.A. the only dependent society.

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

21.1. 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 Group 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 Entity'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 Entity in the years not yet reviewed will not have a material effect on the figures included in the accompanying financial statements.

21.2. 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

	2019	2018
Income tax expense for the year (Note 21.3)	11,602	19,690
Prior years' and other adjustments	(518)	(200)
	11,084	**19,490**

21.3. 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 Group, and the income tax charge recognized at 31 December 2019 and 2018 are as follows:

Thousands of Euros

	2019	2018
Accounting profit before tax	40,224	69,547
Exemption double taxation for dividends	18,665	16,306
Tax rate	30%	30%
	17,667	25,756
Permanent differences:		
Increases	1,120	191
Decreases	(7,185)	(5,808)
Total	**11,602**	**20,139**
(Tax credits)/(Tax relief)	-	(449)
Income tax expense for the year (Note 21.2)	**11,602**	**19,690**
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	**(8,516)**	**(8,331)**

The corporate income tax payable for the year indicated in the preceding table is recognised 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 695,038.90 euros and the pending amounts to be included total 347,519.45 euros.

21.4. TAX RECOGNISED IN EQUITY

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

Thousands of Euros

	Aumentos/ (Disminuciones) de Patrimonio	
	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**

21.5. 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-monetizable 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**

21.6. 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.

21.7. REVALUATION OF ASSETS

The Group does 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.

22. FAIR VALUE

22.1. 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		
	Tier 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 classified 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 advances	-	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 1	Tier 2	Tier 3	Tier 1	Tier 2
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 classified 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 categorised 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 were 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 classified at fair value through profit or loss	30,117	30,117	-	-	-	-	-
Financial assets at fair value through other comprehensive income (Note 9)	2,058,192	2,053,830	-	(9,285)	15,046	(1,399)	823,287
Financial assets at amortised cost (Note 10)	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 classified at fair value through profit or loss	41,320	41,320	-	-	-	-	-
Financial assets at fair value through other comprehensive income (Note 9)	1,468,678	1,471,318	-	(14,834)	12,805	(611)	137,278
Financial assets at amortised cost	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

22.2. 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 45,512 thousand (31 December 2018: EUR 44,950 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.

23. EXPOSURE TO CREDIT RISK

23.1. 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 the 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

The Group calculates credit risk exposure by applying the standardized approach provided in current regulations. Also, for products subject to counterparty risk, the Entity 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. It 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 27 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 around 92.7% 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.

23.2. MAXIMUM CREDIT RISK EXPOSURE LEVEL

The followings tables show the maximum level of exposure to credit risk assumed by the Group at 31 December 2019 and 2018 by class and category of financial instrument, without deducting the collateral or other guarantees received:

The contingent liabilities are presented at the maximum amount guaranteed by the Group. In general, it is considered that most of these balances will expire without any actual financing obligation arising for the Group. The collateral on these transactions must also be taken into account (see Note 23.3 below). The balances of the contingent liabilities (available) are presented at the maximum amounts available by the counterparties.

23.3. 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 s		
	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:

	Importe máximo de la garantía real o personal que puede considerarse				
	Loans secured by property		Loans secured by property		
	Residential properties	Residential properties	Residential properties	Resto	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	-	-	-	-

23.4. CREDIT QUALITY OF UNIMPAIRED, NON-PAST-DUE FINANCIAL ASSETS

23.4.1. 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	8.0%	9,8%
2	A	33.2%	24,3%
3	BBB	53.4%	55,0%
4	BB	5.4%	10,4%
5	B	0.0%	0.5%
6	CCC and below	-	-
		100%	**100%**

(*)The exposures were classified taking the most conservative of the ratings granted by the two rating agencies used to manage the Group'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.

23.4.2. Classification of credit exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (excluding impairment losses and other measurement adjustments recognized) in 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	Of which: held for trading	Of which: financial assets susceptible to impairment
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)	Of which: held for trading	Of which: financial assets susceptible to impairment
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)	-

23.5. 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 (0.01% at 31 December 2018).

23.6. FINANCIAL ASSETS RENEGOTIATED IN THE YEAR

At 31 December 2018 the Group had only refinanced two transactions. Both related to an employee and were due to the non-payment of instalments for the loan that the employee had been granted by the bank. The gross carrying amount of those transactions was 389 thousand euros at 31 December 2018, with a specific hedge of 149 thousand euros, and there were no refinanced transactions at 31 December 2019.

23.7. IMPAIRED ASSETS

Details of the financial assets that may become impaired at 31 December 2019 and 2018 due to the associated credit risk are as follows:

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		
	≤ 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	-	-	-	-	-	-	-	-	-
Tax refundable	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-	-	-	-
Loans and advances	159	-	-	-	186	-	1	-	356
Central banks	-	-	-	-	-	-	-	-	-
Tax refundable	-	-	-	-	-	-	-	-	-
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:

Importe en libros

	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	-	-	-	-	-	-	-	-	-

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

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	Doubtful but 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	**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	-	-	-	-	-	-	-	-	-	-
Government bonds	285,732	285,732	285,732	-	-	-	-	-	-	-	-	-	-
Other financial companies	24,376	24,376	24,376	-	-	-	-	-	-	-	-	-	-
Loans and advances	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	-	-	-	-	-	-	-	-	-	-
Government bonds	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	-	-	-	-	-	-	-	-	-	-
Government bonds	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 advances	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 grant commitments	713,894	713,894	-	-	-	-	-	-	-	-	-	-	-
Government bonds	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	-	-	-	-	-	-	-	-	-	-	-
Government bonds	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	Doubtful but 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	-	-	-	-	-	-	-	-	-	-	-

The transactions considered to be impaired (doubtful assets) by the Group at 31 December 2019 that are classified into the categories of "Loans and prepayment to credit institutions" and "Loans and prepayments to customers" total EUR 1,189 thousand (EUR 905 thousand at 31 December 2018).

23.8. 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 9)	(612)	(788)	-	(1,400)
Loans and prepayments (Note 10)	(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 10)	(1,744)	(582)	(82)	(2,408)
Loans and prepayments (Note 10)		(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 10)	(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 To stage 1 from stage 2		Transfers between To stage 2 from stage 3		Transfers between To stage 1 from 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	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and advances	**190**	**-**	**-**	**-**	**707**	**397**
Central banks	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
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 9)	(921)	-	309	-	(612)
Loans and prepayments (Note 10)	(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 9)	(1,749)	-	(8)	13	(1,744)
Loans and prepayments (Note 10)	-	-	-	-	-
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 10)	(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 To stage 1 from stage 2		Transfers between To stage 2 from stage 3		Transfers between To stage 1 from 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	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Loans and advances	**-**	**-**	**-**	**-**	**255**	**89**
Central banks	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial companies	-	-	-	-	-	-
Non-financial companies	-	-	-	-	-	-
Households	-	-	-	-	255	89
Commitments and financial guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**

23.9. 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.

23.10. 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.

23.11. EXPOSURE TO REAL STATE 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. Following is a detail of the latter:

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 stage they are classified 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
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

Al 31 de diciembre de 2018:

Carrying amount

	Activos sin un aumento significativo del riesgo de crédito desde el reconocimiento inicial (fase 1)			Activos con un aumento significativo del riesgo de crédito desde el reconocimiento inicial, pero sin deterioro crediticio (fase 2)			Activos con deterioro crediticio (fase 3)		
	≤ 30 días	> 30 días ≤ 90 días	> 90 días	≤ 30 días	> 30 días ≤ 90 días	> 90 días	≤ 30 días	> 30 días ≤ 90 días	> 90 días
Real guarantees	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other term loans	-	-	-	-	-	-	-	-	628
Of which: loans secured by property	-	-	-	-	-	-	-	-	621
Of which: other loans with real guarantees	-	-	-	-	-	-	-	-	385

23.12. 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.

24. 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 RATE 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.

25. 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 Group 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 Bank'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.

As part of its monitoring function, the Board of Directors establishes a limit framework for liquidity risk focused on comfortable compliance with regulatory requirements relating to the liquidity position, and to maintain actions in the market and to carry out its business in a manner that allows adequate diversification of sources of financing. These limits are set east on a series of liquidity ratios and are intended to assess and measure the Group's balance sheet liquidity.

Stress scenarios are also created that combine different capital market access restriction scenarios, the massive withdrawal of sight deposits, the capitalization of contingent liquidity commitments as well as other conditions outside of markets.

Furthermore, a series of liquidity crisis alert and intensity indicators are also monitored and a detailed and constantly updated inventory of the asset liquidity capacity on the balance sheet is monitored on a daily basis.

26. 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.

27. RISK CONCENTRATION

27.1. 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 valuation 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 Administrations	**2,539,957**	**1,337,251**	**1,202,706**	**-**	**-**
Central Administration	1,520,481	317,775	1,202,706	-	-
Other	1,019,476	1,019,476	-	-	-
Other Credit Institutions	**838,867**	**612,802**	**194,767**	**31,297**	**1**
Non- financial societies and individual entrepreneurs	**587,252**	**513,240**	**63,915**	**10,097**	**-**
Construction and property development	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-
Other purposes	587,252	513,240	63,915	10,097	-
Large companies	569,335	495,699	63,539	10,097	-
SMEs and Individual entrepreneurs	17,917	17,541	376	-	-
Rest of households and NPISHs	**47,139**	**46,986**	**153**	**-**	**-**
Houses	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 Administrations	**1,899,999**	**839,431**	**1,060,568**	**-**	**-**
Central Administration	1,553,330	492,762	1,060,568	-	-
Other	346,669	346,669	-	-	-
Other Credit Institutions	**908,527**	**744,840**	**153,261**	**9,992**	**434**
Non- financial societies and individual entrepreneurs	**303,863**	**244,545**	**58,324**	**-**	**994**
Construction and property development	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-
Other purposes	303,863	244,545	58,324	-	994
Large companies	300,254	240,936	58,324	-	994
SMEs and Individual entrepreneurs	3,609	3,609	-	-	-
Rest of households and NPISHs	**49,930**	**49,790**	**140**	**-**	**-**
Houses	46,500	46,362	138	-	-
Consumption	2,634	2,632	2	-	-
Other purposes	796	796	-	-	-
Total	**9,178,858**	**6,942,556**	**2,127,798**	**79,554**	**28,950**

Risk Concentration by activity and geographical area

Activity in Spain (book value):

31 December 2019:

Thousands of Euros

		Autonomous communities								
	Total	Andalucía	Aragón	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Central Banks and 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
Central Banks and 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	Castilla – La 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**	**-**

27.2. CONCENTRATION OF EQUITY INSTRUMENTS

Following is a detail, by type of market listing, and issuer, of the equity instruments held by the Group at 31 December 2019 and 2018. The detail of the financial instruments classified according to the market in which they are listed has been detailed 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 mandatorily 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 Institutions	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 mandatorily 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 Institutions	103,269	18,868	-	-	122,137
Other Spanish companies	135,442	-	10,023	1,015	146,480
Other foreign companies	2,033	225	272	4	2,534
	240,744	**19,093**	**10,295**	**1,019**	**271,151**

28. OTHER SIGNIFICANT DISCLOSURES

28.1. 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 corporations	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.

“Financial Guarantees Given” and “Other Commitments Given” include financial guarantees amounting to 1,389,970 EUR thousand at 31 December 2019 (31 December 2018: EUR 46,343 thousand).

“Financial Guarantees Given” and “Other Commitments Given” include financial guarantees amounting to EUR 62,804 thousand at 31 December 2019 (31 December 2018: EUR 70,397 thousand).

Moreover, financial guarantees and commitments are recorded in the amount of 62,804 thousand euros at 31 December 2019 (70,397 thousand euros at 31 December 2018).

The commission income from these financial guarantees is recognized under “Commission Income” in the consolidated income statement on an accrual basis (see Note 32).

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 - Provisions for Contingent Liabilities and Commitments” in the consolidated balance sheet (see Note 17).

Note 23 contains disclosures relating to the credit risk assumed by the Group in connection with such financial guarantees provided and contingent commitments made.

28.2. 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 available for Sale financial Assets	53,300	575,870
Other Assets classified as available for Sale financial Assets	19,917	45,000
Spanish Public Debt classified as financial Assets Held for Trading	-	16,300
Issued securities by other public organisms classified as available for Sale financial Assets	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 at amortized cost	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).

"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.

28.3. TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

The breakdown of the most significant transactions for the account of third parties at 31 December 2019 and 2018 is as follows:

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
Conditional bills and other securities received	114,904	68,272
	173,816,086	**154,000,940**

"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.

28.4. 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 consolidated balance sheet.

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

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

Following is a detail of the fair value of the financial assets borrowed by the 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 28.3)	114,904	68,272
	114,904	**68,272**

28.5. 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 pending	-	-

29. 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	13,177	6,346
Derivatives – hedge accounting, interest rate risk	6,478	6,131
Interest income on liabilities	25,145	26,776
Other assets	493	675
	79,152	**90,055**

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

30. INTEREST EXPENSES

The detail of the balance of “Interest Expenses” in the consolidated income statements for 2019 and 2018, by type of instrument giving rise to them, is as follows:

Thousands of Euros

	2019	2018
Financial liabilities held for trading	9,924	10,149
Financial liabilities at amortized cost	29,505	24,706
Derivatives – hedge accounting, interest rate risk	13,973	4,953
Interest Expenses on assets / other liabilities	39,212	43,872
Interest cost of pension funds (Note 36)	175	68
	92,789	**83,748**

“Interest Expenses 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.

31. 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
	12,756	**15,199**

32. 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 28.1)	301	289
Commissions for contingent commitments	948	267
Commissions arising from collection and payment services	28,749	25,839
Commissions arising from securities services	100,104	98,351
Commissions arising from foreign exchange and foreign banknotes	229	260
Other commissions	10,858	9,348
	141,189	**134,354**

The balance of “Fees and Commissions Arising from Securities Services” in the foregoing table includes, inter alia, EUR 96,554 thousand earned in 2019 (2018: EUR 93,596 thousand) relating to the depository and custody services in connection with securities of third parties deposited at the Group.

33. COMMISSION EXPENSES

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**

34. NET GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The breakdown of the balance of “Gains/Losses on Financial Assets and Liabilities” 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.

35. 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	28,108	33,403
	34,818	**46,812**

The balance under “Other income” records several items, notably the income from the services rendered to Confederación Española de Cajas de Ahorro, which totalled 11,387 thousand euros in 2019 (11,386 thousand euros in 2018) (See Note 41).

36. 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	34,103	41,368
Social security costs	7,388	7,409
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
	45,579	**52,178**

As 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 evolution of 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 Group'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	5	-	5	4	-	4
1 -Level II	6	4	10	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	43	69	27	42	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	-	2	2	-	2	1
1 -Level XIII	1	2	3	-	-	-
2 -Level I	1	-	1	-	-	-
2 -Level II	3	-	3	1	-	1
2 -Level III	-	-	-	4	-	4
Others	6	3	9	10	8	18
	238	**243**	**481**	**258**	**271**	**529**

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 481 (2018: 490), of whom 239 were men (2018: 244) and 242 women (2018: 246), representing 49% and 51%, respectively (49% and 51% at 31 December 2018).

Relating to defined benefit post-employment obligations and long-term pre-retirement obligations (pre-retirements) to current and former employees of the Bank (the only Group entity that has significant commitments of this type) described in Note 2.11 above, a detail of these obligations is presented below, making a distinction between those that are arranged in full or in part, through 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).

AT 31 DECEMBER 2018:

Thousands of Euros

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

(*) This amount is recognized under “Provisions - Provisions for Pensions and Similar Obligations” 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 can be seen in the foregoing table, a significant proportion of the Bank's pension and other long-term obligations are instrumented in external pension plans or are covered by insurance policies and, therefore, in the coming years, the settlement of these obligations is not expected to have a material effect on Cecabank, notwithstanding the fact that in the following sections we include a sensitivity analysis of the impact that a change in certain variables included in the measurement could have with respect to the amounts presented in these financial statements. 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 active 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 obligation			
	Valor de la obligación (I)	Valor de los activos afectos del Plan (II)	Total (III = I – II)	Valor de la obligación (IV)	Valor de los activos afectos del Plan (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 Group	-	-	-	-	-	-	-
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			
	Value of the obligation (I)	Value of the plan assets (II)	Total (III = I – II)	Value of the obligation (IV)	Value of the plan assets (V)	Total (VI = IV – V)	Total (III + VI)
1. Amount at 1 January 2018	**188,352**	**195,859**	**(7,507)**	**63,229**	**-**	**63,229**	**55,722**
2. Current service cost	13	-	13	-	-	-	13
3. Expected return on plan assets	-	1,911	(1,911)	-	-	-	(1,911)
4. Interest cost	1,837	-	1,837	68	-	68	1,905
5. Contributions made by the participants of the plan	-	-	-	-	-	-	-
6. Contributions made by the Group	-	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 2018	**171,878**	**180,067**	**(8,189)**	**49,710**	**-**	**49,710**	**41,521**

In 2019 the three active 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 income statement (having recognized EUR 68 thousand in the same connection at 31 December 2018) (see Note 30).

In financial year 2019, the Group recognized a charge of EUR 237 thousand under "Provisions or reversal of provisions" in the consolidated income statement for the provisions and recoveries of provisions for pensions and similar obligations (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 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 54.490 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 thousand reduction and a EUR 10,159 thousand increase, respectively, in the value of the obligations (At 31 December 2018: EUR 8,896 and EUR 9,711 thousands, 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 obligations (At 31 December 2018: EUR 8,913 and EUR 9,717 thousands, respectively)

LONG-TERM PRE-RETIREMENT OBLIGATIONS

A 50 basis point upward/downward shift in the discount rate used would give rise to a EUR 461 thousand reduction and a EUR 472 thousand increase, respectively at 31 December 2019 (At 31 December 2018: EUR 609 and EUR 624 thousands, 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 Bank 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	8,737	-	8,737	4,505	-	4,505
Insurance policies taken out with CASER	171,267	-	171,267	175,562	-	175,562
	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 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 Group.

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.

37. 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	2,806	3,229
IT equipment	16,793	22,310
Communications	1,407	1,788
Advertising and publicity	434	471
Technical reports	2,039	2,495
Surveillance and cash courier services	8,606	8,186
Insurance and self-insurance premiums	634	613
By governing and control bodies	309	339
Outsourced administrative services	26,258	24,828
Levies and taxes	3,478	3,789
Entertainment and travel expenses	730	753
Association membership fees	2,633	2,665
External personnel	2,828	1,844
Subscriptions and publications	3,891	3,755
Contribution to FUNCAS	10,341	7,300
Other administrative expenses	1,136	2,293
	84,323	**86,658**

The amount recorded under the heading “Outsourced administrative services” in 2019 and 2018 primarily relate to operating services outsourced to third parties.

Included in the balance of "Technical Reports" are, inter alia, in 2019 and 2018 the fees for the services rendered by the Group’s auditor in 2019, PricewaterhouseCoopers Auditores, S.L. and those charged by the 2018 auditor, Deloitte, S.L., as follows:

	Thousands of Euros	
	2019	**2018**
Audit services	332	386
Other attest services	70	211
Total audit and related services	**402**	**597**
Tax counselling services	-	-
Other services	-	211
	-	**211**
Total professional services	**402**	**808**

In addition to the services indicated under "Technical Reports" in the preceding table, EUR 107 thousand were billed in 2018 respectively, in connection with commercial relationships developed jointly by companies in the Deloitte network and the Group.

The services commissioned by the Group meet the independence requirements and did not involve the performance of any work that is incompatible with the audit function.

INFORMATION ON DEFERRED PAYMENTS TO SUPPLIERS. ADDITIONAL PROVISION THREE. "DISCLOSURE OBLIGATION" PROVIDED FOR IN LAW 15/2010, OF 5 JULY

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 Bank's suppliers in 2019 and 2018 are as follows:

	2019	2018
	Days	
Average period of payment to suppliers	45,3	41,6
Ratio of transaction settled	45,7	42,1
Ratio of transaction not yet settled	24,1	9,1
	Thousands of Euros	
Total payments made	88,517	91,094
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.

38. 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 Concepts	6,153	5,861
	10,343	**9,814**

39. 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 23.8)	(788)	309
Equity instruments	-	-
	(788)	**309**
Financial assets at amortised cost (Note 23.8)	(629)	181
	(629)	**181**
	(1,417)	**490**

40. AMORTISATION/ DEPRECIATION

The detail of “Amortisation/depreciation” in the consolidated income statements for 2019 and 2018 is as follows:

Thousands of Euros

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

41. 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

At 31 December 2019 and 2018, there were no balances or obligations held by the members of the Board of Directors or by any entities or persons related to them. In addition, members of the Board of Directors record no assets, liabilities or accrued income or expenses with CECA, in 2019 or 2018.

42. 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 phones 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 26 February 2020, the date on which the Group's Lead Entity Governing Body prepared these consolidated financial statements, no significant event has taken place that must be included in the accompanying financial statements 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 Company.

43. 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**
Cecabank, S,A,	Madrid	Entidad de crédito	89	-	89	11,719,500	10,612,816	1,106,684	45,185
Trionis, S,C,R,L,	Brussels	Desarrollo y mantenimiento de la operativa internacional de servicios de pago	78,62	-	78,62	3,504	2,601	1,903	20

(*)This financial information is pending of approval by the respective General Meetings.

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**
Cecabank, S,A,	Madrid	Entidad de crédito	89	-	89	9,649,828	8,576,658	1,073,170	63,494
Trionis, S,C,R,L,	Brussels	Desarrollo y mantenimiento de la operativa internacional de servicios de pago	78,62	-	78,62	4,499	2,391	2,108	24

5.1

ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Confederación Española de Cajas de Ahorros ("CECA") is the Parent of the Confederación Española de Cajas de Ahorros Group ("CECA 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 99.87% of the total of the consolidated balance sheet.

The main objective of this directors' report is to disseminate the most significant activities carried out by the CECA Group in 2019, to present the results obtained, compared with the budget, and to set out both the most relevant aspects of risk management and the activities to be undertaken to comply with the strategic lines defined for 2019.

1. EVOLUTION OF THE BUSINESS AND COMPLIANCE WITH OBJECTIVES IN 2019

1.1. CECA'S BUSINESS IN 2019

This section describes the main activities carried out throughout 2019 in the performance of the Association's activities.

I. Institutional Representation:

CECA's Articles of Association focus a large part of its activities on the representation and the defence of the interests of its member entities and in this respect it maintains a presence in multiple national and international organisations.

European Union and ESBG

Contact with financial authorities at the European level is a key aspect of its representation duties and, accordingly **Cecabank's representation Office in Frankfurt** has continued to provide its support to CECA's activities within its institutional representation before regulators and supervisors. In 2019 it participated in the Banking Supervision Forum organized by the European Central Bank and the Roundtable of Executives organized by the Single Supervision Mechanism.

CECA also has a **Representation Office in Paris**, where the European Banking Authority (EBA) relocated in June 2019. In 2019 it represented CECA on a continuous basis in a dialogue with the industry promoted in Brussels by the Single Resolution Board (SRB). Through this international network, CECA has lobbied and carried out networking activities, and made those efforts available to all of its members.

One of the pillars of CECA's activity is the monitoring of the political, economic and financial environment nationally and internationally. CECA takes institutional representation action through diverse mechanisms, with particular emphasis on the **European Savings Banks Group** (ESBG), through which a large part of the communication with European authorities takes place.

These contacts are executed mainly through the **ESBG Committee of Chairman and the Executive Board of Directors**, where Isidro Fainé holds a Vice President position.

The **European institutional renovation**, particularly the Parliament and the Commission, was one of the main milestones of 2019. Last October CECA participated in a working lunch at the European Parliament in Brussels, to which the ESBG invited all of the members of the Financial and Monetary Affairs Commission at the European Parliament and was also attended by the European Commission (DG FISMA).

Moreover, with the strategic objective of presenting ESBG to the new European parliamentarians and EU authorities and to position ESBG as a European savings and retail bank point of reference for all European institutions, once again this year the ***Retail Banking Conference*** was organized in Brussels and CECA participated with its collaboration in the analysis of the future supervision architecture in the European Union.

CECA also participated in international events organized by ESBG, such as the **WSBI-ESBG Financial Education Conference**, where the needs and challenges of financial education in the digital era were analysed. It presented its experience in this area, and this matter is one of the main communication pillars for both CECA and ESBG.

Also, in this area, CECA collaborated with the **International Conference on Financial History**. This event, held in Vienna on the occasion of the 200th anniversary of Austrian Savings Banks, focused on the presentation of several international studies on Financial Education, in which CECA explained the activities carried out in this area.

CECA hosted the **ESBG High Level Innovation and Digitalisation Group** at its headquarters last May. This is a forum consisting of experts at member entities monitoring key market and technology trends and at which recent experience is shared and strategic guidance is provided to accelerate the response of the savings bank community and retail banks to digitalization and transformation.

CECA is also present in all of the **Committees and Working Groups at ESBG** that make efforts in all areas concerning the industry (and holds the Chair of the Prudential and Supervision Committee) while actively participating in the preparation of joint positions relating to current regulatory matters.

International and WSBI

At the international level, CECA carries out a large part of its institutional activity through the **World Savings Banks Institute** (WSBI), which represents 6000 savings banks and retail banks in more than 80 countries.

The **Committee of Chairman and the Executive Board** of this association, which is led by its Chair Isidro Fainé, has worked intensely to increase the visibility of WSBI entities globally and to strengthen their position in regulatory matters before international authorities and organisations. Several high-level strategic meetings have been organised in this context.

Once again this year, CECA participated in the **annual meetings of the IMF and the World Bank**, which were held in Washington in October, where other bilateral encounters were also organised with international authorities, such as the BIS (Bank for International Settlements). In this context, every year CECA collaborates with the sponsorship of the reception that ESBG/WSBI organizes as a result of the IMF and World Bank events. Authorities and institutions from around the world are invited to this event and it serves as a meeting point for the global retail banking sector.

WSBI is notable with respect to its support for the commitment to universal financial access and, accordingly, in 2015 it aligned with the **UFA (Universal Financial Access) Objectives defined by the World Bank.** Specifically, the members of WSBI committed to opening 400 million new transactional accounts and provide financial access to a total of 1.700 million customers in 2020.

This objective was attained in 2019, one year before that deadline. To celebrate this milestone, together with its members, including CECA, WSBI organized an event at the World Bank headquarters in Washington last October.

During the **Japanese presidency of the G20**, in 2019 CECA participated in the conference that WSBI organized in Tokyo together with the Asian Development Bank Institute (ADBI), which is a very important forum for discussing international regulatory frameworks and digitalization challenges. It was also intended to support initiatives that create more sustainable finances with the objective of communicating these proposals to the presidency of the G20. The G20 consists of the 19 main advanced and emerging economies and the European Union, and this year the visibility of our sector within this institution was strengthened through this event and other meetings that were held.

The **ESBG/WSBI Coordination Committee** met several times in 2019 with the permanent presence of its Vice Chair, CECA. This committee is a joint governing body of ESBG and WSBI it is responsible for reviewing the actions and positions of the European and Global group in order to coordinate the continuous exchange of information regarding key matters that are relevant to their members. This committee consists of directors of entities that are members of both ESBG and WSBI and its representatives are responsible for the international or strategic activities carried out by their respective institutions.

Corporate events

CECA organized several corporate events in order to create opportunities for debate and space to reflect and communicate on the improvement of the banking sector. It works closely with industry associations such as AEB (Spanish Bank Association) to work on joint projects. This past May they organised a **Seminar on Responsible Banking**, at which the transcendental role the financial sector has on the transformation of the economy towards more sustainable parameters was debated, as was low carbon emission economies to meet the EU 2050 Strategy.

Moreover, five Financial Industry associations (AEB, CECA, UNACC, INVERCO and UNESPA), together with the Spanish Fintech Association (AEFI) met last February to organize the Seminar **"SANDBOX: utility and reality for the Spanish market"**. The purpose of this meeting was to provide an open forum regarding the present and the future of the Spanish sandbox, where the financial industry, the authorities and the rest of the stakeholders in Spain could actively participate in a debate regarding this reality that affects us all.

In March, CECA again coordinated with AEB and UNACC to organize the yearly **Industry Meeting on the Prevention of Money Laundering and the Financing of Terrorism**, which was attended by government experts (SEPBLAC and the Treasury) to explain the main novelties and challenges for the sector in this field.

Together with KPMG, CECA organized the **Seminar on the New Credit Act** last May. Given the great importance of this Law, CECA contributed to the communication of this regulatory milestone by organizing a series of conferences to discuss the new regulatory framework from three supplementary standpoints: strategic, legal and operational.

CECA also promotes interaction and the exchange of experiences between its members through conventions, such as the **79th Convention of Legal Advisors** that was held last May. At this annual event, which is organized by the Legal Committee, the current litigation situation in the banking and financial fields, the new real estate credit industry regulation and the most notable court decisions regarding the financial sector were all analysed.

Communications and industry reputation plan

CECA has worked on a Plan to Improve the Reputation of the Banking Sector on two parallel fronts:

1. The first is a joint project with AEB that is launching several initiatives that are intended to communicate the value of the work done by banks in society.

2. CECA also intends to emphasize the contribution that this sector makes to society through its economic activities, the community projects fund and social action, financial education and its economic and tax impact.

CECA takes actions that promote the communication of the activities carried out by its members. This is done through the publication of the magazine "Ahorro", which contains information regarding current events in the banking and financial fields, as well as news regarding our members.

CECA also maintains several communities on **social media** and provides up-to-date information regarding CECA and its members, reports the activities carried out by its members and promotes the banking model that characterizes them, based on a customer orientation, sustainability, action and community projects. CECA maintains a presence on Twitter through the corporate profile 'CECA' (@sectorceca) and has more than 1,350 followers, as well as the profile 'Red Española de Educación Financiera' (@redufinanciera) with more than 2,150 followers, focusing on the exchange of knowledge and experiences within the financial culture. CECA also has an official channel on Youtube. In 2019 CECA created the LinkedIn profile CECA. Asociación bancaria", thereby obtaining an institutional presence on this important social media outlet.

Internal Representation Bodies

CECA members have a **Coordination Committee** that serves as a catalyst for actions to defend their common interests and to promote corporate projects that will improve efficiency upon implementation.

These actions are channelled through the **Technology Committee and the Regulatory and Payment Project Committee**, on which **ten implementation networks** depend, and it also serves as a lever to coordinate industry positioning nationally and at the European level.

It may be grouped together into three blocks:

- Monitoring in the implementation of regulations. The regulatory agenda has focused on BIS IV, resolution, sustainable finances, MiFID, PBC and PSD2. The analysis of its impact on regulations has translated into seven projects supported by leading market consultants (we note the projects involving Benchmark Index Reform, Sustainable Finances, Real Estate Credit Act, Bail in Operations, Separability in Resolution and Incident Response).

- The cooperation has intended to optimize and effectively implement member entity relationships with Public Administrations, promoting the development of electronic channels (developing a new communication service with the judicial authorities to communicate customer data) or the standardization of tax collection processes (encouraging mobile payments as a new payment method).

- Finally, we note the **Observatory** function as a communications and experience exchange channel, involving presentations by experts and companies involved with strategic challenges and market trends, as well as regarding process transformation using AI (Artificial Intelligence), programmable legal currency, cloud outsourcing, the multifaceted threat of fraud and cyber games.

The work being carried out with respect to disruptive technologies deserves specific mention, particularly the **Niuron** consortium, which is an initiative that explores the application of block chain to banking regulations and counts on the participation of 8 CECA members. Throughout 2019 work has been carried out on the analysis of the "business case", blockchain platform and the sharing of information regarding legal persons.

II. Financial and regulatory analysis

Regulatory monitoring:

The Regulatory Department continuously monitors regulations that affect Spanish credit institutions, particularly CECA members, to which it renders regulatory analysis services and represents their interests before national, European and international authorities. The main regulatory milestones in 2019 are as follows:

- Within the area of **supervision and solvency**, regulatory activity focused primarily on the monitoring and participation in the work carried out by the European Commission to implement the completion of **Basel III in the EU**, which materialized in meetings with the authorities and in responding to a public consultation during the second half of the year. It also continued with the processing of the amendment to CRR/CRD IV (known as **CRR II/CRD V**) presented by the European Commission at the end of 2016 within a package of measures to reduce risk (**RRMP**) and which ended in May 2019 with its publication in the DOUE. Particular attention has been paid to the public consultation prior to the preparation of the Bank of Spain Circular on **macro prudential tools**.

- With respect to the **resolution framework** for credit institutions, close attention was paid to the processing of the amendment of (**BRRD II**) presented by the European Commission at the end of 2016 as part of the **RRMP**, as well as the developments relating to the **MREL** and the consultation of the Single Resolution Board (SRB) concerning its **expectations for banks**.

- In the **retail area**, the focus has been on monitoring the evolution of Law 5/2019 (15 March), which regulates **real estate credit contracts**, it's enabling regulations and its application to entities, as well as the completion of the transposition into Spanish law of Directive 2014/92/UE (**PAD**) through the regulatory developments implemented by Royal Decree-Law 19/2017 (24 November), on basic payment accounts, transfers of payment accounts and comparisons of fees. The project concerning the Bank of Spain Circular on **the advertising of banking products and services** and the Order amending Order EHA/2899/2011 (28 October) on transparency and protection of banking service customers, has been monitored to determine the reporting obligations for indefinite loans associated with payment instruments. We have also continued to monitor the initiatives relating to the European Commission's **Action Plan** regarding retail financial services.

- As regards **securities market regulations**, we have closely followed, among other things, the following events and regulations: Public consultation of the European Commission regarding the review of the **benchmark index** regulation; the future reform of Spanish mortgage bonds as a result of the publication of the new framework for secured bonds (Directive (EU) 2019/2162 on the issue and public supervision of **secured bonds** and Regulation (EU) 2019/2160 that a man's Regulation (EU) 575/2013, with respect to exposures taking the form of secured bonds); as well as the start of the work to transpose Directive 2017/828 of the European Parliament and of the Council, of 17 May 2017, which amends Directive 2007/36/EC with respect to encouraging **long-term shareholder implication** through the relevant draft law.

- In the **payments** area we note the monitoring of the regulatory developments of Royal Degree-Law 19/2018 (23 November) on means of payment and other urgent financial measures, which was partially transposed from Directive (EU) 2015/2366 on payment services in the internal market (**PSD2**). Among them, Order ECE/1263/2019, of 26 December, on the transparency of conditions and reporting requirements applicable to payment services and which amends Order ECO/734/2004, of 11 March, on customer services and departments and customer ombudsmen at financial institutions, and Order EHA/2899/2011, of 28 October, on transparency and banking services customer protection.

- As regards **sustainability**, we have closely monitored the development of the measures in the European Commission **Action Plan** for sustainable finances, in particular the debating of Regulation (EU) 2019/2089, which amends Regulation (EU) 2016/1011 with respect to benchmark indexes for the EU climate transition, the EU **benchmark indexes** harmonized with the Paris Agreement and the communication of information relating to the sustainability of benchmark indexes; and Regulation (EU) 2019/2088 on the **disclosure of information** relating to sustainability in the financial services sector, as well as the proposed Regulation on **taxonomy**.

- In terms of **accounting**, we participated in the consultation of the Bank of Spain relating to the amendment of **Accounting Circular (4/2017) on credit institutions** two adapted to the modifications that will be made to financial reporting requirements for supervision purposes (Executing Regulation (EU) 680/2014 and Regulation (EU) 2015/534 of the ECB), as well as that relating to **Accounting Circular** (4/2019) on **financial credit establishments.**

- In the **E-commerce electronic payments** area, Directive (EU) 2015/2366 on payment services (PSD2) and Delegated Regulation (EU) 2018/389 established 14 September 2019 as the date on which the new reinforced authentication requirements entered into force. The banking associations in Spain have coordinated a **migration plan with relevant members of the industry** (commerce, large companies, consumers, small companies, processors, card issuers, etc.) with a 14-month deadline as a measure to minimize the potential impact of this situation, without compromising payment security, which is available at the website: https://www.ceca.es/de-interes-sectorial/pago-en-comercio-electronico/ .

- **In the consumer protection area**, the Customer Service Network (SAC) is a professional forum that engages in analysing suggestions and needs demanded by customers, proposing solutions and improvements in this respect to its organizations. This Network holds frequent meetings with the Market Conduct Department and Bank of Spain Claims, as well as the equivalent bodies at the National Stock Market Committee and the Director General for Insurance and Pension Funds. The involvement of the customer service network to improve the services offered to customers is also reflected in its implication with financial education matters, adding value to these initiatives thanks to its knowledge of customer needs.

CECA has continued to publish the report **Regulatory Panorama** with respect to the monitoring of regulatory initiatives, and this monthly publication summarizes the most notable aspects of the national and international agenda and publishes special editions when a matter of particular interest arises. It also makes its **Financial Legislation** database available to its members. This database includes all legislation applicable to credit institutions as well as proposed regulations. A monthly report is also prepared on the development of the industry, called **"Regulatory and Financial Evolution of the CECA Sector"**, which is sent to the main national and international agents.

Financial and Economic Analysis:

The Research Department performs a deep and continuous monitoring activity of the economic and financial framework in Spain and abroad, placing special emphasis on the banking context, in order to offer member entities a global and up-to-date view of the environment in which they operate. The monthly preparation of the **Financial and Economic Report** serves this purpose as, together with a detailed analysis of the international and national economic environment, and the evolution of financial markets, it includes the progress of retail activities carried out by deposit-taking entities in Spain, particularly those that are members of CECA.

On a quarterly basis this report is supplemented by the report on **CECA Sector Results**, which provides details of the evolution of the headings making up the aggregate income statement of member entities. The report relating to December 2019 included a detailed analysis of the development of operating expenses in the financial system and in the CECA sector over the past decade.

Single-topic reports are periodically prepared covering matters of great importance for member entities, notably including the following in 2019: Analysis of private sector loans, solvency report and a detailed analysis of Brexit and the consequences for the European and Spanish economies.

Within the framework of **European bank supervision**, particular attention is paid to the comparative examination of the most relevant characteristics of the main European banking systems, and the entities making up that system, through the preparation of specific reports: EBA transparency exercise and Analysis of the profitability of credit institutions in the EU.

At the same time the reports and presentations are being prepared, CECA publishes the **public financial statements** for each of its member entities, both on an individual and consolidated group basis, which are available on its corporate website.

Each year CECA prepares a **Statistical Annual Report**, which presents information regarding the governing bodies and basic financial information regarding each of its member entities.

Another service rendered to our member entities consists of the gathering of accounting information at the individual level in order to proceed with the aggregation of that information to subsequently send it in the form of aggregate financial statements, or in a management format as **Financial Information Bulletins**.

The Research Department distributes aggregate **statistical information** to member entities. This information concerns the balance sheets, income statements and offices that are regularly received from the Bank of Spain. This Department performs a relevant and continuous effort to communicate and represent the interests of our member entities before the Bank of Spain, with respect to the adaptation of the statistical information issued by their public entity and which serves as a basis for the analysis of the financial sector on an individual and a consolidated basis.

III. Social Investment:

1. Community projects:

The Community Projects Report prepared in 2019 concerning 2018 results shows that the members of CECA applied **813.4 million euros to the Community Projects Fund**, which is 1.6% more than in the previous year. These funds benefited nearly 35 million people through the financing of more than **120,000 activities**.

Once again, the entities participating in the Community Projects were the leaders of private social welfare investments in Spain and shows that they have maintained their commitment to a more sustainable society.

A **novelty** in 2019 was **including the Sustainable Development Goals** in the Community Projects Report in order to emphasise that its activity is in line with the most current needs, such as Agenda 2030 (Sustainable Development Goals) and the society of the future.

The Community Projects Report presents data showing that the Community projects Fund contributes to attaining the 17 Sustainable Development Goals, primarily SDG-3, SDG-9, SDG-1, SDG-4, SDG-8, SDG-11 and SDG-10. It simultaneously encourages the dissemination and promotion of those Goals and the Agenda 2030 by providing capillarity and creating networks, alliances and exchanges of experience in this area.

Through the **Executive Committee of the Community Projects Fund**, CECA has acted as an instrument for dialog and the exchange of experiences among the foundations and entities that make up the Fund, in order to find joint solutions to future challenges and to improve the knowledge of the sector. Specifically, work has been done in:

Foro Fundaciones

Foro Fundaciones has **strengthened innovation in the Community Projects** through such matters as: the use of **Blockchain** to trace donations and their use; **innovation and philanthropy**, through the analysis of the social credit and success payments, as well as **digitalisation**. The relationship between its activity and **financial education and inclusion** or **sustainability and climate change**, the **Agenda 2030 and the Sustainable Development Goals** has also been analysed as future opportunities to establish **collaborative arrangements and alliances** with other public or private agents to thus achieve a new line of action to support the financial sustainability of the Community Projects Fund while contributing to the welfare state and social inclusion.

Exchange of Experience

This Committee has formed **working groups** that have discussed matters relating to **taxes, regulation and the exchange of experience** with Foundations, in both the same sector and those outside of that area, that are notable due to their innovation and contribution to the economic development of the territory.

In addition to obtaining new revenue streams to continue supporting this and other areas relating to the Community Projects Fund, the objective is to encourage collaboration and contribute to the effectiveness and the identification of new social needs.

Strengthening of Communications: Social Observatory

The Executive Committee of the Community Projects and Foundations area has strengthened the communication of industry activities in order to support and increase the visibility of the efforts that continue to be made in this respect with Foundations and Savings Banks.

Evidence of this is the publication during the first quarter of 2019 of the "**2018 Community Projects Report**", which was accompanied by a **promotional video.** CECA also has made efforts to promote better communication of the Community Project activity through publications in **local and national media.**

Furthermore, in collaboration with Funcas, the organisation has been taking the first steps to create a **Social Observatory** in the future in order to present publications and studies relating to social matters. An example of this work has been the presentation to the Committee of the study "Social Panorama, 29: *Social inclusion of vulnerable populations: minimum income and social services*", which was received with great interest by attendees.

Five-year report on Community Projects in Spain

Another notable milestone in 2019 was the preparation of a report regarding Community Project activity trends called: **Five-year report on Community Projects in Spain**.

According to this report, CECA members have applied 3,776 million euros over the past five years to support activities with social impact and which has benefited 167 million people.

During this time 2,185 million euros, nearly 58% of the Community Projects investment, has been applied to activities focusing on infancy and youth, persons in social exclusion risk situations, the over 65 age group and persons with special needs. A total of more than 93 million people pertaining to these groups have benefited from the activities supported by the Community Projects Fund.

The investment in assistance programs for groups at risk of social exclusion, health care, volunteers or those intended to improve the integration of certain societal groups totalled 1,760 million euros. These activities represent nearly 47% of the investment made by the entities, followed by those for Culture and Patrimony (19%), Education and Research (15.6%), Local Development and Job Creation (9.5%), Environment (5.7%) and Sports and Recreation (3.3%).

2. Montes de Piedad:

CECA has always supported Montes de Piedad since they have been very tied to the origins of Savings Banks and they continue to support the Community Projects Funds thanks to the contributions they generate for the Foundations on which they depend.

CECA has closely worked and collaborated with Montes de Piedad to create a National Association of Montes de Piedad that could also legally operate the common auction portal.

On 18 July 2018 the National Network of Montes de Piedad held a meeting at CECA's headquarters and approved the bylaws and signed the incorporation document for the **Spanish Association of Montes de Piedad (PRESEA)**. CECA has been an honorary member of that association since then.

3. Financial Education:

For CECA and its members, improving financial education is a key pillar and decisive element for the economic and financial stability and development of families. CECA therefore implements **programmes that promote the improvement of financial culture throughout society.**

Evidence of this is the award ***"Financing for all to develop the Financial Education Plan"*** given by the Bank of Spain and the CNMV in October 2019 to CECA and Funcas in recognition of their activity and commitment to the promotion of financial education by the sector.

The publication of the first financial education industry report (**Financial Education Activities Report 2018**) in March is a notable milestone, according to which entities associated with CECA invested more than four million euro in financial education programmes that were divided into 2,643 activities and reached more than 9.5 million individuals.

Another milestone reached over the course of 2019 was the renewal of the ***"Funcas Financial Education Stimulus Programme"*** that CECA and Funcas launched in 2018 with an allocation of three million euro. The success attained the next edition of this programme will total approximately 3.45 million euros, which is a 14.9% increase over last year.

The final of the 2019 milestones was CECA joining the **OECD International Network on Financial Education (OECD/INFE)**, which is made up of representatives of more than 126 economies, including all members of the G20 and important international organisations.

Since the first **Financial Education Day**, CECA has promoted and supported this effort, coordinating activities nationwide with its associate entities.

During the last edition, CECA contributed to the promotion of financial education by participating, together with Funcas, in the radio programme **Capital Radio Intereconomía** on Financial Education Day.

Internationally, in 2019 CECA supported financial education in those international institutions of which it is a member, particularly **ESBG** and **WSBI**.

CECA's collaboration with the aforementioned events is notable, such as the **European Financial Education Conference:** ***Evolution, Revolution – Financial Education in the digital age*****"**, at which international industry representatives discussed the transformation that is taking place in the financial services industry. It also participated in ESBG's **Financial History Workshop** ***"Savings Banks Spreading Financial Knowledge"***, where European members were presented with a virtual exposition titled: ***"Learn to save: Teaching savings, a source of financial education"***.

In this respect, and protecting financial training interests, the entities participating in the Financial Education working group actively collaborate with the Spanish Financial Education Network website with the objective of making it a meeting point for sharing knowledge, current events and event agendas in order to extend financial education activities as far as possible.

4. Corporate Social Responsibility:

Industry activities are primarily articulated through the work performed by the **CSR and Sustainability Industry Network**. This committee is a meeting point that allows ideas to generate and proposals involving the main points of the national and international sustainability agenda. Three meetings were held this year (in January, May and October) and nearly all the entities in the sector participated.

In 2019 national and global issues in this area were discussed.

The social issues notably include the **Principles of Responsible Banking**, an initiative within the United Nations Environment Programme Finance Initiative (UNEP FI). CECA became a member in January 2019 after being approved by the Board of Directors.

Another important milestone was the creation this year of **FINRESP**, as a Centre of Responsible and Sustainable Financing, by the five financial associations in Spain (AEB, CECA, INVERCO, UNACC, UNESPA). FINRESP joined the **United Nations network of Financial Centres for Sustainability (FC4S)** in July 2019.

Our attendance at the **UN Climate Change Conference (COP 25)** in Madrid was a notable event and it was very successful due to the joining of all CECA associated entities into "Spanish Banks Collective Commitment to Climate Action".

Among all of the national matters that arose in 2019 the second launch of **CECA's Industry Social Impact Project** was notable. This report is intended to assess and analyse the impacts of CECA member entities from three different perspectives: economy, tax and social.

V. Labour relations

During 2019 the entities associated with CECA that are bound by the industry collective bargaining agreement remained the same and are as follows:

CAIXABANK www.caixabank.com	BANKIA www.bankia.es	IBERCAJA BANCO www.ibercaja.es	ABANCA CORPORACIÓN BANCARIA www.abanca.com
CAJASUR BANCO, SAU www.cajasur.es	UNICAJA BANCO www.unicaja.es	LIBERBANK www.liberbank.es	CAIXA ONTINYENT www.caixaontinyent.es
CAIXA POLLENÇA www.colonya.es	CECABANK www.cecabank.es		

Nonetheless, during 2019 Cajasur Banco S.A.U. informed CECA of the start of company level negotiations to draft its own collective bargaining agreement and to leave the industry agreement. That negotiation process had not been completed at the end of 2019.

I. Collective Agreement Negotiating Committee

The negotiating committee for the collective bargaining agreement was created at the start of 2019. That committee did not engage in any activity until March 2019, when the labour representatives were definitively configured after the election process that ended in February 2019.

After the publication of Royal Decree-Law 8/2019 (12 March), the committee decided to first open ad hoc negotiations regarding the working time recording system in the sector as part of the collective bargaining agreement.

After five months of negotiations, on 12 September 2019 CECA and a majority of the labour representatives **reached an agreement** in this respect which was published in the Official State Gazette on 30 October 2019 after passing the legal review performed by the Directorate General for Labour.

After the agreement for the working time recording system was signed, both CECA and the various trade unions made proposals for the negotiation of the labour agreement covering diverse matters.

The negotiations are expected to **last until 30 June 2020**.

II. Administration of the Collective Bargaining Agreement

The recurring activities carried out by CECA as the industry organisation include the coordination of the collective bargaining agreement oversight committee.

That committee has been assigned the following **competencies:**

- The interpretation, monitoring and application of the agreement.
- The hearing and resolution of disputes after the end of the consultation period for substantial amendments to working conditions or the failure to apply the salary system.
- This committee must intervene in cases of labour conflicts relating to the interpretation or application of the agreement before any formal out-of-court conflict proceedings are implemented or cases are taken to the competent court.

Since the collective bargaining negotiation committee was created this year the oversight committee has not been asked to handle any interpretation matter relating to the collective bargaining agreement currently being negotiated.

III. Trade union elections in 2019

After the elections held during the first quarter of 2019, union representatives in the industry were fully defined with respect to the creation of the Collective bargaining agreement negotiating committee.

The result of the entire election process in the sector gave rise to labour representation that is similar to that existing previously, as follows:

RESULTS OF WORKERS' COMMITTEES AND PERSONNEL DELEGATES

Union	Number of delegates	% of the total
CCOO	707	33.3%
FINE	510	24.0%
UGT	398	18.7%
SIB	11	0.5%
FEC	11	0.5%
CGT	22	1.0%
CIC	256	12.1%
LAB-ELA	2	0.1%
CIG	12	0.6%
ACCAM	85	4.0%
ACB	7	0.3%
SESFI	19	0.9%
UOB	16	0.8%
APECASYC	3	0.1%
ACI	30	1.4%
CSIF	34	1.6%
Total	**2123**	**99.9%**

IV. Labour relations committee

During 2019 the Labour Relations Committee met once and analysed and reached a decision regarding the strategic lines of the negotiation of the collective bargaining agreement.

1.2. STRATEGIC PLAN 2020 AND DEVELOPMENT OF CECABANK'S 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 270 million euros.
- 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 119,143 million euros and 158,749 million euros 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 allows 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 100,000 euros 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 11.2 million euros and we actually obtained 39.2 million euros, 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.

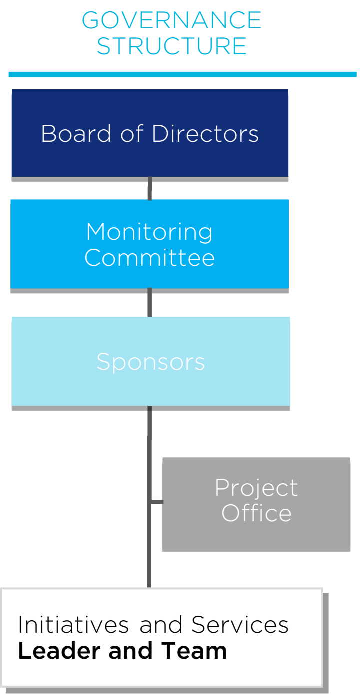
New revenue - This item records the actual impact on the income statement of the new contracts obtained during the year in progress (9.3 million euros). Despite not attaining the objective as a result of the delay in the implementation of some projects, the "quality" of that revenue is notable as it 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 10,000 euros/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. STATEMENT OF PROFIT OR LOSS

Given the immaterial relevance of the rest of the companies in the Group, the results obtained by Cecabank, S.A. is represented below:

	Actual 2019 (*)	Budget 2019 (*)	Variance Amount (*)	Variance %
Financial margin (**)	59,290	84,114	(24,824)	(30)
Fee and commission and operating income (***)	150,963	163,504	(12,541)	(8)
Gross income	**210,253**	**247,618**	**(37,365)**	**(15)**
Operating expenses (including provisions) (****)	(148,223)	(164,224)	16,001	(10)
Profit/(loss) from Operations	**62,030**	**83,395**	**(21,365)**	**(26)**
Other income and expenses	1,027	0	1,027	-
Profit before tax	**63,057**	**83,395**	**(20,338)**	**(24)**
Income tax	(17,872)	(24,185)	6,313	(26)
Profit/(loss) for the year	**45,185**	**59,209**	**(14,024)**	**(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 slight 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 8% 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 210 million euros, which is 15% below the budgeted figure due to the reasons mentioned above.

- **Operating expenses:** savings in all operating expense headings have been obtained: staff costs fell by 10% 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 6% 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 45.2 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-
MOODY´S	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 **23, 24, 25, 26 and 27** to the Group's financial 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 phones 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.

6.1. OUTLOOK FOR CECA'S BUSINESS IN 2020

The strategic objectives set by CECA for 2020 focus on the following aspects:

- Represent and defend the interests of Member Entities in the National and International Regulatory Agenda for 2020.
- Represent member entities with respect to the Collective Bargaining Agreement for Savings Banks and Financial Savings Entities, negotiating the new agreement with trade unions.
- Prepare economic studies and analyses of regulatory impacts of industry interest.
- Reputation action plan: promote the industry's image and reputation in the media and public opinion.
- Prepare regulatory and technological projects of common interest in collaboration with other entities.
- Reinforce the Financial Education Programme through Funcas.

6.2. OUTLOOK FOR CECABANK'S BUSINESS IN 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

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

9,894 thousands of euros 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.

29,700 thousands of euros 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 > 10,000 euros, 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. PAYMENTS TO SUPPLIERS

Note 37 of CECA Group's notes to the financial statements reflect the information relating to the deferral of payments to suppliers, in compliance with Article 262 of the Spanish Companies Act.

5.1

ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

APPENDIX. 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.

This document refers to CECA's activity. However, given that Cecabank represents the great majority of CECA's business volume, the information presented in this non-financial information statement largely relates to Cecabank, and therefore this information may be considered to represent the Company.

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.

When preparing the non-financial information's date, 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 to CECA.

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

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

This non-financial information statement forms part of CECA'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 CECA

01A. OUR BUSINESS MODEL

CECA is a banking association that communicates, defends and represents the interests of its member entities, provides them with advisory services and promotes the mission that they must carry out in society, both from the perspective of their financial activities as well as the Community Projects Fund, and the exercising of their social responsibility.

Among its members, CECA has credit institutions and foundations (in the banking and general sectors), associated with the savings industry.

01B. MEMBER ENTITIES

CAIXABANK
www.caixabank.com

BANKIA
www.bankia.es

IBERCAJA BANCO
www.ibercaja.es

ABANCA
CORPORACIÓN
BANCARIA
www.abanca.com

KUTXABANK
www.kutxabank.es

CAJASUR BANCO, SAU.
www.cajasur.es

UNICAJA BANCO
www.unicaja.es

LIBERBANK
www.liberbank.es

CAIXA ONTINYENT
www.caixaontinyent.es

CAIXA POLLENÇA
www.colonya.es

CECABANK
www.cecabank.es

01C. BANKING FOUNDATIONS

FUNDACIÓN BANCARIA LA CAIXA
www.fundacionbancarialacaixa.org

FUNDACIÓN BANCARIA IBERCAJA
www.fundacionbancariaibercaja.es

FUNDACIÓN BANCARIA KUTXA
www.kutxa.eus

FUNDACIÓN BANCARIA BILBAO BIZKAIA KUTXA
www.bbk.eus

FUNDACIÓN BANCARIA CAJA DE BURGOS
www.cajadeburgos.es

FUNDACIÓN BANCARIA UNICAJA
www.fundacionbancariaunicaja.es

FUNDACIÓN BANCARIA CAJA VITAL KUTXA
vital.kutxabank.es

FUNDACIÓN BANCARIA CAJASTUR
www.fundacioncajastur.es

FUNDACIÓN BANCARIA CAJA DE EXTREMADURA
www.fundacioncajaextremadura.es

FUNDACIÓN BANCARIA CASYC
www.fundacioncajacantabria.es

FUNDACIÓN BANCARIA CAJACÍRCULO
www.fundacioncajacirculo.com

FUNDACIÓN BANCARIA CAJACANARIAS
www.cajacanarias.com

FUNDACIÓN BANCARIA CCM
www.fundacioncajacastillalamancha.es

FUNDACIÓN BANCARIA CAJANAVARRA
www.fundacioncajanavarra.es

01D. GENERAL FOUNDATIONS

CAJAGRANADA FUNDACIÓN
www.cajagranadafundacion.es

FUNDACIÓN CAJA RIOJA
www.fundacion-cajarioja.es

FUNDACIÓN MONTEMADRID
www.fundacionmontemadrid.es

FUNDACIÓN CANARIA LA CAJA INSULAR
www.lacajadecanarias.es

FUNDACIÓN CAJA MURCIA
www.cajameditrerraneo.com

FUNDACIÓN BANCAJA
www.fundacionbancaja.es

AFUNDACIÓN
www.afundacion.org

FUNDACIÓ PINNAE
www.pinnae.cat

FUNDACIÓN CAI
www.fundacioncai.es

FUNDACIÓ CAIXA BALEARS
www.obrasocialsanostra.com/es

FUNDACIÓN CAJA MEDITERRÁNEO
www.cajamediterraneo.es

FUNDACIÓN CAJA DE ÁVILA
www.fundacioncajadeavila.es

FUNDACIÓN CAJASOL
www.cajasol.com

FUNDACIÓN CAJA SEGOVIA
www.fundacióncajasegovia.es

01E. CECA GOVERNANCE AND ORGANISATION

CECA is currently expressly regulated by Additional Provision Eleven of the Savings Bank and Banking Foundation Act (Law 26/2013), which expressly recognizes the suitability of CECA to be a bank shareholder (Cecabank) as well as CECA's role as a financial Association.

The governance, administration, management and control of CECA is the responsibility of the General Assembly and the Board of Directors, in accordance with the authorities granted to each one that are established in its Articles of Association.

The General Assembly is the top governing and decision-making body at CECA and is made up of the representatives designated by the member savings banks and other entities. The members of the Assembly must take into account the general interests of savings and deposit holders.

The General Assembly is responsible for, among other functions established in the Articles of Association, the annual definition of the general lines of the action plan, the appointment of members of the Board of Directors, the confirmation of the appointment of the Managing Director at the proposal of the Board of Directors, the approval of the financial statements and the application of results, as well as the creation and elimination of charity-social entities, the approval of their budgets and their management.

The Board of Directors is responsible for, among other things, the governance and administration of the entity, as well as representing it with respect to all matters relating to its business and in litigation, with the powers expressly granted by the Articles of Association.

CECA also has a Foundation and Community Projects Committee. That Committee is the main forum for the exchange of experiences, cooperation and studies regarding the Community Projects. This body is of a consultation nature and is associated with CECA's community projects fund, Funcas.

01F. CECA'S ACTIVITIES

CECA divides its activities into four essential pillars:

- **Institutional Representation**

  Defence of the interests of our members in national and international forums.

- **Financial and regulatory analysis**

  Exhaustive regulatory monitoring of national and international agendas and ad-hoc financial studies.

- **Social investment**

  Communication and promotion of social investment, both by the community projects fund and with respect to corporate social responsibility, from an industry perspective.

- **Labour representation**

  Defence of the member entities that are bound by the collective bargaining agreement for savings banks and financial savings entities.

To obtain further information regarding the activities carried out by CECA in 2019 with respect to each of its four fundamental pillars; the 2019 Consolidated Directors' Report for CECA can be consulted.

This document refers to CECA's activity. However, given that Cecabank represents the great majority of CECA's business volume, the information presented in this non-financial information statement largely relates to Cecabank, and therefore this information may be considered to represent the CECA.

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.

- 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.

CECA has 2 employees in Spain (2 full-time women at Level VII and Level XI) and 4 part-time employees that are members of Cecabank's Management Committee. Given that CECA's two full-time employees represent 0.43% of CECA and Cecabank's entire payroll (469 employees), only the Cecabank employees have been taken into account in the indicator report in section "03. People management".

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
Grupo 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
Grupo 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 7 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 members		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.
- To create 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 Spain	Number	470	467
Percentage of women at Cecabank Spain	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 horas	45 horas
Investment in employee training in Spain	Euro per employee	1,296 €	1,191 €

Throughout 2019 improvements have been made to the tools 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 clawback clauses should certain events occur in accordance with the general remuneration policy at Cecabank.

The average salaries, [1]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 €

[1] 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.

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 median	**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.

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 employee benefits per employee (includes fund contributions, help for nursery fees/study grants for employees' children/employee healthcare insurance)	Euros/ 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 in Spain	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[2] in 2019 is 3 accidents per million hours worked at Cecabank. The Severity Index[3] 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.

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.

[2] 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., S.A.

[3] 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.

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, the 15 finalists were chosen which Cecabank supported with 100,000 euros (two years ago there were 7 winners and the year before that there were 12 projects), which shows that the scope of the beneficiaries, and employee participation, continue to increase.

The finalist projects within the “You Choose” projects are presented below::

Categoría	Asociación beneficiaria	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 €
Ayuda total		**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 [4]. 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.

    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: Fundación Pama, Fundación Senara, colegio público Pinar de San José and Fundación Bobath.

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

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 solidarity project at Cecabank has the Madrid Food Bank as the sole recipient and allows the distribution of food among the homeless, the elderly, children, the unemployed, etc. The Madrid Food bank works with more than 550 charities 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:

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

    ii. 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.


IQNet
THE INTERNATIONAL CERTIFICATION NETWORK
CERTIFICATE
AENOR has issued an IQNet recognized certificate that the organization:
CECABANK, S.A.
CL ALCALA, 27. 28014 - MADRID
CL CABALLERO DE GRACIA, 28-30. 28013 - MADRID
has implemented and maintains a
Energy Management System
for the following scope:
For the energy management activities of Cecabank's headquarter buildings located at 27 Alcalá str. And 28-30 Caballero de Gracia str in Madrid, where Cecabank develops its wholesale banking activity comprising financial and technological services specialised in Securities Services, Treasury and Banking Services
which fulfills the requirements of the following standard
ISO 50001:2011
First issued on: 2018-12-14 Validity date: 2021-12-14
This attestation is directly linked to the IQNet Partner's original certificate and shall not be used as a stand-alone document
Registration Number: ES-GE-2018/0038
AENOR


AENOR
Certificado del
Sistema de Gestión Energética
GE-2018/0038
AENOR certifica que la organización
CECABANK, S.A.
dispone de un sistema de gestión energética conforme con la Norma UNE-EN ISO 50001:2011
para las actividades: Actividades de gestión energética de los edificios de CECABANK situados en la calle Alcalá 27, y en la calle Caballero de Gracia 28-30 de Madrid, destinados a sus oficinas centrales y donde CECABAK desarrolla su negocio de banca mayorista y presta servicio de soporte a procesos de negocio especializado en Securities Services, Tesorería y Servicios Bancarios.
que se realizan en: CL ALCALA, 27. 28014 - MADRID
CL CABALLERO DE GRACIA, 28-30. 28013 - MADRID
Fecha de primera emisión: 2018-12-14
Fecha de expiración: 2021-12-14

The changes in the main environmental indicators are as follows:

Building consumption		Year			
Alcalá,27 & C, Gracia, 28-30	**Measurement unit**	**2016**	**2017**	**2018**	**2019**
Energy (electricity) [5]	GJ	9,909	6,124	8,095	7,021
Energy (natural gas) [6]	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[7]

[5] 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

[6] 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

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

Cecabank is aware of its climate change responsibility and the importance of participating in 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 for the years 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.		Año
Alcalá,27 & C, Gracia, 28-30	**Unidad de medida**	**2019**
Papel y Cartón	Tn	43,75
Mezcla	Tn	17,82
Pilas	Tn	0,15
Residuos Peligrosos	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.

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

CECA obtained a consolidated profit of 40,224 thousand euros before taxes. In 2018 this figure was 69,547 thousand euros. 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. Cecabank's 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.

CECA paid 138 thousand euros in taxes in 2019 . In 2018, it paid 13,031 thousand euros in taxes.

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

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	01. About Ceca	GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-6
Organisation and structure		
Markets in which it operates		
Objectives and strategies		
Main factors and trends that may affect future development		
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

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated gri indicator
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. Environmental issues	
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 03E. Employee benefits	GRI 405-2
Salary Gap, remuneration for identical job positions or average positions at the company.	03D. Remuneration	GRI 405-2
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 102-35 GRI 102-36
Implementation of work disconnect policies	03F. Reconciliation	GRI 103-2 (employment)
Employees with disabilities	03B. Equality	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 (health and safety).
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

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated gri indicator
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).
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).

Content of law 11/2018 NFIS	Chapter of the non-financial information statement presenting the information	Associated gri indicator
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

5.1

ANNUAL ACCOUNTS CECA

Confederación Española de Cajas de Ahorros and Subsidiaries composing the Confederación Española de Cajas de Ahorros Group

Informe de verificación independiente

A los asociados de la Confederación Española de Cajas de Ahorro:

De acuerdo al artículo 49 del Código de Comercio hemos realizado la verificación, con el alcance de seguridad limitada, del Estado de Información No Financiera Consolidado (en adelante, EINF) correspondiente al ejercicio finalizado el 31 de diciembre de 2019, de la Confederación Española de Cajas de Ahorro (en adelante, CECA o la Entidad dominante) y sociedades dependientes (en adelante, el Grupo CECA o el Grupo) que forma parte del Informe de Gestión Consolidado del Grupo.

Responsabilidad de los administradores de la CECA

La formulación del EINF incluido en el Informe de Gestión Consolidado del Grupo CECA, así como el contenido del mismo, es responsabilidad de los administradores de la CECA. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los *Sustainability Reporting Standards* de *Global Reporting Initiative* (estándares GRI) seleccionados descritos de acuerdo a lo mencionado para cada materia en la tabla incluida en el "Anexo 3. Tabla de cumplimiento de la Ley 11/2018, de 28 de diciembre" del citado Estado Consolidado.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores de la CECA son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

Nuestra independencia y control de calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código de Ética para Profesionales de la Contabilidad emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Nuestra firma aplica la Norma Internacional de Control de Calidad 1 (NICC 1) y mantiene, en consecuencia, un sistema global de control de calidad que incluye políticas y procedimientos documentados relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información no Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

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

Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de verificación independiente de seguridad limitada basándonos en el trabajo realizado que se refiere exclusivamente al ejercicio 2019. Los datos correspondientes a ejercicios anteriores fueron verificados por otro profesional. Hemos llevado a cabo nuestro trabajo de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 Revisada en vigor, "Encargos de Aseguramiento distintos de la Auditoría y de la Revisión de Información Financiera Histórica" (NIEA 3000 Revisada) emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC) y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de seguridad limitada los procedimientos llevados a cabo varían en naturaleza y momento de realización, y tienen una menor extensión, que los realizados en un trabajo de seguridad razonable y, por lo tanto, la seguridad proporcionada es también menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades del Grupo CECA que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal del Grupo CECA para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.

- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2019 en función del análisis de materialidad realizado por el Grupo CECA y descrito en la página 3 del EINF, considerando los contenidos requeridos en la normativa mercantil en vigor.

- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2019.

- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2019.

- Comprobación, mediante pruebas, en base a la selección de una muestra, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2019 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.

- Obtención de una carta de manifestaciones de los administradores y la Dirección de la Entidad dominante.

Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF de 2019 de la CECA y sociedades dependientes correspondiente al ejercicio anual finalizado el 31 de diciembre de 2019 no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI seleccionados descritos de acuerdo a lo mencionado para cada materia en la tabla incluida en el "Anexo 3. Tabla de cumplimiento de la Ley 11/2018, de 28 de diciembre" del citado Estado Consolidado.

Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

PricewaterhouseCoopers Auditores, S.L.

INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2020 Núm.01/20/01454

Informe sobre trabajos distintos a la auditoría de cuentas

Tamer Davut

27 de febrero de 2020

FORMULATION OF THE ANNUAL ACCOUNTS AND MANAGEMENT REPORT

Diligence to record that the Board of Directors of Confederación Española de Cajas de Ahorros (CECA), at its meeting of 26 February 2020, formulated the consolidated Annual Accounts and the consolidated Management Report of the Confederación Española de Cajas de Ahorros for the 2019 financial year, documents that have been transcribed, including the present page, on the front of 166 stamped sheets and which are endorsed with the signature below of all members of the Board of Directors of Confederación Española de Cajas de Ahorros.

Madrid, 26 February 2020

D. Isidro Fainé Casas

President. ID. 36.456.287 E

D. José Ignacio Goirigolzarri Tellaeche

Vicepresident. ID. 14.909.223 W

D. Braulio Medel Cámara

Vicepresident. ID. 28.376.300 G

D. Gregorio Villalabeitia Galarraga

Vicepresident. ID. 14.692.127 A

D. José Luis Aguirre Loaso

Member. ID. 17.109.813 K

D. Antonio Carbonell Tatay
Member. ID. 73.724.917 G

D. Josep A. Cifre Rodríguez
Secretary - Director. ID. 43.066.523 N

D. Juan Carlos Escotet Rodríguez
Member. ID. 49.914.202 Q

D. Manuel Menéndez Menéndez
Member. ID. 10.598.547 D

D. Manuel Azuaga Moreno
Member. ID. 24.750.256 W