Renta 4 Banco

Annual Report 2017

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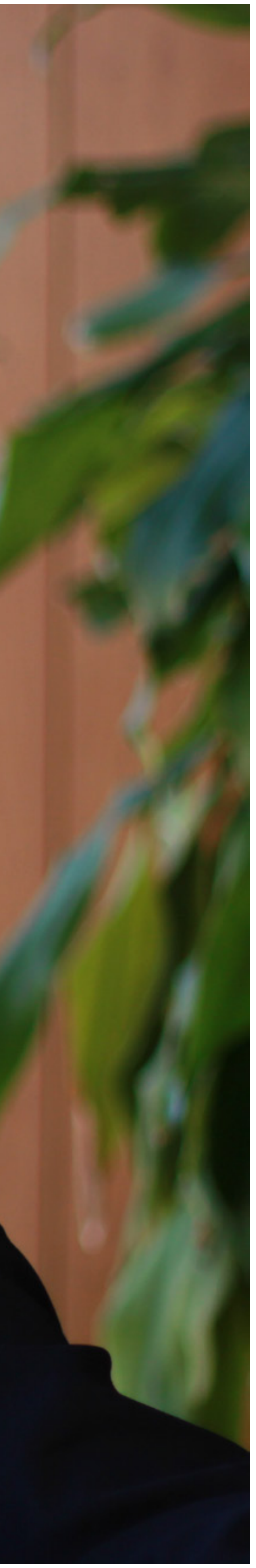
Index

Letter from the chairman



Dear shareholders,

2017 was a good year for Renta 4 Banco, with excellent growth in terms of assets under management and administered, numbers of customers in our network, revenue from our business and Bank profits. 2017 was also an important year because, as a Bank, we were compelled to make preparations for the introduction in January 2018 of a new financial regulation, MiFID II, which contains changes that are most relevant to our business. We also continued to progress on the digital transformation of our bank.

These regulatory changes and the digital transformations are the manifestations of a broader phenomenon, which is the transformation of society, and therefore of our customers. Transformation of their lifestyles, their needs, the way in which they express these needs and the way in which they wish to be treated. Thus the challenge facing us is not only merely a regulatory or technological challenge, and in fact goes well beyond this - it is the challenge of adapting our business to a society which is gradually turning into a different kind of society.

None of us can know for certain what the ultimate consequences of these changes will be, and this has led the more visionary to conjure up a “post-human” society, but what we do know is that customers’ needs are now more diverse and they are making more stringent demands on banks competing among each other to offer them our services.

Customers want a service through multiple channels, with the most customized service possible in all of them, and not only do they want us to furnish solutions for their needs and objectives, but they want us to help them formulate those needs and objectives more clearly.

I feel Renta 4 Banco is extremely well positioned to make a successful exit from the current wave of change which the sector is undergoing, and which it will continue to undergo in the years ahead. As a specialist Bank we can and do offer our services to an extremely transversal and extensive range of customers, through a variety of channels and a wealth of investment solutions, designed in such a way as to adapt to different profiles and requirements.

We are an “inclusive” Bank, a Bank that wishes to provide a service for all kinds of savers and investors, so that nobody is left out, no matter how small an entity they may be. We want to provide a service, and we do so, for the most sophisticated investors and also for savers who are embarking upon an investment experience and are seeking simple solutions. We are also “inclusive” in terms of our offer of services, because none of the investment variants is missing from our offer. And we work as hard as we can to make this “inclusive” concept, this idea of a Bank for all kinds of savers, compatible with total service quality, so that all Renta 4 Banco’s customers can perceive the most exclusive brand that makes the difference when they work with us. Irrespective of their assets or their financial experience.

This combination is possible with Renta 4 Banco thanks to our specific business model, which has a number of characteristics to set it apart from the rest.

- The first is specialization. We are a Bank managing savings and capital markets, and although we offer our customers some of the traditional banking services, which we will continue to enhance, our sights are set on asset management, finance markets and investment banking. It is precisely because we only provide investment services that we can carry out all investment services to the highest level of quality.

- Secondly, the “integrated” model, integration and complementarity of all our areas of activity and all phases of customer relations. All our activities are based on the same structure and on a platform that enables us to share the same basic knowledge we operate at the Bank. The “integrated” model gives us the utmost operational efficiency, together with full control of our service quality and greater knowledge of what our customers want and think. These are the three key issues. In 2017, Renta 4 Banco’s operating costs stood at 28 basis points over total assets, down from 34.5 basis points in 2016 and 35.7 basis points in 2015. It is this efficiency that enables us, at the most competitive prices, to cater for some very different customer segments, and pass on an increasing portion of the efficiency to customers in the form of much lower rates. The technology platform and internal knowledge management are two key features of our “integrated” model.

- Thirdly, our capital and balance sheet model. Renta 4 Banco holds a large amount of regulatory capital and also provides a high return on equity (ROE) simultaneously. This is an unusual combination for the banking sector, and it is extremely solid and resilient because it is not dependent on debt and generates additional compound returns for shareholders (“compounding”). Moreover, the assets on our balance sheet are highly liquid, and this gives us considerable flexibility.

- Fourthly and finally, our Bank governance model. The interests of shareholders, directors and our management team are fully aligned because more than 65% of share capital is held by the Board and management. Interests are also fully aligned with customers, because the growth of our assets is directly related to sound progress by assets under management and customer satisfaction.

Beyond successive waves of technology transformation, which will continue, the banking sector is and will be a matter of allocation of funds and risk management. I do not agree with those who believe the Banks of the future will be technology companies. At the present time technology is, and will continue to be even more so in the future, a necessary condition for survival. No Bank will survive without a first-rate technology base. The good Banks, however, will stand out from the bad Banks, because they will allocate their funds properly and implement proper risk management. This is what banking has been in the past, and in my opinion this is also what it will be in the future.

This conviction leads me to believe that specialization, operational integration, the capital and liquidity model and the governance model are the best allies to overcome the challenges ahead, many of which are impossible to predict.

I will now move on to the main figures for 2017 and the first quarter of 2018.

+ Total customer assets at year-end 2017 stood at 19,967 million euros, up by 29.3% on the year, with major customer asset growth in the proprietary network and customer assets under management.

+ Customer funds in the proprietary network totaled 10,846 million euros, an increase of 36.9% with respect to 2016.

+ Customer assets under management (investment funds, SICAVs and pension funds) totaled 9,610 million euros, representing an increase during the year of 26.6%.

+ Assets in investment funds marketed and managed by Renta 4 stood at 5,074 million euros, as against 3,821 million euros the previous year, an increase of 32.8%.

+ Renta 4 Gestora investment funds totaled 3,758 million euros, up by 33.9% on the year.

+ Customer assets invested in third-party funds stood at 1,316 million euros, an increase of 29.7% in 2017.

+ Assets of SICAVs under management totaled 1,166 million euros, up by 24.3% on the year.

+ Pension fund assets stood at 3,370 million euros, up on the year by 19.1%.

+ Net customer fundraising continued to expand at a satisfactory pace to 2,078 million euros, 1,022 million euros of which were accounted for by the proprietary network.

+ Customer numbers also showed a significant increase, with 75,642 customers in the proprietary network.

+ Net profit attributable to the Group in 2017 was 16.5 million euros, up by 36.2% against the previous year. Gross fees and commissions stood at 137.7 million euros, rising by 11.7% against 2016. Management fees obtained in the “Asset Management” segment totaled 70.1 million euros, a 17.5% increase compared to 2016. “Corporate Services” rose by 16.2% to 12.2 million euros.

+ Net fee and commission income including exchange differences was up by 8.8% at 68.5 million euros, compared to 63 million euros in 2016.

+ Net interest income totaled 3 million euros, falling slightly by 0.2% compared to 2016. Gains on financial assets and liabilities rose by 85.9% to 7.8 million euros, as against 4.2 million euros in 2016.

+ Turning to costs, operating expenses (overheads, staff expenses, other operating costs and depreciation) stood at 57.2 million euros, an increase of 7.3% over the last twelve months.

This positive trend continued into the first quarter of 2018, with profits up by 13.2% against the first quarter of 2017 to stand at 4.3 million euros, while customer assets also rose by 17.8% to 20,673 million euros. Net fee and commission income including exchange differences was up by 9.9% at 18.8 million euros, thanks to a greater volume of assets managed and administered, which offset a lower financial margin and results of financial assets and liabilities.

These figures bear out the sturdiness of our business model and our positioning as a specialist Bank. This positioning is well set to become all the more relevant in the economic panorama of the years ahead. The world is now enjoying growth of almost 4%, according to recent estimates by the International Monetary Fund. Growth based on extremely favorable liquidity and interest rate conditions, expansion of world trade and, particularly over the last twelve months, a surge in commodities to the benefit of emerging markets. Against this backdrop, finance markets have reaped the benefits of a phase of major stability or, to use a more technical term, low volatility. However, all the indications are that changes to the monetary environment, with higher interest rates and lower liquidity, ongoing maturity of the cycle of growth, and recent protectionist initiatives implemented by the US presidency, will drive up market volatility, as has already been observed over the last three months.

In this context, a Bank such as Renta 4, a specialist company with customer proximity, totally focused on helping savers and investors, will boost its market share as part of the natural course of events.

I will now address share price and shareholder remuneration.

The share price bore out the Bank’s sound performance in both 2017, with a gain of 15.7% compared to an overall 7.4% gain on the Ibex index, and also in the first quarter of 2018, rising by 1.6% compared to a 4.4% loss by the Ibex.

Shareholder remuneration in respect of 2017, adding in the dividend currently offered of 0.1 euro per share to the interim per-share dividend of a further 0.2 euro paid out in December 2017, rises to over 4% of the current share price, and we intend to continue to around 5%.

Turning to our international expansion, our teams in Chile, Peru and Colombia received a boost, and major increases were observed in assets handled by our management unit in Luxembourg, the ultimate goal of which is to act as a hub for international institutional distribution of our investment funds.

In relation to Corporate Social Responsibility, our main commitment, as always, is to create and maintain jobs, and in this regard our workforce increased by 4.7% over the last twelve months to an average of 465 employees. Secondly, the Renta 4 Foundation has enabled us to continue to support a number of programs, chiefly focusing on education for people with few resources or the disabled. We have maintained our programs with the A.G.H. Foundation, the Entreculturas Foundation, the Granadown Association and the Pablo Horstmann Foundation. New projects have been added to these programs, presented and chosen by our employees in an open voting system.

As every year, I wish to end with the reminder that all this was made possible by the trust of our customers and shareholders, and by people working to the highest standards of professional quality on the stringent requirements of customer service with professional and technological excellence. My last remarks, therefore, are to thank our customers and shareholders for their trust, and all Renta 4 Banco employees for their talent, dedication and hard work.

D. Juan Carlos Ureta Domingo

Chairman

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Consolidated financial statements for the financial year 2017

1.1 Consolidated Balance Sheets

Renta 4 Banco, S.A. and Subsidiaries

Consolidated balance sheets at December 31, 2017 and December 31, 2016

Thousands of euros

ASSETS	Note	2017	2016 (*)
Cash, cash balances at central banks and other demand deposits	**8**	**398,333**	**397,952**
Financial assets held for trading	**9**	**2,232**	**7,379**
Derivatives		853	3,465
Equity instruments		97	211
Debt securities		1,282	3,703
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Financial assets designated at fair value through profit or loss		-	-
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Available-for-sale financial assets	**10**	**598,393**	**565,528**
Equity instruments		20,109	42,115
Debt securities		578,284	523,413
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*370,376*	*282,728*
Loans and receivables	**11**	**162,423**	**162,225**
Debt securities		-	-
Loans and advances		162,423	162,225
Central banks		40,000	-
Credit institutions		38,636	90,196
Customers		83,787	72,029
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Held-to-maturity investments		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Derivatives - hedge accounting		-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		-	-
Investments in joint ventures and associates	**12**	**-**	**286**
Jointly controlled entities		-	-
Associates			286
Assets under insurance contracts		-	-
Tangible assets	**13**	**40,255**	**40,490**
Property, plant and equipment		36,432	36,538
For own use		36,432	36,538
Lease out on operating lease		-	-
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment properties		3,823	3,952
Of which: assigned under operating leases		3,823	*3,952*
Memorandum item: acquired under finance leasing		-	*1,204*
Intangible assets	**14**	**17,576**	**17,567**
Goodwill		15,291	15,291
Other intangible assets		2,285	2,276
Tax assets	**20**	**1,818**	**2,975**
Current tax assets		631	-
Deferred tax assets		1,187	2,975
Other assets	**15**	**508**	**716**
Insurance contracts linked to pensions		-	-
Stock		-	-
Other assets		508	716
Non-current assets and disposal groups classified as held for sale		**-**	**-**
TOTAL ASSETS		**1,221,538**	**1,195,118**

(*) Presented solely and exclusively for comparison purposes.

Thousands of euros

Liabilities	Note	2017	2016 (*)
Financial liabilities held for trading	**9**	**213**	**4,205**
Derivatives		213	4,205
Short positions		-	-
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		-	-
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities measured at amortized cost	**16**	**1,116,247**	**1,092,883**
Deposits		960,801	1,005,176
Central banks		9,951	39,950
Credit institutions		17,909	20,127
Customers		932,941	945,099
Debt securities issued		-	-
Other financial liabilities		155,446	87,707
Memorandum item: subordinated liabilities		-	-
Derivatives - hedge accounting		-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		-	-
Liabilities under insurance contracts		-	-
Provisions	**17**	**628**	**700**
Pensions and other post employment defined benefit obligations		-	-
Other long term employee benefits		-	-
Pending legal issues and tax litigation		628	700
Commitments and guarantees given		-	-
Other provisions		-	-
Tax liabilities	**20**	**4,677**	**4,533**
Current tax liabilities		2,996	3,077
Deferred tax liabilities		1,681	1,456
Share capital repayable on demand		-	-
Other liabilities	**15**	**4,771**	**2,291**
Of which: welfare fund (only savings banks and credit cooperatives)		-	-
Liabilities included in disposal groups classified as held for sale		-	-
TOTAL LIABILITIES		**1,126,536**	**1,104,612**

(*) Presented solely and exclusively for comparison purposes.

Thousands of euros

Equity	Note	2017	2016 (*)
Own funds	**18**	**93,479**	**89,182**
Capital		18,312	18,312
Paid-up capital		18,312	18,312
Unpaid capital called up		-	-
Memorandum item: uncalled capital		-	-
Share premium		8,496	8,496
Equity instruments issued other than capital		-	-
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		-	-
Retained earnings		-	-
Revaluation reserves		-	-
Other reserves		58,919	54,782
Reserves or accumulated losses of investments in joint ventures and associates		-	(1,155)
Other		58,919	55,937
(-) Treasury shares		(643)	(370)
Profit or loss attributable to owners of the parent		16,513	12,127
(-) Interim dividends		(8,118)	(4,165)
Accumulated other comprehensive income		**873**	**381**
Items that will not be reclassified to profit or loss		-	-
Actuarial gains or (-) losses on defined benefit pension plans		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognized income and expense of investments in joint ventures and associates		-	-
Other valuation adjustments		-	-
Items that can be classified to profit and loss		873	381
Hedge of net investments in foreign operations [effective portion]			-
Foreign currency translation		(380)	4
Hedging derivatives. Cash flow hedges [effective portion]			-
Available-for-sale financial assets		1,253	377
Debt instruments		2,216	1,000
Equity instruments		(963)	(623)
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognized income and expense of investments in joint ventures and associates		-	-
Non-controlling interest		**650**	**943**
Accumulated other comprehensive income		(61)	-
Other items		711	943
TOTAL EQUITY		**95,002**	**90,506**
TOTAL EQUITY AND LIABILITIES		**1,221,538**	**1,195,118**
MEMORANDUM ITEMS			
Guarantees given	19	368	**117**
Contingent commitments	19	8,117	10,178
		8.485	**10.295**

(*) Presented solely and exclusively for comparison purposes.

1.2 Consolidated Income Statements of Renta 4 Banco and Subsidiaries

Renta 4 Banco, S.A. and Subsidiaries
Consolidated income statements for the years ended December 31, 2017 and December 31, 2016

Thousands of euros

	Note	2017	2016 (*)
Interest income	**22 a)**	3,737	3,466
(Interest expense)	**22 a)**	(700)	(422)
(Expenses on share capital repayable on demand)		-	-
A) NET INTEREST INCOME		**3,037**	**3,044**
Dividend income		371	319
Share of profit/(loss) of companies accounted for using the equity method		-	(178)
Fee and commission income	**22 b)**	137,245	123,276
(Fee and commission expenses)	**22 b)**	(71,753)	(62,620)
Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, net	**22 a)**	785	431
Gains or (-) losses on financial assets and liabilities held for trading, net	**22 a)**	6,980	3,745
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or (-) losses from hedge accounting, net		-	-
Exchange differences [gain or (-) loss], net	**22 g)**	2,998	2,289
Other operating income	**22 c)**	453	198
(Other operating expenses)	**22 c)**	(2,869)	(2,459)
Of which: mandatory provisions to welfare fund (only savings banks and credit cooperatives)		-	-
Income from assets covered by insurance or reinsurance contracts		-	-
(Expenses of liabilities covered by insurance or reinsurance contracts)		-	-
B) GROSS INCOME		**77,247**	**68,045**
(Administrative expenses)		(49,352)	(45,993)
(Staff expenses)	**22 d)**	(31,168)	(26,762)
(Other administrative expenses)	**22 e)**	(18,184)	(19,231)
(Depreciation)	**13 and 14**	(4,978)	(4,862)
(Provisions or (-) reversal of provisions)	**17**	(128)	(500)
(Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss)	**22 f)**	20	531
(Financial assets measured at cost)		-	-
(Available-for-sale financial assets)		1	(26)
(Loans and receivables)		19	557
(Held-to-maturity investments)		-	-
C) TOTAL OPERATING INCOME, NET		**22.809**	**17.221**
(Impairment or (-) reversal of impairment of investments in joint ventures or associates)		-	-
(Impairment or (-) reversal of impairment on non-financial assets)		-	-
(Tangible assets)		-	-
(Intangible assets)		-	-
(Other)		-	-
Gains or (-) losses on the derecognition in non-financial assets accounts and investments, net		720	-
Of which: investments in joint ventures and associates		720	-
Negative goodwill recognized in profit or loss		-	-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations		-	-
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**23,529**	**17,221**
(Tax expense or (-) income related to profit or loss from continuing operations)		(7,248)	(5,176)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**16,281**	**12,045**
Profit or (-) loss after tax from discontinued operations		-	-
F) PROFIT OR (-) LOSS		**16,281**	**12,045**
Attributable to minority interest (non-controlling interests)		(232)	(82)
Attributable to owners of the parent		16,513	12,127
EARNINGS PER SHARE			
Basic		0.41	0.30
Diluted		0.41	0.30

(*) Presented solely and exclusively for comparison purposes.

1.3

Consolidated statements of recognized income and expense Renta 4 Banco, S.A. and Subsidiaries

Renta 4 Banco, S.A. and Subsidiariess
Consolidated statements of recognized income and expense for the years ended December 31, 2017 and December 31, 2016

Total comprehensive income 16.7 m €

Thousands of euros

	2017	2016 (*)
Profit or (-) loss	**16,281**	**12,045**
Other comprehensive income	**431**	**1,149**
Items that will not be reclassified to profit or loss	-	-
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	-	-
Share of other recognized income and expense of investments in joint ventures and associates	-	-
Other valuation adjustments	-	-
Income tax relating to items that will not be reclassified	-	-
Items that can be classified to profit and loss	**431**	**1,149**
Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	(445)	419
Translation gains or (-) losses taken to equity	(445)	419
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial assets	1,243	1,042
Valuation gains or (-) losses taken to equity	2,027	1,447
Transferred to profit or loss	(784)	(405)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Share of other recognized income and expense of investments in joint ventures and associates	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	(367)	(312)
Total comprehensive income	**16,712**	**13,194**
Attributable to minority interest (non-controlling interests)	(293)	(82)
Attributable to owners of the parent	17,005	13,276

(*) Presented solely and exclusively for comparison purposes.

1.4 Consolidated statements of total changes in equity Renta 4 Banco, S.A. and Subsidiaries

Renta 4 Banco, S.A. and Subsidiaries

Consolidated statement of total changes in equity for the year ended December 31, 2017

Thousands of euros

	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Opening balance at December 31, 2016	**18,312**	**8,496**	**-**	**-**	**-**	**-**	**54,782**	**(370)**	**12,127**	**(4,165)**	**381**	**-**	**943**	**90,506**
Effects of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	**18,312**	**8,496**	**-**	**-**	**-**	**-**	**54,782**	**(370)**	**12,127**	**(4,165)**	**381**	**-**	**943**	**90,506**
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**4,137**	**(273)**	**(12,127)**	**(3,953)**	**-**	**-**	**-**	**(12,216)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration) (Note 18.g)	-	-	-	-	-	-	(3,825)	-	-	(8,118)	-	-	-	(11,943)
Purchase of treasury shares (Note 18.f)	-	-	-	-	-	-	-	(273)	-	-	-	-	-	(273)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	-	7,962	-	(12,127)	4,165	-	-	-	-
Equity increase or (-) decrease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity (Note 18.k)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit or (-) loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,513**	**-**	**492**	**(61)**	**(232)**	**16,712**
Closing balance at December 31, 2017	**18,312**	**8,496**	**-**	**-**	**-**	**-**	**58,919**	**(643)**	**16,513**	**(8,118)**	**873**	**(61)**	**711**	**95,002**

Renta 4 Banco, S.A. and Subsidiaries

Consolidated statement of total changes in equity for the year ended December 31, 2016 (*)

Thousands of euros

	Capital	Share premium	Equity instruments issued other than capital	Other equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Minority interests: Accumulated other comprehensive income	Minority interests: Other items	Total
Opening balance at December 31, 2015	**18,312**	**8,496**	**-**	**-**	**-**	**-**	**47,769**	**(334)**	**14,019**	**(5,446)**	**(768)**	**-**	**47**	**82,095**
Effects of corrections of errors														
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening balance	**18,312**	**8,496**	**-**	**-**	**-**	**-**	**47,769**	**(334)**	**14,019**	**(5,446)**	**(768)**	**-**	**47**	**82,095**
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**7,013**	**(36)**	**(14,019)**	**1,281**	**-**	**-**	**978**	**(4,783)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or expiration of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or shareholder remuneration) (Note 11.h)	-	-	-	-	-	-	(1,560)	-	-	(4,165)	-	-	-	(5,725)
Purchase of treasury shares (Note 11.g)	-	-	-	-	-	-	-	(36)	-	-	-	-	-	(36)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liability to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers among components of equity	-	-	-	-	-	-	8,573	-	(14,019)	5,446	-	-	-	-
Equity increase or (-) decrease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increase or (-) decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	978	978
Of which: discretionary provision to welfare funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit or (-) loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,127**	**-**	**1,149**	**-**	**(82)**	**13,194**
Closing balance at December 31, 2016	**18,312**	**8,496**	**-**	**-**	**-**	**-**	**54,782**	**(370)**	**12,127**	**(4,165)**	**381**	**-**	**943**	**90,506**

(*) Presented solely and exclusively for comparison purposes.

1.5 Consolidated statements of cash flow Renta 4 Banco, S.A. and Subsidiaries

Renta 4 Banco, S.A. and Subsidiaries
Consolidated statements of cash flow for the years ended December 31, 2017 and December 31, 2016

Thousands of euros

	Note	2017	2016 (*)
CASH FLOWS USED IN OPERATING ACTIVITIES		**47,389**	**318,488**
Profit or (-) loss		**16,281**	**12,045**
Adjustments made to obtain the cash flows from operating activities		**11,223**	**9,341**
Depreciation and amortization	13 and 14	4,978	4,862
Other adjustments		6,245	4,479
Net increase/(decrease) in operating assets		**(23,716)**	**31,126**
Financial assets held for trading		5,147	(6,453)
Financial assets designated at fair value through profit or loss		-	-
Available-for-sale financial assets		(29,068)	(67,156)
Loans and receivables		71	104,816
Other operating assets		134	(81)
Net increase/(decrease) in operating liabilities		**49,618**	**270,377**
Financial liabilities held for trading		(3,992)	3,939
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities measured at amortized cost		53,386	268,424
Other operating liabilities		224	(1,986)
Income tax receipts/(payment)		**(6,017)**	**(4,401)**
CASH FLOWS FROM INVESTING ACTIVITIES		**(3,746)**	**(4,922)**
Payments		**(4,752)**	**(5,241)**
Tangible assets	13	(3,543)	(3,927)
Intangible assets	14	(1,209)	(1,314)
Investments		-	-
Other business units		-	-
Non-current assets held for sale and associated liabilities		-	-
Held-to-maturity portfolio		-	-
Other payments related to investing activities		-	-
Proceeds		**1,006**	**319**
Tangible assets		-	-
Intangible assets		-	-
Investments		1,006	-
Other business units		-	-
Non-current assets held for sale and associated liabilities		-	-
Held-to-maturity portfolio		-	-
Other proceeds related to investing activities		-	319
CASH FLOWS FROM FINANCING ACTIVITIES		**(42,567)**	**(167,021)**
Payments		**(42,938)**	**(672,949)**
Dividends	2.10 and 18.g	(11,943)	(5,725)
Subordinated liabilities		-	-
Redemption of own equity instruments		-	-
Acquisition of own equity instruments	18.f	(273)	(36)
Other payments related to financing activities		(30,722)	(667,188)
Proceeds		**371**	**505,928**
Subordinated liabilities		-	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other proceeds related to financing activities		371	505,928
EFFECT OF EXCHANGE RATE DIFFERENCES		**(445)**	**419**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**631**	**146,964**
Cash and cash equivalents at beginning of the period	8	**397,473**	**250,509**
Cash and cash equivalents at end of the period	8	**398,104**	**397,473**
MEMORANDUM ITEM			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8	**398,104**	**397,473**
Cash		101	100
Cash equivalents at central banks		18,191	10,872
Other financial assets		379,812	386,501
Less: bank overdrafts refundable on demand		-	-

(*) Presented solely and exclusively for comparison purposes.

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Consolidated notes to the financial statements

2.1 General information

Renta 4 Banco, S.A. (hereinafter "the Bank" or "the Parent Company") is the company that arose from the absorption merger on March 30, 2011 between Renta 4 Servicios de Inversión S.A. (transferee company) and Renta 4 Banco, S.A. (transferor company). The latter was formerly known as Banco Alicantino de Comercio, S.A., and the name change was entered in the Companies Register on June 8, 2011.

During the merger process a number of amendments were made to the bylaws of the transferee company. Its business name was changed from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A., and its corporate purpose was expanded to include banking business, and the investment services and ancillary services offered by investment services firms. The Parent Company is listed in the Companies Register and in the Bank of Spain's Special Register of Credit Institutions as code 0083.

On December 19, 2011 the Spanish Ministry of Finance's Department of the Treasury and Financial Policy approved the partial spin-off of the areas of business of Renta 4, S.A., Sociedad de Valores in favor of Renta 4 Banco, S.A.

By virtue of the spin-off, Renta 4, S.A., Sociedad de Valores transmitted to Renta 4 Banco, S.A. all equity linked to certain areas of the company spun off, equity constituting "an economic unit" which was transmitted *en bloc* and by way of universal succession to Renta 4 Banco, S.A., and thus this company, as the beneficiary of the spin-off, acquired by universal succession all the assets and liabilities and rights and obligations making up the aforementioned equity spun off.

The spin-off balance sheet of Renta 4, S.A., Sociedad de Valores was considered that drawn up at December 31, 2010. All operations carried out by the equity spun off from Renta 4, S.A., Sociedad de Valores are considered for accounting purposes to have been carried out for Renta Banco, S.A. as of January 1, 2011.

As a result of the spin-off, Renta 4, S.A., Sociedad de Valores transferred net assets to Renta 4 Banco, S.A. in the amount of 13,630 thousand euros, a sum accounting for 48.418% of the total equity of Renta 4, S.A., Sociedad de Valores before the spin-off was carried out. Thus Renta 4, S.A., Sociedad de Valores reduced its capital by the necessary sum, in the amount of 2,944,826.61 euros, by canceling the shares numbered 1,047,869 to 2,031,485, both inclusive.

The Parent Company's corporate purpose consists of the usual activities of credit institutions in general, including the provision of investment services, and the acquisition, holding, enjoyment, administration and disposal of all manner of securities, particularly those stipulated in Article 175 of the Spanish Code of Commerce and other legislation in force concerning the business of such Companies. It also includes the provision of all manner of services and advisory capacities, be they economic, financial, in relation to tax or to the stock market, in relation to organization, IT or otherwise, the provision of appraisals of companies, and placing and trading securities in relation to the movable and immovable assets of third parties.

The activity or activities making up this corporate purpose may also be carried out by the Parent Company, in a wholly or partially indirect fashion, through ownership of shares or stakes in other companies with an identical or similar core business.

The registered office of the Parent Company is in Madrid, Paseo de la Habana 74. Following a resolution by the Management Body, it may be moved to another location within the same municipal area. Likewise, any branches, agencies or delegations which are necessary or advisable in consideration of corporate activity may be created, eliminated or transferred, in Spain or abroad. Appendix V contains the balance sheet, the income statement, the statement of recognized income and expense, the statement of total changes in equity and the statement of cash flows of the Parent Company at December 31, 2017 and December 31, 2016.

The Parent Company is the head of an economic and consolidable group of credit institutions (hereinafter "the Group"). The activities of subsidiaries and associates are listed in Appendix I.

The activities carried on by the Group's main companies are regulated by Royal Legislative Decree 4/2015 of October 23 approving the recast Spanish Securities Market Law, by Law 47/2007 of December 19 and by Royal Decree 217/2008 of February 15, and by the various Spanish Securities Market Commission Circulars implementing these regulations. Management of collective investment schemes is also regulated by Law 35/2003 of November 4 and the subsequent amendments thereof, and by Royal Decree 1082/2012 of July 13, applicable as of July 21, 2012, and the subsequent amendments thereof, approving the Implementation Regulations of Law 35/2003 of November 4, and replacing Royal Decree 1309/2005 of November 4, thereby repealed. The management of pension funds is regulated by Royal Decree 1/2002 of November 29, approving the recast Pension Plans Law implemented by Royal Decree 304/2004 of February 20, approving the Regulation on Pension Plans and Funds, and the subsequent amendments thereof.

As a credit institution, Renta 4 Banco, S.A. is subject to certain legal requirements regulating the following aspects, among others:

a) Minimum Reserve Ratio

Maintenance of a minimum level of funds in a central bank of a Eurozone country for the purposes of covering the minimum reserve ratio. At December 31, 2017 and December 31, 2016 Renta 4 Banco, S.A. met the mandatory minimum ratios.

b) Own funds

Maintenance of a minimum level of own funds. Briefly, regulations stipulate the requirement to keep sufficient equity to meet requirements with respect to the risks undertaken. At December 31, 2017 and December 31, 2016, the Group and the Parent Company met the mandatory minimum requirements.

c) Liquidity ratio

Article 412 of Regulation (EU) No 575/2013 of June 26, 2013 on prudential requirements for credit institutions and

investment firms (hereinafter "CRR") stipulates compliance with the liquidity coverage requirement, as per Commission Delegated Regulation (EU) 2015/61. This requisite must be met by credit institutions on an individual basis (Article 6.4 of the CRR) and on the basis of the consolidated situation of the parent (Article 11.3 of the CRR) as of October 1, 2015.

It has been adopted as per the following calendar:

- 60% of the liquidity coverage requirement by October 1, 2015.
- 70% by January 1, 2016.
- 80% by January 1, 2017.
- 100% by January 1, 2018.

The liquidity ratio at December 31, 2017 and December 31, 2016 of the Parent Company on an individual basis and of the Group exceeds 100%, and this will be mandatory as of January 1, 2018.

d) Annual contribution to the Deposit Guarantee Fund (hereinafter "DGF")

This represents further collateral in addition to that furnished by the Bank's equity to its creditors, the purpose of which is to guarantee customer deposits up to 100,000 euros, pursuant to the provisions of regulations in force.

Following the introduction of Royal Decree-Law 19/2011 of December 2, the annual contribution to the Deposit Guarantee Fund of Credit Institutions was established as 2 per thousand of the calculation base of the deposits guaranteed. Royal Decree-Law 6/2013 of March 22 established an exceptional contribution of 3 per thousand for the deposits of credit institutions on the scheme at December 31, 2012, and this contribution was made in two tranches. The first tranche, the equivalent of two fifths of the contribution, was paid within the first twenty business days of 2014. With respect to the second tranche, the first payment was made on September 30, 2014 in the amount of 100 thousand euros (one seventh of the 699 thousand euros which was the total of the second tranche), and the remainder was paid in two stages in the same amount, on June 30, 2015 and June 30, 2016.

On June 1, 2016 the Bank of Spain published Circular 5/2016 of May 27 on the calculation method to make the contributions of credit institutions on the Deposit Guarantee Fund of Credit Institutions proportional to their risk profile, which shall be used by the DGF's Management Committee to determine the amount of annual contributions by each company to the deposits guarantee compartment, in due consideration of capital indicators, liquidity and financing, asset quality, business model, management model and potential losses for the DGF.

On December 2, 2015 the DGF's Management Committee determined the annual contribution to be made to the deposits guarantee compartment, establishing this as 1.6 per thousand of the calculation basis, and also 5% of 2 per thousand for the securities guarantee compartment, and thus the amount accrued at December 31, 2016 stood at 628 thousand euros (637 thousand euros in 2015); this sum was increased by 205 thousand euros due to the adjustment of the 2015 expense (Note 20.c), booked under "Other operating expense" on the accompanying consolidated income statement (see Note 22.c).

At the date on which these consolidated financial statements were drawn up, the DGF's Management Committee had not yet notified the annual contribution to be made by the Bank to the securities guarantee compartment (the amount estimated by the bank was 429 thousand euros in 2017). The amount notified in relation to the deposits guarantee compartment was 717 thousand euros. This sum was increased by 240 thousand euros due to the adjustment of the 2016 expense and was booked under "Other operating expense" on the accompanying consolidated income statement (see Note 22.c).

e) Annual contribution to the Single Resolution Fund

The National Resolution Fund (NRF, administered by the FROB fund) was created in 2015, and will be financed by the annual contributions of credit institutions and investment services companies until it reaches at least 1% of the sum of the guaranteed deposits of all companies, no later than December 31, 2024. This fund was pooled with those of Eurozone Member States in the Single Resolution Fund (SRF) in January 2016.

On November 7, 2015 Spain's Official State Gazette published Royal Decree 1012/2015 of November 6 implementing Law 11/2015 of July 18 on the recovery and resolution of credit institutions and investment services firms, amending Royal Decree 2606/1996 of December 20 on the deposit guarantee funds of credit institutions.

In relation to the first aspect implemented, the Royal Decree establishes that each year the FROB fund will determine the annual contributions to the NRF by companies, adjusting the contributions to the Group's risk profile.

Regulation (EU) No 806/2014 of the European Parliament and of the Council of July 15, 2014 came into force on January 1, 2016, by virtue of which the Single Resolution Board substitutes the National Resolution Authorities, undertaking competence of administration of the SRF, and calculation of the contributions to be made by companies, applying the calculation methodology specified in Commission Delegated Regulation (EU) 2015/63 of October 21, 2014, in accordance with the uniform conditions application specified in Council Implementing Regulation (EU) 2015/81 of December 19, 2014.

On April 27, 2017 the Bank made a contribution to the SRF in the amount of 243 thousand euros (444 thousand euros in 2016) along with associated charges in the amount of 6 thousand euros (21 thousand euros in 2016). This was booked under "Other operating expense" on the accompanying consolidated income statement.

Since September 29, 2007, Renta 4 Banco, S.A. (formerly, until March 30, 2011, Renta 4 Servicios de Inversión, S.A.) has listed all the shares making up its equity as trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. They are also listed on the Spanish Electronic Trading Platform.

2.2 Basis of presentation

a) Basis of presentation of the consolidated financial statements

The Group's 2017 consolidated financial statements were drawn up by the Directors of the Parent Company at a meeting of the Board of Directors on March 13, 2018. The consolidated financial statements are expected to be approved by the General Meeting of Shareholders with no amendments. The 2016 consolidated financial statements of Renta 4, Banco S.A. and subsidiaries were drawn up by their Directors on March 15, 2017 and approved by the General Meeting of Shareholders on April 28, 2017.

In keeping with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of a European Union member state whose securities are admitted to trading on a regulated market of any member state must prepare their consolidated accounts for all years beginning on or after January 1, 2005 in conformity with the International Financial Reporting Standards, as adopted by the European Union ("IFRS-EU").

The Group's consolidated financial statements for 2017 are presented in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union and in due consideration of the provisions of Bank of Spain Circular4/2004 of December 22 concerning credit institutions, on public and confidential financial reporting rules and formats ("Circular 4/2004"), and its subsequent modifications, constituting the implementation and adaptation to the Spanish credit institution sector of the International Financial Reporting Standards approved by the European Union. No mandatory accounting principles or measurement criteria with a significant impact on these consolidated financial statements have been omitted.

The Group's consolidated financial statements for 2017 were prepared in due consideration of all accounting principles and regulations and the mandatory measurement criteria which have a significant impact thereon to give a true and fair view of the equity and financial position of the Group at December 31, 2017, and its financial performance and the changes in equity and in cash flows during the period then ended.

Note 4 summarizes the major accounting principles and regulations and measurement criteria applied to the preparation of the Group's consolidated financial statements for 2017. Note 2.9 below provides a summary of the major changes in accounting regulations during financial year 2017.

The figures provided in these consolidated financial statements are presented in thousands of euros, unless otherwise indicated.

b) Comparison of information

In accordance with company law, the directors of the parent present, for comparative purposes, for each of the headings included in the consolidated balance sheet, consolidated income statement, consolidated statement of recognized income and expense, consolidated statement of total changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements, the figures for 2016 in addition to those of 2017.

The consolidated financial statements for the year ended December 31, 2017 were prepared considering adaptation of the content of public financial reporting to the criteria for preparation, terminology, definitions and formats of FINREP financial statements, which require that consolidated financial information be prepared applying the International Financial Reporting Standards as adopted by the European Union in Commission Implementing Regulation (EU) No 680/2014 of April 16, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

The information contained in the consolidated financial statements for 2016 is presented solely for comparison with the information for 2017 and, accordingly, it does not constitute the Group's 2016 consolidated financial statements.

c) Use of judgments and estimates when preparing the consolidated financial statements

The information in these consolidated financial statements is the responsibility of the Parent Company's directors.

When preparing the consolidated annual financial statements, the directors made judgments and estimates based on assumptions that affect the application of accounting principles and criteria, as well as the amounts corresponding to recognized assets, liabilities, income, expenses and commitments. The most significant estimates used to prepare these consolidated annual financial statements relate to:

- Impairment losses on financial assets (see Note 4.h).
- Impairment and useful lives of tangible assets (see Note 4.j).
- Goodwill impairment tests (see Note 4.i).

When measuring goodwill, estimates must be made to determine its fair value in order to assess whether it may have become impaired. To determine fair value, the Company's directors estimate the expected cash flows from the cash-generating unit to which the goodwill is allocated, applying an appropriate discount rate to calculate the present value of these cash flows. The future cash flows depend on delivery of the Bank's five-year forecasts and projections, while the discount rates depend on the interest rate and risk premium associated with each cash-generating unit. Note 4.i analyzes the assumptions used to calculate the cash-generating units' value in use and Note 14.a analyzes how sensitive the outcome is to changes in these assumptions.

- The measurement of equity instruments used in share-based payment plans for directors and employees (see Note 4.p).
- The fair value of certain financial assets that are not traded on official OTC markets (see Note 6).
- The measurement of financial risks to which the Group is exposed in carrying out its business (see Note 5).

The estimates and assumptions used are based on historic experience and other factors which were considered the most reasonable at the time and are reviewed periodically. Any changes to estimates arising from such reviews or future events would be recognized in the consolidated income statement of the period and subsequent periods, in accordance with IAS 8.

d) Equity investments in credit institutions

The Group did not hold any equity investments in other Spanish or foreign credit institutions at either year-end 2017 or 2016.

e) Consolidation basis

The Group classifies its investments in subsidiaries or associates using the following criteria:

Subsidiaries are entities over which the Group has control. An investor 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.

The Group controls an investee if, and only if, it has:

a. **Power over the investee:** an investor has power over an investee when the investor has existing rights that give it the ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.

b. **Exposure, or rights, to variable returns:** an investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative, or both positive and negative.

c. **Link between power and returns:** an investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

Subsidiaries are fully consolidated, which implies the inclusion of all the rights and obligations comprising these entities' equity in the Group's balance sheet and of all items of income and expense used to determine profit or loss for the year in the Group's income statement.

Consolidation is discontinued upon loss of control by the Group. When this occurs, the consolidated financial statements reflect the deconsolidated investees' earnings for the portion of the year in which the Group did have control.

"Associates" are investees in which the Group holds a direct or indirect investment over which it has the power to exercise significant influence, the effective ability to influence its strategic policies and operating policies, with the existence of significant transactions. Associates are consolidated using the equity method, whereby the accounting value of the investment is replaced with the amount corresponding to the percentage of the associate's own funds.

f) Minority interests

The value of the share of non-controlling interests in equity and results for the year of consolidated subsidiaries is shown in "Non-controlling interests" on the consolidated balance sheets and "Total comprehensive income - Attributable to minority interests" in the consolidated income statements and the consolidated statements of recognized income and expense, respectively.

In acquisitions of non-recognized interests, the difference between the consideration paid and the carrying amount of the investment is recognized in equity attributable to the parent.

g) Uniform accounting policies

Measurement criteria have been adjusted as necessary to ensure that those followed by the subsidiaries are consistent with those used by the parent.

h) Elimination of intercompany transactions

The intercompany balances related to loans, dividends, asset purchases and sales and the provision of services have been eliminated in consolidation.

i) New accounting regulations

a) Standards and interpretations approved by the European Union applicable to the reporting period

The main mandatory standards or amendments to IFRSs adopted by the European Union for the annual period beginning on January 1, 2016 with an impact on the accompanying consolidated annual accounts were as follows:

Amendments to IFRS 11: “Accounting for Acquisitions of an Interest in a Joint Operation”

The amendments to IFRS 11 require that the relevant principles for business combinations in IFRS 3 (“Business Combinations”) and other standards should be applied to the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

Amendments to IAS 16 and IAS 38: “Clarification of Acceptable Methods of Depreciation and Amortization”

This amendment clarifies when the use of a revenue-based depreciation or amortization method may be appropriate. The amendments clarify that the use of revenue-based methods for calculating the depreciation of an asset is not appropriate, as the revenue generated from an activity that includes the use of the asset reflects factors other than the consumption of the economic benefits of the asset. It indicates that, in general, revenue is not an appropriate basis for measuring the consumption of the economic benefits of an intangible asset, but this presumption can be rebutted in limited circumstances.

Amendments to IFRS 10: “Consolidated Financial Statements”, IFRS 12: “Disclosures of Interests in Other Entities” and IAS 28: “Investments in Associates and Joint Ventures”

The amendments to IFRS 10, IFRS 12 and IAS 28 provide clarifications to requirements for accounting for investment entities in three aspects:

- They confirm that a parent entity that is a subsidiary of an investment entity may be exempt from preparing consolidated financial statements.
- They clarify that if an investment entity has a subsidiary that is not an investment entity and whose main purpose is to provide support services to the parent’s investment activities or of third parties, the investment entity should consolidate the subsidiary; however, if the subsidiary is an investment entity, the parent entity must measure the subsidiary at fair value through profit or loss.
- They require a non-investment entity investor, when applying the equity method to the investment, to retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

Amendments to IAS 1: “Presentation of Financial Statements”

The amendments to IAS 1 were designed to further encourage companies to use judgments in determining the information to disclose in their financial statements, which line items must be disaggregated in their financial statements and which additional headings and subtotals should be included in the statement of financial position and the statement(s) of profit or loss and other comprehensive income, and where and in what order the notes should be presented.

“Annual improvements to IFRSs” project (2012-2014 cycle)

This document is the seventh collection of amendments to IFRSs in response to 4 issues addressed during the 2012-2014 cycle. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included in part of any other project. This annual project introduces minor amendments and clarifications to IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits” and IAS 34 “Interim Financial Reporting”.

The abovementioned standards had no material impact on these consolidated financial statements or on its disclosures.

b) New mandatory standards, amendments and interpretations applicable in the years subsequent to the calendar year beginning January 1, 2017 as approved by the European Union

Following is a list of standards, amendments or interpretations issued by the International Accounting Standard Board (“IASB”) and approved by the European Union effective for annual periods beginning on or after January 1, 2017. Therefore, they have not been applied in the preparation of these annual consolidated financial statements:

IFRS 9: “Financial Instruments”

[Effective for annual periods beginning on or after January 1, 2018, with early adoption permitted]

The final version of IFRS 9 published on July 24, 2014 brings together the phases of classification and measurement, impairment and hedge accounting on the IASB project to replace IAS 39.

There are important differences to the current standard regarding financial assets, including, inter alia, approval of a new classification model based on only two categories: amortized cost and fair value; the elimination of the current classifications of the held-to-maturity investments and available-for-sale financial assets categories; a single impairment method only for assets carried at amortized cost; and the non-separation of embedded derivatives in financial asset contracts. The final version of the standard introduces an additional classification and measurement category, FVTOCI or fair value through changes in other comprehensive income for debt instruments that meet certain requirements.

Regarding financial liabilities, the categories proposed in IFRS 9 are the same as those currently included in IAS 39. Therefore, there should not be any major differences except for the change affecting liabilities that an entity chooses to measure at fair value, in which it will present the portion of the change in fair value related to changes in its own credit risk in valuation adjustments rather than in the income statement.

Regarding impairment, it replaces the “incurred loss” model of IAS 39 with the “expected credit loss” model, meaning that it will no longer be necessary for a “loss event” to occur before credit losses are recognized.

Regarding hedge accounting, the new model attempts to align the accounting treatment with risk management, maintaining the three types of hedges in the current standard (cash flow hedges, fair value hedges and hedges of a net investment in a foreign operation), but includes significant changes compared to IAS 39 in various issues, such as hedged items, hedging instruments, the time value of options and effectiveness assessment.

In 2017 the Group conducted a review of business models in the various geographic areas in which it operates to establish their classification as per IFRS 9, in due consideration of the local structures and organizational formats, and the typology of products.

The Group segmented the portfolio of instruments for the purposes of carrying out the SPPI test. As a result of the analyses conducted on the business model and the contractual characteristics, it is expected that certain accounting reclassifications will be made in respect of financial assets and the associated financial liabilities. In general, there will be a larger volume of assets measured at fair value through profit or loss, and the measurement method will be changed for some instruments to secure that which best reflects the business model to which they belong. The changes to be made to the measurement model in order not to surpass the criterion of payment of principal and interest are not significant.

From the analysis conducted, application of the standard is not expected to have a material impact.

Amendment to IFRS 7: "Financial Instruments Disclosures"

The IASB amended IFRS 7 in December 2011 to introduce a number of new disclosures on financial instruments which must be made by companies in their first application of IFRS 9.

IFRS 15: "Revenue Recognition"

[Effective for annual periods beginning on or after January 1, 2018, with early adoption permitted]

The core principle of IFRS 15 is that a company should recognize revenue to depict the transfer of promised goods or services to the consumer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services.

An entity recognizes revenue in accordance with this core principle by applying five steps, which can be summarized as follows: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price; and recognize revenue when a performance obligation is satisfied.

From the analysis conducted, application of the standard is not expected to have a material impact.

Clarifications to IFRS 15: "Revenue from Contracts with Customers"

[Effective for annual periods beginning on or after January 1, 2018]

The clarifications to IFRS 15 are intended to reduce the cost and complexity of applying and clarify how certain principles must be applied to identify performance obligations, determine whether the company is principal or agent, and determine if the product of the concession should be recognized at a point in time or over time.

From the analysis conducted, application of the standard is not expected to have a material impact.

IFRS 16: "Leases"

[Effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities also applying IFRS 15]

The objective of IFRS 16 is to provide transparency on companies' lease assets and liabilities. The standard retains the dual model for lessor accounting ("finance lease" and "operating lease"). For lessees, IFRS 16 eliminates the dual accounting model and introduces a single model within the balance sheet, whereby the lessee is required to recognize most leases on the balance sheet as a right-of-use asset and a liability at inception, except for insignificant leases and leases with a term of fewer than 12 months.

Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"

[Effective for annual periods beginning on or after January 1, 2018]

The objective of these amendments is to provide entities that issue insurance contracts under the scope of IFRS 4 two approaches:

- Overlay approach: permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from accounting mismatches and temporary volatility that may arise from applying IFRS 9 prior to applying the new standard for insurance contracts.
- Deferral approach: an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing insurance contracts to defer the effective date of IFRS 9 until 2021. The IFRS 9 deferral option for insurance companies until 2021 will expire in 2020 if the IASB issues the new insurance contracts standard with an effective date of 2020.

From the analysis conducted, application of the standard is not expected to have a material impact.

IFRS 17: "Insurance Contracts"

[Effective for annual periods beginning on or after January 1, 2021, with early adoption permitted]

IFRS 17 establishes the principles an entity must apply to account for insurance contracts.

This new standard replaces IFRS 4. The new standard introduces a single accounting model for all insurance contracts, and requires entities to use updated hypotheses for their estimates.

Entities will divide contracts into groups, and will recognize and measure insurance contract groups on the basis of the total number of:

- Fulfilment cash flows, composed of an estimate of the future cash outflows, an adjustment to reflect the time value of money and financial risk associated with future cash flows, and a risk adjustment for non-financial risk.
- Contractual service margin, representing unearned profit.
- The amounts disclosed on the income statement will be broken down as revenue from insurance business, expenditure on insurance services, and as income or expenditure on the financing of insurance. Revenue from insurance business and expenditure on provision of the insurance service will exclude any investment components. Revenue from insurance business will be recognized for the period during which the entity provides insurance cover and will be assigned to accounting periods in proportion to the value of provision of insurance cover by the insurer during the period.

c) New mandatory standards, amendments and interpretations applicable in the years subsequent to the calendar year beginning January 1, 2017, pending approval by the European Union

Following is a list of standards, amendments or interpretations issued by the International Accounting Standard Board ("IASB") pending approval by the European Union, which have therefore not been applied in the preparation of these annual consolidated financial statements:

Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

[The effective date has been postponed indefinitely]

The amendments establish that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3 "Business Combinations". When the assets or subsidiary constitute a business, any gain or loss is recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated..

Amendments to IFRS 2: "Classification and Measurement of Share-based Payment Transactions"

[Effective for annual periods beginning on or after January 1, 2018, with early adoption permitted]

The objective of this project is to clarify how to account for certain share-based payment transactions. The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

From the analysis conducted, application of the standard is not expected to have a material impact.

Amendments to IAS 7: "Statement of Cash Flows. Disclosure Initiative"

[Effective for annual periods beginning on or after January 1, 2017, with early adoption permitted]

The objective of the amendments to IAS 7 is to require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

Amendments to IAS 12: "Income Taxes. Recognition of Deferred Tax Assets for Unrealized Losses"

[Effective for annual periods beginning on or after January 1, 2017, with early adoption permitted]

The objective of this project is to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses to address diversity in practice.

Amendments to IAS 40: "Investment Property"

[Effective for annual periods beginning on or after January 1, 2018]

The purpose of the amendments is to clarify the requirements on transfers to, or from, investment property. IAS 40 is amended to specify that a transfer to, or from, investment property may be made when, and only when, there is a change in use and this change in use implies an assessment of whether the property meets the definition of investment property.

From the analysis conducted, application of the standard is not expected to have a material impact.

"Annual improvements to IFRS" project (2014-2016 cycle)

[Effective for annual periods beginning on or after January 1, 2017 (IFRS 12) and January 1, 2018 (IFRS 1 and IAS 28)]

The improvements in this cycle affect IFRS 1 "First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters"; IFRS 12 "Disclosure of Interests in Other Entities: Clarification of the scope of the standard"; and IAS 28 "Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value.

From the analysis conducted, application of the standard is not expected to have a material impact.

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

[Effective for annual periods beginning on or after January 1, 2018, with early adoption permitted]

The objective is to establish the date of the transaction for the purpose of determining which exchange rate to use on initial recognition of the asset, the expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency transaction.

From the analysis conducted, application of the standard is not expected to have a material impact.

IFRIC Interpretation 23 - "Uncertainty over Income Tax Treatments"

[Effective for annual periods beginning on or after January 1, 2019, with early adoption permitted]

This clarifies how to apply IAS 12's recognition and measurement requirements when there is uncertainty over income tax treatments.

If the entity considers it likely that the tax authority will accept an uncertain tax treatment, the Interpretation requires the entity to determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates consistently with the tax treatment used or intended to be used in the entity's income tax filings.

If the entity considers it unlikely that the tax authority will accept an uncertain tax treatment, the Interpretation requires the entity to use the most likely amount or the expected value (sum of the possible amounts, weighted for probability) to determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The method used must be that which the entity expects to better predict the resolution of the uncertainty.

"Annual improvements" project (cycle 2015-2017)

[Effective for annual periods beginning on or after January 1, 2019]

The improvements in this cycle affect IAS 12 "Income Taxes", IAS 23 "Borrowing Costs" and IAS 28 "Investments in Associates".

Although in certain cases early adoption is permitted of the standards described in b) and c) above, when they have been adopted by the European Union, the Group has chosen not to apply them in these annual consolidated financial statements.

j) Appropriation of results

The appropriation of 2017 and 2016 results was made based on the proposed appropriation of results included in the respective financial statements of the Group companies prepared in accordance with generally accepted accounting principles in the countries in which they are located.

The appropriation of the Parent's 2017 profit (determined on the basis of the accounting criteria and principles generally accepted in Spain) proposed by the directors and pending approval by the Bank's shareholders in general meeting, along with the appropriation of the 2016 profit ratified at the Bank's Annual General Meeting on April 28, 2017, is as follows:

On October 31, 2017, the Board of Directors approved the distribution of an interim dividend out of 2017 profit of a gross 0.2 euro per share, for a total amount of 8,118 thousand euros. The dividend was paid on November 13, 2017 (see Note 18.g).

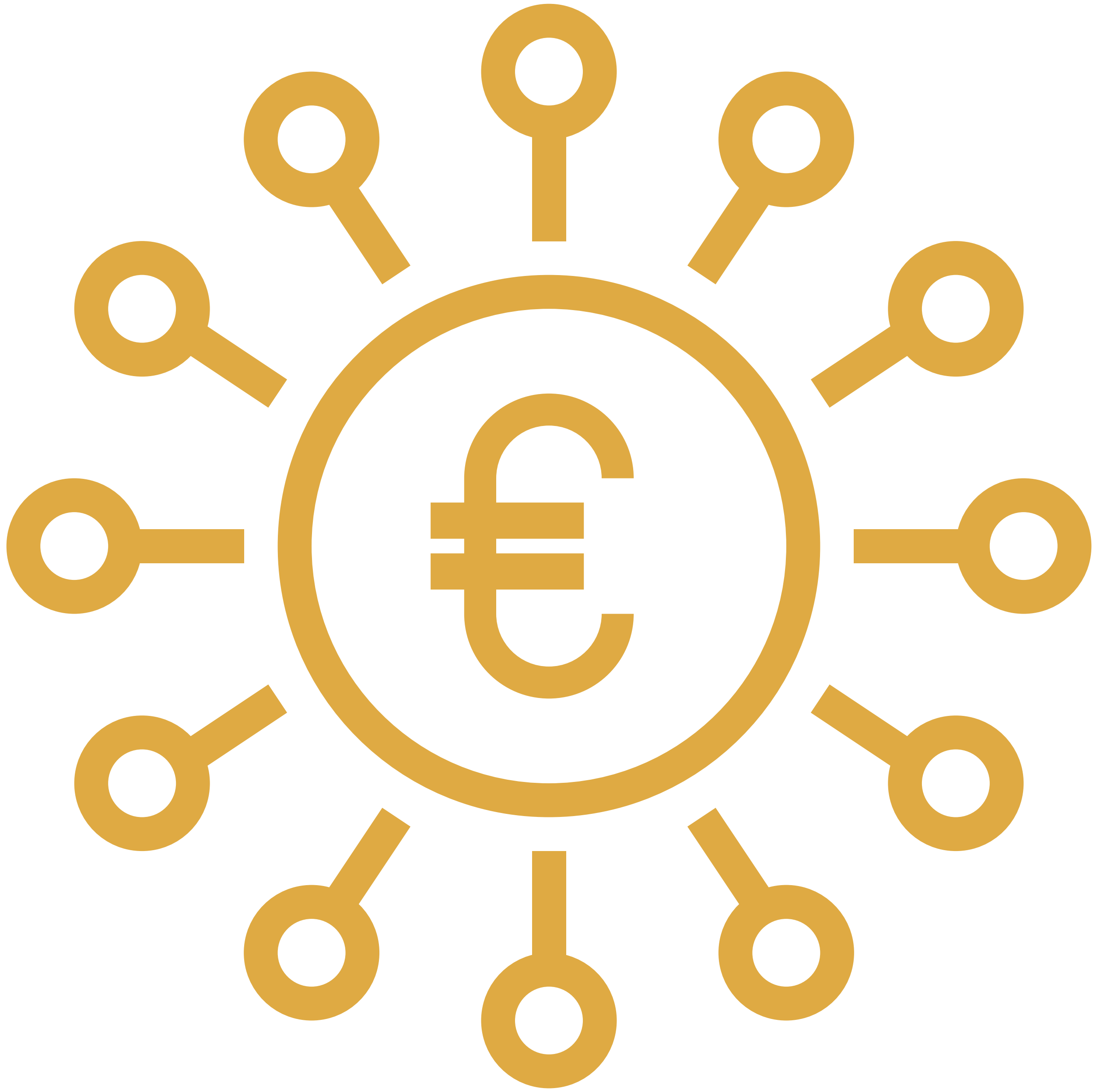
On March 15, 2017, the Board of Directors approved the distribution of a final interim dividend from 2016 profit in the gross amount of 3,825 thousand euros (see Note 18.g).

On October 27, 2016, the Board of Directors approved the distribution of an interim dividend out of 2016 profit of a gross 0.1025 euro per share, for a total amount of 4,165 thousand euros. The dividend was paid on November 4, 2016 (see Note 18.g).

Thousands of euros

	2017	2016
Reserves	4,168	8,955
Interim dividend (Note 18.g)	8,118	4,165
Dividend (Note 18.g)	4,059	3,825
	16,345	16,945
Parent profit for the year	**16,345**	**16,945**

On March 13, 2018, the Board of Directors drawing up the Parent's financial statements approved the distribution of a final dividend from 2017 profit in the gross amount of 4,059 thousand euros (see Note 18.g).



2.3 Group subsidiaries and associates

A list of subsidiaries and associates of Renta 4 Banco, S.A. at December 31, 2017 and 2016 is provided in Appendix I. The information relating to the measurement of associates in the consolidation process is provided in Note 12.

The individual annual financial statements of the companies included in the consolidation process for 2017 and 2016 are those corresponding to December 31, 2017 and 2016, respectively. The year-end of Hanson Asset Management Limited (an associate) is March 31, although, for the preparation of the consolidated financial statements, revenue and income from January 1 to December 31 each year were considered. This investee is no longer consolidated, since the interest was sold in 2017. See below:

Changes to "Group companies" in 2017:

- Dissolution and liquidation of the subsidiary Renta 4 Guipúzcoa, S.A. on January 20, 2017. The amount established for liquidation was the net book value of the stake (1,798 thousand euros), with a negative impact of 4 thousand euros on the Parent's income statement.
- An equity injection, on June 7, 2017, into Peruvian subsidiary, Renta 4 Sociedad Agente de Bolsa S.A., in the amount of 1,773 thousand nuevos sol, equivalent to 500 thousand euros. Subscription of the injection did not entail any changes to the shareholder structure.
- An equity injection, on June 22, 2017, into subsidiary Renta 4 Chile S.P.A., in the amount of 2,995,080 thousand Chilean pesos, equivalent to 3,983 thousand euros. The capital increase was fully subscribed and paid by Renta 4 Banco, S.A.
- An equity injection, on June 22, 2017, into subsidiary Inversiones Renta 4 Chile Limitada, in the amount of 2,096,894 thousand Chilean pesos, equivalent to 2,789 thousand euros. Subscription of the injection did not entail any changes to the shareholder structure.
- An equity injection, on June 22, 2017, into subsidiary Renta 4 Corredores de Bolsa S.A., in the amount of 2,995,283 thousand Chilean pesos, equivalent to 3,984 thousand euros. Subscription of the injection did not entail any changes to the shareholder structure.

Changes to "associates" in 2017:

- On February 9, 2017 the Parent and Hanson Asset Management Ltd. signed an agreement for the cancellation of their business relations and the sale of the stake in this investee, in the amount of 700 thousand sterling pounds (822 thousand euros). The amount booked in the consolidated income statement as a result of the sale was a profit of 782 thousand euros, and this was posted under "Gains or (-) losses on the derecognition in non-financial assets accounts and investments, net".
- On March 22, 2017 the Parent drew up the sale of investee W4I Investment Advisory Limited in the amount of 156 thousand sterling pounds (approximately 180 thousand euros). The amount booked in the consolidated income statement as a result of the sale was a loss of 66 thousand euros, and this was posted under "Gains or (-) losses on the derecognition in non-financial assets accounts and investments, net".

Changes to "Group companies" in 2016:

- An equity injection, on March 10, 2016, into Peruvian subsidiary, Renta 4 Sociedad Agente de Bolsa S.A., in the amount of 1,806 thousand nuevos sol, equivalent to 500 thousand euros. The capital increase was fully subscribed and paid by Renta 4 Banco, S.A.
- An equity injection, on April 15, 2016, into subsidiary Renta 4 Colombia, S.A.S., in the amount of 674,436 thousand Colombian pesos, equivalent to 200 thousand euros. The capital increase was fully subscribed and paid by Renta 4 Banco, S.A.
- On July 1, 2016 the company Renta 4 Global Fiduciaria, S.A. was incorporated with a value of 10,500,000 Colombian pesos, with an investment by Renta 4 Banco, S.A. of 7,290,000 thousand Colombian pesos (69.43%), the equivalent of 2,220 thousand euros.
- An equity injection, on July 5, 2016, into subsidiary Renta 4 Chile S.P.A., in the amount of 733,590 thousand Chilean pesos, equivalent to 1,000 thousand euros. The capital increase was fully subscribed and paid by Renta 4 Banco, S.A.
- An equity injection, on July 5, 2016, into subsidiary Inversiones Renta 4 Chile Limitada, in the amount of 813,400 thousand Chilean pesos, equivalent to 1,071 thousand euros.
- An equity injection, on July 5, 2016, into subsidiary Renta 4 Corredores de Bolsa S.A., in the amount of 1,162,000 thousand Chilean pesos, equivalent to 1,530 thousand euros.
- An equity injection, on August 16, 2016, into subsidiary Renta 4 Colombia, S.A.S., in the amount of 162,998 thousand Colombian pesos, equivalent to 50 thousand euros. The capital increase was fully subscribed and paid by Renta 4 Banco, S.A.
- An equity injection, on September 30, 2016, into subsidiary Renta 4 Luxemburgo, S.A., in the amount of 200 thousand euros. The capital increase was fully subscribed and paid by Renta 4 Banco, S.A.

There were no changes to investments in "associates" in 2016.

The changes to the Group's scope of consolidation in 2016 are set out in the Renta 4 Group's consolidated financial statements for the year ended December 31, 2016.

The breakdown of the subsidiaries and associates of Renta 4 Banco, S.A. at December 31, 2017 and December 31, 2016 is set out in Appendix I to these consolidated financial statements.

2.4 Measurement principles and criteria

The valuation principles and criteria applied in the preparation of the 2017 consolidated financial statements are as follows:

a) Going concern principle

The information set forth in these consolidated financial statements has been prepared on the basis that the Group will continue as a going concern for the foreseeable future.

This assessment was made taking into consideration the following risk factors and attendant mitigating circumstances: The most significant risk factors in relation to the Entity's ability to continue as a going concern are:

- The existence of a protracted and deep recession in Spain and abroad, which is having a material impact on all sectors of the economy, with specific ramifications for the financial sector.
- Regulatory changes.
- Difficulty in renewing wholesale funding lines and higher borrowing costs.

The related mitigating circumstances are:

- The Group's continued solid customer base.
- Access to European Central Bank liquidity (Note 16.a).
- Capital in excess of current requirements (Note 18.i).
- Compliance with the liquidity ratio (Note 5.b).

b) Accrual accounting

Except in respect of the statement of cash flows, these consolidated financial statements have been prepared on an accrual basis, i.e. income and expense are recognized when earned or incurred, respectively, regardless of when actual collection or payment occurs.

c) Offsetting balances

Debit and credit balances arising as a result of transactions are offset and therefore presented at the corresponding net amount on the balance sheet only when related contracts or applicable legislation allows the possibility of offsetting them and the entity intends to liquidate them at their net amounts or realize the related assets and simultaneously pay the corresponding liabilities. The presentation in the accompanying consolidated financial statements, prepared under IFRS-EU, of financial assets subject to impairment net of any such impairment is not considered "offsetting" for these purposes.

d) Transactions in foreign currency

The euro is considered the functional currency for the purposes of the preparation of these consolidated financial statements. Foreign currency is understood to be any currency other than the euro.

Upon initial recognition, foreign currency receivable and payable balances have been converted to euros using the spot exchange rate. After initial recognition, the following rules are applied when translating foreign currency balances to euros:

- Monetary assets and liabilities denominated in foreign currency are translated at the average spot euro rate published by the European Central Bank at the balance sheet date.
- Income and expenses are translated at the exchange rate on the date of the transactions.

All differences are recognized in the consolidated income statement.

At year-end 2017, the Group's currency-denominated assets and liabilities amounted to 58,346 thousand euros and 36,230 thousand euros, respectively. At year-end 2016, the Group's currency-denominated assets and liabilities amounted to 45,454 thousand euros and 32,943 thousand euros, respectively.

e) Revenue recognition

In general, revenue is measured at the fair value of the consideration received or to be received, excluding discounts, credits and rebates. When delays occur with respect to actual receipt of goods or services, fair value is determined based on discounted future cash flows.

The recognition of revenue in the consolidated income statement or in equity depends on whether the following conditions are met:

- The amount can be estimated reliably.
- It is probable that economic benefits will flow to the Group.
- The information can be verified.

When there are uncertainties regarding the collection of an amount previously recognized as revenue, the amount whose collectability is improbable is recognized as an expense and not as a decrease in revenue. Accrual of interest is interrupted for all debt instruments individually classified by the Bank as impaired, and all those in respect of which impairment losses have been calculated collectively because they have been due for more than three months.

Interest income and expense, dividends and similar income and expense

As a general rule, interest and similar income and interest and similar expense are recognized for accounting purposes as they accrue in keeping with the effective interest method defined in IAS 39. Dividends received from companies other than those included in the Group's consolidation scope are recognized as revenue when the consolidated entities become entitled to receive them.

However, when a debt instrument is deemed impaired individually or as a result of belonging to a category of instruments deemed impaired on account of remote likelihood of recovery, the interest these instruments accrue ceases to be recognized in the consolidated income statement. Such interest is instead recognized as revenue when it is collected.

Fees, commissions and similar items

Fee and commission income and expense that does not have to be factored into the calculation of the various transactions' effective interest rates and/or is not part of the cost of acquiring financial assets or liabilities other than those classified at fair value through profit or loss is recognized in the consolidated income statement using a series of accounting criteria depending on the nature of the related fees and commissions. The most significant categories and their recognition criteria are as follows:

- Fees and commissions related to the acquisition of financial liabilities designated at fair value through profit or loss, which are recognized upon settlement.
- Fees and commissions arising from transactions or services that are provided over time, which are recognized in the consolidated income statement over the life of the related transactions or services.
- Fees and commissions corresponding to a significant act, which are recognized in the consolidated income statement when the underlying act takes place.

Non-finance income and costs

These are recognized on an accrual basis.

Deferred collections and payments

Deferred income and expense is recognized at present value, calculated by discounting the forecast cash flows at market rates.

f) Financial instruments

Financial instruments are recognized on the consolidated balance sheet only when the Group is a party to the contractual provisions of the instrument. The Group recognizes debt instruments such as loans and cash deposits as of the effective date on which the legal right to receive and legal obligation to pay arises, and financial derivatives as of related contract dates. Additionally, transactions carried out in foreign currency markets are recorded on the settlement date, and financial assets traded on OTC markets in Spain are recognized on the trade date in the case of equity instruments and on the settlement date in the case of debt securities.

f.1) Financial assets

Financial assets are, inter alia, cash balances, deposits at financial institutions, customer loans, debt securities, equity instruments of another entity except those of subsidiaries, joint ventures or associates and derivatives held for trading.

The Group classifies its financial assets into the following portfolios for valuation purposes:

- **"Held for trading" or "Designated at fair value through profit or loss":** financial assets created or acquired that are held for the purpose of selling in the near term or that are part of a portfolio (trading portfolio) of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. It also includes derivatives that are not designated as hedging instruments.
- **"Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market, that may or may not be designated at fair value and whose total initial investment the Group expects to recover, other than because of credit deterioration. The category primarily includes any type of loan or deposit lent to financial institutions, unlisted debt securities and temporary debit balance (brokerage) of Group customers. Receivables are recognized in the consolidated balance sheet at amortized cost using the effective interest rate method. The Group makes provisions for bad debts to cover balances of a certain age or if circumstances exist that raise doubts about the solvency of the debtor. Impairment losses on accounts receivable for intermediation are determined taking into consideration the value of securities used as guarantees.
- **"Available-for-sale financial assets":** those financial assets not classified in either of the preceding categories.

Subsequent to initial recognition, financial assets are measured at fair value.

The fair value of a financial instrument at a given date is the amount for which it could be bought or sold between two knowledgeable parties on an arm's length basis.

The fair value of a financial instrument is the price which would be paid for it on a high-volume, transparent, organized market ("quoted price" or "market price"). The fair value of a financial instrument for which there is no market price is estimated using the fair value in recent arm's length transactions, or other valuation techniques used by the international financial community bearing in mind the specific features of the instrument and, especially, factors inherent to the financial instrument.

Following initial recognition, these financial assets are measured as follows:

- The financial assets categorized as "held for trading" or "available-for-sale" are measured at fair value, without deducting any transaction costs that may be incurred in connection with their sale or disposal by other means.
- Financial assets classified as "loans and receivables" are measured at amortized cost.

Financial assets are derecognized from the Group's consolidated balance sheet when the contractual rights to receive cash flows from the assets have expired or the Group has transferred these rights and either has transferred substantially all the risks and rewards of the assets, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. In the last case, when control of the assets has not been transferred, the asset is recognized to the extent of the Group's continuing involvement in the asset; i.e. at an amount equal to the Group's exposure to changes in the value of the financial asset transferred.

Impairment losses incurred on financial instruments are accounted for in keeping with the criteria set out in Note 4.h).

f.2) Financial liabilities

Financial liabilities have been classified into the following categories for measurement purposes:

- **Financial liabilities held for trading:** financial liabilities issued with a view to buying them back in the near future. This portfolio includes derivatives, provided they are not hedging instruments.
- **Financial liabilities at amortized cost:** this category of financial instruments contains financial liabilities that have not been included in the category above.

Upon initial recognition, financial liabilities (both financial liabilities held for trading and carried at amortized cost) are measured at fair value. Subsequent to initial recognition, all financial liabilities are measured at amortized cost, except for those classified as financial liabilities held for trading, which are measured at fair value.

The criteria used to account for and measure compound financial instruments upon initial recognition are as follows:

a. The liability component is assigned the fair value of a similar standalone liability.

b. The fair value of the liability component is deducted from the fair value of the instrument as a whole; the resulting residual amount is the amount attributed to the equity component.

c. Transaction costs are allocated in the same proportion.

Except in the event of an error, the measurement made upon initial recognition is not subsequently revised.

Financial liabilities are derecognized when the corresponding obligation is extinguished.

f.3) Gains and losses on financial instruments

Gains and losses on financial instruments are recognized in keeping with the following criteria depending on the portfolio in which they have been classified:

- For financial instruments classified as “held for trading”, changes in fair value are recognized directly in profit or loss.
- For financial instruments carried at amortized cost, fair value changes are recognized when the financial instrument is derecognized, or impaired in the case of financial assets.
- For financial instruments classified as “available-for-sale”, changes in fair value are recognized directly in equity as “Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets” until the investment is derecognized, at which time the gain or loss previously deferred in equity is taken to profit or loss. Impairment losses, if any, are recognized profit or loss.

f.4) Fair value and amortized cost of financial instruments

The fair value of a financial instrument at a given date is the amount for which it could be bought or sold between two knowledgeable parties on an arm’s length basis. The most objective and normal reference for the fair value of a financial instrument is the price that would be paid for it on a deep, transparent, organized market (“quoted price” or “market price”).

When a market publishes the supply and demand prices for a given instrument, the market price for a purchased asset or a liability to be issued is the bid price (demand), whereas the price for an asset to be purchased or a liability issued is the ask price (supply). If there is relevant market making activity or it can be demonstrated that the positions can be closed - settled or hedged - at

the average price, then this average price is used. The fair value of a financial instrument for which there is no market price is estimated using the current fair value in recent transactions of similar instruments or, failing this, using valuation models that have been sufficiently contrasted by financial markets, in due consideration of the specific characteristics of the instrument to be appraised, especially the various risk factors inherent to the financial instrument.

The valuation techniques employed to estimate the fair value of a financial instrument meet the following requisites:

The most consistent and appropriate financial and economic methods are used, which have demonstrated that they provide the most realistic estimate of the price of the financial instrument.

- These methods are habitually used by market operators to value this type of financial instrument, such as discounted cash flow models, option pricing models based on market conditions and not arbitration etc.
- They maximize the use of available information both in terms of observable data and recent transactions with similar characteristics and restrict as much as possible the use of non-observable data and estimates.
- They are widely and sufficiently documented, including the reasons why they have been chosen in preference to other possible alternatives.
- The valuation methods chosen are used consistently over time, provided there are no grounds to modify the reasons for choosing them.
- The validity of the valuation models is assessed on a periodic basis, using recent transactions and current market data.
- They take account of the following factors: the time value of money, credit risk, exchange rates, commodity prices, equity prices, volatility, market liquidity, risk of early cancellation and administration costs.

Specifically, the proxy for determining the fair value of financial derivatives traded on deep, transparent, organized markets included in trading portfolios is their daily quote price which, if unavailable on a given date due to exceptional circumstances, is measured using methods similar to those applied when valuing derivatives not traded on organized markets.

The proxy for determining the fair value of derivatives not traded on organized markets or traded on organized markets that are not deep or transparent is the sum of future cash flows originated by the instrument, discounted at the valuation date (“present value” or “marked-to-market value”) by applying valuation methods widely used in finance markets: “net asset value” (NAV), option pricing models etc.

Amortized cost is deemed the purchase

price of a financial asset or liability adjusted (upwards or downwards, as applicable) by repayments of principal and interest and, plus or less, as applicable, the portion allocated to the consolidated income statement, using the effective interest method, of the difference between the initial amount and the repayment value of these financial instruments. In the case of financial assets, amortized cost also includes any impairment loss.

The effective interest rate is the discount rate that exactly matches estimated total future cash payments and receipts over the remaining lifespan of the financial instrument, with no consideration of future credit risk losses. In the case of fixed-interest financial instruments, the effective interest rate matches the contractual rate of interest established at the time of purchase, adjusted where necessary for commissions and transactions costs which, in accordance with the provisions of IAS 39, must be included in the calculation of the effective interest rate. In the case of variable-interest financial instruments, the effective interest rate is estimated in a similar fashion as for fixed-interest transactions, and is recalculated on each contractual rate reset date, in view of any changes to the transaction's future cash flows.

g) Reclassification of financial assets between portfolios

The Group did not reclassify any financial instruments between portfolios in either 2017 or 2016.

h) Impairment of financial assets

A financial asset is deemed impaired and an impairment loss is recognized when there is objective evidence of one or more events that imply:

- An adverse impact on the future cash flows estimated when the transaction was arranged in the case of debt instruments (loans and debt securities).
- The potential inability to recovery the asset's carrying amount in the case of equity instruments.

The situations deemed by the Group to constitute objective evidence that a financial instrument may be impaired, triggering specific analysis of the financial instruments in question in order to determine the amount of the potential impairment loss, include those itemized in paragraph 59 of IAS 39.

More specifically, the situations deemed by the Group to constitute objective evidence of a financial instrument's potential impairment include the following:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that it would not otherwise consider, complying at all times with applicable legislation to this end;
- increasing probability that the borrower will enter bankruptcy or other financial reorganization related to its inability to service its payment obligations;
- the disappearance of an active market for that financial asset because of financial difficulties on the part of the borrower or the counterparty to the risk assumed by the Group, or if observable data indicate that there is a measurable decrease in the estimated future cash flows from a group of similar financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  i. adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments, borrowers that present an inadequate financial structure or any other form of difficulty in meeting their payment obligations etc.), or

  ii. national or local economic conditions that correlate with defaults on the assets in the group;

- in the case of investments in equity instruments, the Group considers information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment, although such evidence requires the Group to analyze whether the decline really corresponds to a conclusive impairment of the investment such that the Group may not recover the cost of its investment.

As a general rule, and notwithstanding the following paragraphs in this Note, corrections in the carrying value of financial instruments owing to impairment are charged to the consolidated income statement in the period in which the impairment occurs. Any recoveries of previously recorded losses from impairment are recognized in the consolidated income statement of the period in which the impairment is eliminated or reduced.

When the possibility of recovery of a recorded amount is considered remote, the amount is removed from the consolidated balance sheet, without prejudice to any action consolidated entities may take to seek to achieve collection until their rights have fully expired, whether from prescription, forgiveness or other causes.

Below are the criteria applied by the Group to determine possible losses from impairment in each of the categories of financial instruments and the method used to record the impairment:

h.1) Debt instruments measured at amortized cost

The amount of impairment losses on these instruments is any positive difference between their respective carrying amounts and the present values of their estimated future cash flows.

Estimates of the future cash flows of debt instruments take into account the following:

- All sums expected to be received during the expected life of the instrument; including, if applicable, those originating in guarantees securing it, following deduction of the necessary costs for foreclosure and subsequent sale. Impairment loss includes an estimate of the possibility of collecting accrued interest that is overdue and unpaid.
- The types of risk to which each instrument is exposed, and
- The circumstances under which collection is expected to occur.

Subsequently, these cash flows are discounted using the effective interest rate of the instrument - if the contractual rate is fixed - or the effective contractual interest rate on the revision date, if the rate is variable.

As an exception to this procedure, in the case of listed debt instruments, market value is deemed a reasonable estimate of the present value of the instruments' future cash flows.

With regard to impairment loss caused by insolvency risk on the part of the debtor (credit risk), a debt instrument is considered impaired due to insolvency:

- When an impairment occurs in the payment capacity of the debtor, as shown by non-payment over more than 90 days or for other reasons, and/or
- Owing to the existence of "country risk", understood as the risk incurred by debtors residing in a given country due to circumstances other than normal commercial risk.

The process of evaluating and estimating possible impairment losses on these assets is carried out:

- Individually for all significant debt instruments and for those which are not significant but which cannot be classified in homogeneous groups of instruments with similar characteristics according to the type of instrument, the debtor's sector of activity and geographic area of activity, type of security, age of the amounts overdue etc.
- Collectively: the Group has classified transactions according to the type of debtors and the conditions of the country in which they reside, the situation of the transaction and the

type of guarantee it carries, the age of the amounts overdue, etc. and sets for each of these risk groups the impairment losses ("identified losses") to be recognized in the annual financial statements of the consolidated companies.

In addition to individually identified impairment losses, the Group recognizes a "general" overall impairment provision or allowance in respect of exposures deemed "standard", losses that have not, accordingly, been allocated to specific transactions.

h.2) Debt instruments classified as available for sale

Impairment loss on debt securities in the portfolio of financial assets available for sale is equal to any positive difference between the acquisition cost - net of any amortization of principal - and fair value, net of any impairment loss previously recognized in the consolidated income statement.

The procedure followed by the Group to estimate impairment losses caused by the insolvency of the issuer of debt securities classified as available for sale coincides with the criteria explained in section h.1 for debt instruments recognized at amortized cost.

If objective evidence exists that the fair value losses on these assets have arisen from their impairment, these losses are removed from "Accumulated other comprehensive income - Elements that may be reclassified to profit or loss" within equity in the consolidated balance sheet and are recognized at the full amount accumulated to date in the consolidated income statement. If all or part of the impairment losses are subsequently recovered, the reversal is recognized in the consolidated income statement in the period when recovery occurs.

h.3) Equity instruments classified as available for sale

Impairment loss on debt securities in the portfolio of financial assets available for sale is equal to any positive difference between the acquisition cost - net of any amortization of principal - and fair value, net of any impairment loss previously recognized in the consolidated income statement.

The criteria applied in recording impairment losses on equity instruments classified as available for sale are similar to those applied to debt instruments (as explained in note h.1); except that any recovery of such losses is recognized in "Accumulated other comprehensive income - Elements that may be reclassified to profit or loss - Available-for-sale financial assets".

For listed equity instruments, the Group's criteria for assessing indications of impairment consist, first, of a prolonged or significant fall in market value, for which time or percentage ranges are estimated in order to compare the average cost with the stock market price of the instrument. Specifically, the time or percentage ranges established in Group policies consist of a 40% decrease in the stock market price against the average acquisition cost or a sustained decrease in the list price over more than 18 months. The Group considers situations in which the issuer has declared, or is likely to declare, insolvency or faces significant financial difficulties to be indications of impairment. Hence, objective evidence is stronger in decreases of 40% in the list price for a continuous period of a year and a half.

Once an indication of impairment is identified under the foregoing parameters, a specific analysis is carried out of the fundamental metrics of the instrument to confirm or disprove the need for provisions.

h.4) Equity instruments measured at cost

Impairment losses on equity instruments measured at acquisition cost are equal to the difference between their carrying amount and the present value of the estimated future cash flows, discounted according to the market performance of similar securities.

Impairment losses on these assets are recorded in the consolidated income statement of the period in which they occur and directly reduce the cost of the instrument. These losses can be recovered subsequently only if the assets are sold.

i) Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition of subsidiaries over the fair value of the net assets acquired at the date of acquisition.

When the acquisition of new investments entails deferred payment, cost includes the present value of the outstanding balance.

Goodwill is not amortized. It is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment detected is recognized in the consolidated income statement immediately. Impairment losses relating to goodwill cannot be reversed in future periods.

For calculating the impairment loss, goodwill is allocated to the cash generating units and an estimate is made of the recoverable amount of the asset, which is considered to be the higher of fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment of goodwill already recognized is not reversed in the years following.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

On the sale or disposal of an investment in a Group company or associate, any goodwill allocated to the company is included in the gain or loss recognized from the sale or disposal.

Other intangible assets

The Group recognizes under "Other intangible assets" its computer software and the acquisitions of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. in December 2006. The Group also recognized the customer portfolios arising from the acquisition of Renta 4 Chile Corredores de Bolsa (Note 14).

This heading includes amounts paid to acquire software and software licenses. Software maintenance costs are recorded directly in the year in which they are incurred. They are amortized on a straight-line basis over a three-year period from the date the software is put to use.

The "Customer relationships" acquired as a result of the December 2006 purchase of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. are being amortized on a straight-line basis over a period of eight years (their useful life), which is the period of time during which management expects to be able to maintain these relationships, estimated using the best available information. At December 31, 2014, these "Customer relationships" were fully amortized. In addition, the "Customer relationships" acquired as a result of the acquisition in 2012 of Renta 4 Chile Corredores de Bolsa, S.A. are amortized on a straight-line basis over a period of seven years (their useful life), which is the period of time during which management expects to be able to maintain these relationships based on available historical information.

j) Tangible assets

This heading includes buildings, land, furniture, vehicles, computer equipment and other installations owned by the Group or acquired under finance leases.

Plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value.

The cost of these assets includes the amounts initially disbursed for acquisition or production, as well as any amounts paid subsequently for expansion, replacement or improvement of assets, when the Group expects to obtain economic benefits from continuing use of the assets.

Repairs and upkeep expenses that do not increase the useful lives of assets are charged to the income statement in the year incurred.

The Group considered that cost at the IFRS transition date (January 1, 2005) was the carrying amount recognized under the generally accepted accounting principles in Spain at January 1, 2005.

Investment property recognizes the net carrying amount of a building (including the land) which is held for rent.

The acquisition or production cost of plant and equipment, net of the residual value, is depreciated on a straight-line basis over the useful life of the assets, as follows:

The Group periodically assesses whether there are any internal or external indications that the carrying amounts of property and equipment may be impaired at year-end. For identifiable assets, it estimates the recoverable amount, which is considered to be the higher of the asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired

	Years of useful life	Depreciation rates
Buildings and other construction	50	2%
Investment properties		
Buildings	50	2%
Installations	10	10%
Machinery, installations and tools	10	10%
Furniture and fittings	10	10%
Transport equipment	6	17%
Data processing equipment	4	25%
Other property and equipment	5	20%

Property and equipment are derecognized from the consolidated balance sheet when disposed of or when permanently withdrawn from use and no future economic benefits are expected from them following disposal, transfer or abandonment. The difference between their sales price and their carrying amount is recognized in the consolidated income statement of the period in which the asset is derecognized.

and is written down to its recoverable amount in the consolidated income statement.

Leases

The Group classifies leases based on the economic substance of the arrangement regardless of whether they are set up as finance or operating leases.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly to the consolidated income statement. Assets acquired under finance leases are classified on the consolidated balance sheet based on the nature of the asset.

Operating lease payments are recognized as an operating expense as accrued over the term of the lease contracts.

Leases under which the Group acts as lessor and retains substantially all the risks and benefits inherent to ownership of the leased asset are classified as operating leases. The direct costs incurred upfront to negotiate an operating lease are added to the carrying amount of the leased asset and are recognized over the term of the lease using the same criteria used to recognize lease income. Contingent rents are recognized in income in the year in which they are collected.

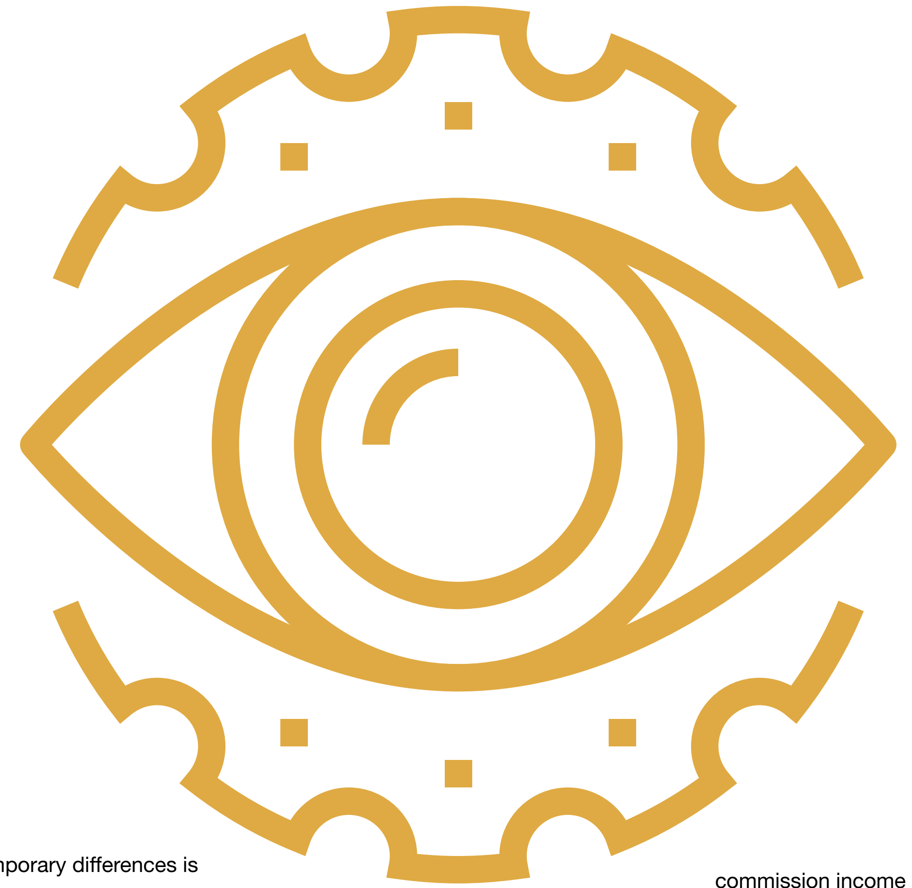
k) Cash, cash balances at central banks and other demand deposits

Cash and cash equivalents comprise cash at banks and demand balances at financial intermediaries.

l) Treasury shares

Parent company shares held by the Group are deducted from equity. No gain or loss is recognized on transactions with treasury shares in the income statement, but directly in equity. If treasury shares are reissued, any difference between their carrying amount and the consideration received is recognized in the "Share premium" account.

Convertible bonds are separated into their liability and equity components on the basis of the terms of the related contracts. When convertible bonds are issued, the fair value of the liability component is determined using the market rate of interest for equivalent non-convertible instruments. This amount is classified as a financial liability at amortized cost (net of related transaction costs) until it is extinguished as a result of conversion or repayment. The remaining measurement amount is allocated to the conversion option and is recognized in equity. Transaction costs are deducted from equity, net of the associated tax effect. The carrying amount of the conversion option is not remeasured in subsequent years. The transaction costs associated with convertible bonds are divided between the liability and equity components in proportion to the initial distribution of the liability and equity components upon initial recognition of the instrument.



m) Provisions

Liabilities present at the consolidated balance sheet date, arising as a result of past events regarding which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, but are uncertain in terms of amount and cancellation date, are recognized in the consolidated balance sheet under provisions at the present value of the amount that the Group deems most likely will have to be paid to settle the obligation. Provisions are quantified taking into consideration the best available evidence on implications of obligating events and are re-estimated at every balance sheet close.

At December 31, 2017 and December 31, 2016, the provisions recognized on the consolidated balance sheet mainly cover certain business-related liabilities and third-party claims from parent company and subsidiary companies.

Contingent liabilities recognized in connection with a business combination

Contingent liabilities recognized in connection with a business combination are initially measured at fair value. Subsequent to initial recognition, they are measured at the higher of the amount that would be recognized under the criteria for recognizing provisions, detailed above, and the amount initially recognized, less any accumulated amortization recognized using the criteria applied to account for ordinary income.

Additions to and the release of provisions deemed necessary in keeping with the above criteria are recognized with a credit or charge, respectively, to "Provision expense (net)" in the consolidated income statement.

n) Income tax

Income tax expense is calculated as tax payable with respect to the tax result for the year, after considering changes during the year relating to temporary differences, tax credits for deductions and rebates, and loss carryforwards.

Tax expense is recognized in the income statement except when the transaction is recognized directly in equity and in business combinations in which the deferred tax liability is recognized as another equity component of the business combination.

For deductions, rebates and tax credits for loss carryforwards to be effective, they must meet the requirements stipulated in prevailing legislation provided that related recovery is probable given that there are sufficient available deferred taxes or specific events have occurred due to which said recovery is no longer considered likely.

The tax effect of temporary differences is included in the corresponding deferred tax asset or liability headings under "Tax assets" or "Tax liabilities" on the accompanying consolidated balance sheet.

The Group reviews the carrying amounts of deferred tax assets and liabilities recognized, at least at each balance sheet date, and records the corresponding adjustments for deferred taxes which have lapsed or are considered recoverable. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

o) Fee and commission income

This heading includes fees and commissions for brokerage, asset management and custodian services and other income related to the Group's activities (e.g. underwriting, placement). Fee and commission income is recognized in the consolidated income statement as the service is rendered or, in the case of services executed via a single act, upon execution of the act.

p) Staff expenses

Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount payable in exchange for services received. These benefits are generally recognized as employee benefit expense for the year; any difference between the expense accrued and the amount paid at year-end is recognized as a liability.

Other employee benefits

At December 31, 2017, the Group had granted loans to several employees to finance the purchase of shares of Renta 4 Banco, S.A. totaling 133 thousand euros (year-end 2016: 180 thousand euros); these loans were secured by collateral valued at 516 thousand euros (year-end 2016: 480 thousand euros). The acquisitions were funded with interest-free loans due 15 years from the transaction date in accordance with the repayment schedule agreed in the contracts. The difference between the present value of the amounts payable by the employee and fair value is recognized in the consolidated income statement as an employee benefit expense.

At December 31, 2017, the Group had granted personal loans to several employees to cover personal/family needs of employees as stipulated in Collective Bargaining Agreements, totaling 314 thousand euros (year-end 2016: 238 thousand euros), with no collateral, in compliance with the conditions set out in the agreements, since the loans were interest-free. The difference between the present value of the amounts payable by the employee and fair value is recognized in the consolidated income statement as an employee benefit expense.

The amount booked in the consolidated income statement for the interest-free loans was 8 thousand euros and 9 thousand euros for 2017 and 2016 respectively (Note 22.d).

Pension commitments

The Group classifies its pension commitments as defined contribution, whereby it is only required to make defined contributions to a third party, or as defined benefit, where it agrees to pay an amount based on variables such as age, years of service and salary when the contingency arises. The Group's obligations are as follows:

Renta 4 Sociedad de Valores, S.A.

In keeping with the collective bargaining agreement in force at Renta 4, Sociedad de Valores, S.A., it is committed to paying employees that come from the former brokerages seniority bonuses after 25, 35 or 45 years of continued service. The Group has not provisioned any amount in this respect as the directors deem the amounts accrued at December 31, 2017 and December 31, 2016 not to be material.

Also according to this collective labor agreement, Renta 4, Sociedad de Valores, S.A. must cover early retirement, death and disability contingencies for employees covered by the collective labor agreement applicable to brokerage companies and broker dealers in the Autonomous Community of Madrid. The company is meeting these obligations by setting up a defined benefit pension plan.

In addition, for employees not covered under this agreement, the Group has covered the retirement, disability, death, severe or major dependency contingencies through a defined contribution plan since 2006, with an annual contribution of 600 euros per employee.

Renta 4 Banco, S.A., Renta 4 Corporate, S.A., Renta 4 Gestora, S.G.I.I.C., S.A. and Renta 4 Pensiones, S.G.F.P., S.A.

Since 2007 the Group has provided employees at these companies with coverage of retirement, disability, severe or major dependency contingencies through two defined contribution plans, with an annual contribution of 600 euros per employee.

Defined contribution plan

Defined contributions are measured at fair value unless they are to be paid prior to the twelve months following the date of the consolidated financial statements in which the corresponding employee services were received, in which case the related amount is not updated. Contributions accrued for this concept during the year are recognized under “Employee benefits expense” in the consolidated income statement. The contributions recognized as an expense in the consolidated income statement amounted to 293 thousand euros and 270 thousand euros in 2017 and 2016 respectively (Note 22.d).

Defined benefit plan

The Group measures the present value of the implicit legal obligations for its defined benefit plan at the consolidated balance sheet date after deducting the cost of past services pending recognition and the fair value of the assets assigned to the plan as stipulated in prevailing legislation. The figure thus obtained is recognized as a provision for defined benefit pension funds.

The Group considers plan assets to be those that meet the following requirements:

- The assets are owned by a legally separate third party that is not a related party.
- The assets are exclusively available to pay or finance commitments with employees.
- The assets may not be returned to the Group unless the commitments with employee have been settled or used to reimburse the Group for benefits previously paid.
- The assets may not be instruments that the Group is entitled to transfer.

The Group recognizes the total net amount of the current service cost, interest cost on benefit obligation, the expected return on plan assets, past service costs and the effect of any reduction or settlement of the plan in the consolidated income statement for the year.

The Group immediately recognizes past service cost as an expense in the consolidated income statement unless changes to the plan are contingent on the employee remaining at the Group over a specific period of time, in which case the past service cost is recognized on a straight-line basis over said period.

“Actuarial gains and losses” are gains or losses arising from differences between previous actuarial assumptions and what has actually occurred, and from changes in the actuarial assumptions used. They are recorded entirely on the consolidated income statement for the year in which they occurred.

Expenses incurred by the Group in 2017 and 2016 related to its defined benefit obligations amounted to 2 thousand euros and 2 thousand euros, respectively (Note 22.d).

The Renta 4 Group externalized all of its pension commitments to employees in keeping with Spanish Royal Decree 1588/1999 of October 15, by means of the incorporation of pension plans and the arrangement by these plans of insurance with a non-Group company.

Specifically, the defined benefit obligations for retirement corresponding to Renta 4, S.A. Sociedad de Valores are covered by the plan assets under the corresponding insurance policy and presented net of the commitments assumed less the plan assets in the balance sheet.

At December 31, 2017 the plan assets under the aforementioned insurance policies (mathematical provisions) were 3,160 euros less than the commitments to be covered (1,048 euros in 2016).

The commitments assumed are linked to the insurance policy as the risks intrinsic to these commitments have been transferred to the insurer. The risks transferred include interest rate risk, but at December 31, 2017 the interest rate used to calculate the Group’s pension commitments is slightly lower than that used by the insurance provider and the same as that published by the Directorate-General of Insurance and Pension Funds as applicable to 2017. Pursuant to its Resolution of January 2, 2017, this was 1.09% (2016: 1.63%).

Taking the yield on the Spanish government 10Y bond (1.57% in 2017 and 1.45% in 2016), the calculation of these obligations does not vary significantly from that made by the Entity.

The main assumptions used to measure these commitments were:

	2017	2016
Mortality tables	PEMF-2000P	PEMF-2000P
Interest rate	1.09%	1.63%
Long-term inflation rate	0%	0%
Retirement age	65	65
Rotation	No	No

The table below presents the results of the actuarial valuation made and details on the value of the pension commitments, the fair value of the assets used to cover said commitments, and amounts recognized in assets, liabilities and the consolidated income statement.

The valuation of previous commitments based on the above assumptions was:

Thousands of euros

	2017	2016
Pension liabilities for active employees	65	60
Accrued	43	39
Unaccrued	22	21
Total commitments	43	39
Fair value of plan assets (Plan position account)	40	39
Asset (liability) to be recognized on the balance sheet	**(3)**	-

The movement in the present value of the obligation accrued under defined benefit commitments is shown below:

Thousands of euros

	2017	2016
Unvested pension obligations, opening balance	39	119
Current service cost	2	2
Impact of workforce reductions	-	(85)
Attributable return	2	3
Unvested pension obligations, closing balance	**43**	**39**

The movement in the fair value of the plan assets, structured in the corresponding insurance policy, was as follows:

Thousands of euros

	2017	2016
Fair value of plan assets (insurance policy), opening balance	39	119
Redemption value of insurance policy	-	(85)
Insurance premiums paid during the year	2	2
Return on insurance policy	2	3
Fair value of plan assets, closing balance	**43**	**39**

Termination benefits

Termination benefits are recognized as a provision and an employee benefit expense only when the Group has a proven commitment to terminate the employment of an employee or group of employees before the normal retirement date, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

q) Off-balance-sheet customer funds

Funds deposited by third parties for investment in mutual funds and companies, pension funds, savings insurance contracts and discretional portfolio management contracts are recognized at fair value in memorandum accounts (auxiliary off-book accounting records) (Note 23).

Additionally, assets acquired on behalf of third parties, equity instruments, debt instruments, derivatives and other financial instruments that are held on deposit for which the Group is liable to third parties are recognized in memorandum accounts at fair value or, when fair value cannot be estimated reliably, at cost (Note 19). When in accordance with the contracts entered into with customers and when (international) market operating procedures dictate, the Group uses global custody accounts (omnibus), where it appears as owner of the positions. It must keep separate internal records with a breakdown by customer.

The fair value of these positions is determined by reference to quoted prices in the various markets, or those supplied by global custodians in the case of units of mutual funds (net asset value).

r) Statement of cash flows

The following terms are used in the cash flow statement with the meanings indicated below:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.
- Operating activities: the main activities of Group companies.
- Investing activities: the acquisition, sale and other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

The indirect method was used to prepare the consolidated statement of cash flows. To this end, profit for the year is adjusted for the effects of non-monetary transactions and all types of deferred/accrued payment items that are the source of past or future collections and payments from operating activities, as well as cash inflows and outflows associated with investing or financing activities.

s) Related-party transactions

Related-party transactions are measured as described above.

Transfer prices are duly documented; consequently, the Parent's Directors believe it is not exposed to a risk of significant tax liabilities on related-party transactions.

t) Statement of changes in equity

The statement of changes in equity presented as an integral part of these financial statements shows all the movements in equity accounts arising during the year. This information is in turn broken down into two statements: the statement of recognized income and expense and the statement of total changes in equity. The main features of the disclosures included in both sections of this statement are described below:

Statement of recognized income and expense

This section of the statement of changes in equity presents the income and expense generated by the Group during the year as a result of its activities, distinguishing between income and expense recognized in the income statement for the year and other income and expense recognized directly in equity, in keeping with prevailing accounting rules.

Accordingly, this statement presents:

- Profit for the year.
- The net amount of income and expense recognized temporarily in equity as "Accumulated other comprehensive income" by valuation in equity.
- The net amount of income and expense recognized definitively in equity.
- The income tax accrued in respect of the last two items.
- Total recognized income and expense, this being the sum of the above.

The changes in the income and expense recognized as "Accumulated other comprehensive income" are broken down as follows:

- Expenses arising during the year, recognized directly in equity. The amounts recognized in this heading during the year continue to be recognized within this heading, even if the underlying items are reclassified to profit or loss that same year, are recognized in the initial carrying amount of other assets or liabilities. or are reclassified to another heading.
- Amounts transferred to the income statement: this heading reflects the valuation gains or losses previously recognized in equity, even if recognized that same year, that may be subsequently reclassified to profit or loss.

- Amounts transferred to the initial measurement of hedged items: this heading reflects the valuation gains or losses previously recognized in equity, even if recognized that same year, that are recognized in the initial measurement of assets or liabilities as a result of cash flow hedges.
- Other reclassifications: transfers arising during the year between measurement adjustment headings in keeping with prevailing accounting criteria.

All the items presented in the statement of recognized income and expense are liable for subsequent reclassification to profit or loss, with the exception of "Actuarial gains/(losses) on pension plans". These are presented at their pre-tax amounts; the corresponding tax effect is presented under "Income tax" in the statement.

Statement of total changes in equity

This section of the statement of changes in equity presents all the movements in equity accounts, including those arising as a result of changes in accounting criteria and restatements made to address accounting errors. This statement therefore reconciles the carrying amounts at the start and end of the year of all the items comprising equity, the movements in which are grouped by nature into the following categories:

Restatements for changes in accounting criteria and for prior-year errors: this section includes changes in equity as a result of the retroactive restatement of financial statement headings as a result of changes in accounting criteria or the correction of errors.

Total income and expense recognized during the year: the aggregate of all the items recognized in the statement of recognized income and expense, as detailed above.

Other changes in equity: movements in all other equity items, such as increases or decreases in capital or the endowment fund, dividends, trading in own equity instruments, transfers between equity headings and any other increase or decrease in equity.

u) Financial guarantees

Financial guarantees are contracts under which the Group undertakes to pay specific amounts for which a third party is liable in the event that the latter fails to honor its payment obligations. The main contracts included under this heading, which is presented as a "Memorandum item" at the bottom of the consolidated balance sheet, are bank bonds.

When the Group enters into these contracts, they are recognized under "Financial liabilities at amortized cost - Other financial liabilities" on the liability side of the consolidated balance sheet at fair value and, simultaneously, in "Loans and receivables - Other financial assets" at the present value of the future cash flows receivable, using, for the purpose of both calculations, a discount rate similar to the interest rate charged by the Entity when it grants financial assets with similar terms and an equivalent risk profile to the counterparty concerned. Subsequent to initial recognition, these agreements are measured by recognizing the differences as finance income or finance cost in profit or loss, depending on whether the agreement constitutes "Other financial assets" or "Other financial liabilities", respectively.

In addition to the considerations outlined above, the Group hedges its financial guarantees as detailed in Note 5.a.2) in relation to management of credit risk.

2.5 Financial risk management

Dealing in financial instruments can lead to the assumption by the Group of one of more classes of risk. The main financial risks are:

- **Credit risk.** This is the risk that one of the parties to a financial instrument contract could fail to meet its contractual obligations due to insolvency or incapacitation of natural or legal persons as a result of which the other party suffers a financial loss.
- **Liquidity risk:** This risk is sometimes called funding risk. It relates to the risk of the Entity not being able to sell a financial asset rapidly for an amount comparable to its fair value or finding it difficult to obtain the funds to meet its commitments in relation to its financial instruments.
- **Market risk** This risk arises from holding financial instruments whose value may be affected by changes in market conditions and is comprised of three types of risk:
  - i. Exchange rate risk This risk arises as a result of changes in the rates of exchange among currencies.
  - ii. Interest rate risk This risk arises as a result of changes in market interest rates.
  - iii. Price risk: This is the risk of adverse changes in market prices due to either factors specific to the financial instrument itself or factors affecting all market-traded instruments. Although the Group holds positions in equity instruments that expose it to this risk factor, its exposure is not deemed material.

The Group has built its risk management model around the following cornerstones:

a) Credit risk

a.1) Credit risk management and measurement

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. In the case of repayable financing extended to third parties, credit risk relates to the risk that the principal, interest and other items will not be recovered at the amount and within the timeframe stipulated in the loan agreements, among other terms and conditions. In respect of off-balance-sheet exposures, this risk factor relates to the counterparty's potential failure to uphold its obligations vis-à-vis third parties, forcing the Group to assume them as its own as a result of the commitment assumed.

The Group is exposed to credit risk when its counterparties breach their respective obligations. In this respect it distinguishes between two classes of counterparties: (i) general clients; and (ii) financial institutions.

The current client credit risk monitoring system is underpinned by the development of new risk assessment and debtor (individuals and groups) classification systems that determine the amount of impairment allowances required to cover potential losses.

Specifically, in relation to the granting, monitoring and oversight of risks with "general clients", the Group's Risk Control Department ensures that the current system for extending credit limits on a discretionary basis in all instances as a function of the securities provided to the Group as collateral - is working properly. Under the terms of the agreements signed with the Group's clients, it can use the customers' securities and mutual fund units to settle potential debts in the event of customer non-payment (failure to replenish funds).

a.2) Maximum credit risk exposure

The following table shows the maximum credit risk exposure assumed by the Group at December 31, 2017 and 2016:

Thousands of euros

	2017	2016
Cash balances at central banks and other demand deposits	398,330	397,944
Available-for-sale financial assets (debt securities)	578,284	523,415
Central banks	40,000	-
Due from credit institutions	38,824	90,355
Loans and advances to customers	85,404	74,385
Contingent exposures	368	117
Maximum credit risk exposure	**1,141,210**	**1,086,216**
Normal risk	1,138,761	1,083,185
Doubtful risk	**2,449**	**3,031**
Maximum credit risk exposure	**1,141,210**	**1,086,216**

The maximum credit risk exposure includes the balance sheet line items shown in the previous table, excluding valuation adjustments.

The maximum credit risk exposure at December 31, 2017 and 2016, excluding collateral or other credit enhancements, does not differ from the carrying amount shown in the accompanying financial statements.

Available-for-sale financial assets include mainly Spanish debt securities.

Loans and advances to customers: these are essentially balances receivable from individual clients in connection with securities trading; these balances are secured by the securities deposited by these same clients at the Group. When the Group classifies these balances as impaired, the impairment losses are determined by taking into consideration the value of the balances provided as collateral.

There were no individual exposures in breach of the limits imposed by the Bank of Spain at either year-end 2017 or 2016.

The breakdown of total exposure to credit risk by countries at December 31, 2017 and 2016 is as follows:

2017

Thousands of euros

Country	Due from central banks	Cash balances at central banks and other demand deposits	Due from credit institutions	Loans and advances to customers	Debt securities (AFS)	Contingent exposures	Total
Spain	40,000	283,779	2,429	61,483	578,284	368	966,343
France	-	531	-	359	-	-	890
Germany	-	981	30	995	-	-	2,006
United Kingdom	-	97,317	35,671	1	-	-	132,989
Poland	-	3,373	-	-	-	-	3,373
United States	-	1	100	-	-	-	101
Colombia	-	1,781	11	5	-	-	1,797
Peru	-	544	-	251	-	-	795
Chile	-	9,052	574	21,392	-	-	31,018
Luxembourg	-	971	9	893	-	-	1,873
Switzerland	-	-	-	1	-	-	1
Ireland	-	-	-	-	-	-	-
Portugal	-	-	-	3	-	-	3
Netherlands	-	-	-	5	-	-	5
Mexico	-	-	-	1	-	-	1
Brazil	-	-	-	10	-	-	10
United Arab Emirates	-	-	-	4	-	-	4
Singapore	-	-	-	1	-	-	1
	40,000	**398,330**	**38,824**	**85,404**	**578,284**	**368**	**1,141,210**

2016

Thousands of euros

Country	Cash balances at central banks and other demand deposits	Due from credit institutions	Loans and advances to customers	Debt securities (AFS)	Contingent exposures	Total
Spain	329,185	71,185	56,236	523,415	117	980,138
France	-	-	339	-	-	339
Germany	2,639	30	806	-	-	3,475
United Kingdom	56,288	16,940	1	-	-	73,229
Poland	3,312	-	-	-	-	3,312
United States	1	100	-	-	-	101
Colombia	2,989	-	-	-	-	2,989
Peru	381	-	300	-	-	681
Chile	2,299	2,098	16,518	-	-	20,915
Luxembourg	850	2	122	-	-	974
Switzerland	-	-	60	-	-	60
Ireland	-	-	1	-	-	1
Portugal	-	-	-	-	-	-
Netherlands	-	-	1	-	-	1
Mexico	-	-	1	-	-	1
Brazil	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-
Singapore	-	-	-	-	-	-
	397,944	**90,355**	**74,385**	**523,415**	**117**	**1,086,216**

a.3) Creditworthiness

The Group has established a system for measuring credit risk which is based on the ratings awarded by external agencies (S&P, Moody's and Fitch).

The table below breaks down the Group's investments which expose it to credit risk (namely its available-for-sale [debt securities] and loans and receivables [due from credit institutions] portfolios) by the ratings categories awarded by independent rating agencies. A breakdown of the credit quality of loans and advances to customers and the equity instruments portfolio is not disclosed as there are no external ratings for most of the Group's exposure in this respect.

Thousands of euros

2017

	Due from central banks	Due on demand from credit institutions	Due from credit institutions	Debt securities
Between AAA and A-	-	142,688	35,875	17,010
Between BBB+ and B-	58,191	235,932	2,496	546,219
Between CCC+ and C	-	-	-	-
Not rated	-	1,519	453	15,055
Total	**58,191**	**380,139**	**38,824**	**578,284**

Thousands of euros

2016

	Due from central banks	Due on demand from credit institutions	Due from credit institutions	Debt securities
Between AAA and A-	-	83,780	17,117	4,969
Between BBB+ and B-	10,872	270,099	69,715	518,446
Between CCC+ and C	-	-	-	-
Not rated	-	33,193	3,523	-
Total	**10,872**	**387,072**	**90,355**	**523,415**

The exposure to credit risk corresponding to Spain at December 31, 2017 and 2016 was 92.48% and 92.89%, respectively.

a.4) Credit risk in respect of construction and property development loans

The Group had not extended loans to finance construction work or property developments at either year-end. Nor had it extended loans to fund the acquisition of residential property at either reporting date. The Group did not hold any assets foreclosed as a result of bad loans to builders or developers at either year-end.

a.5) Loan refinancing and restructuring policy

The Group uses the following definitions:

- **Refinancing transaction:** a transaction which, regardless of the borrower or the related collateral, is granted or used, for economic or legal reasons related to financial difficulties on the part of the borrower, to cancel one or more loans extended by the entity or any of its Group entities to the borrower or to one or more companies within the latter's group or which renders the borrower fully or partially current on its payments in respect of such loans with a view to helping the counterparty to the canceled or refinanced transaction to service its debt (principal and interest) when it cannot or is expected not to be able to fulfil its contractual obligations when or as due.
- **Refinanced transaction:** a transaction rendered partially or wholly performing as a result of a refinancing transaction undertaken by the entity or any of its Group entities.
- **Restructured transaction:** a transaction whose terms and conditions, for economic or legal reasons related to financial difficulties on the part of the borrower, are modified in order to facilitate debt service (principal and interest) because the borrower cannot or is expected not to be able to fulfil its contractual obligations when or as due, even if such an amendment is provided for in the contract terms. The following are deemed restructured transactions: haircuts, asset swaps to pay off debt, term amendments to extend the maturity of a loan, alter the repayment schedule in order to reduce loan instalments in the short term or diminish their frequency and/or the grant of grace periods for the payment of principal, interest or both, insofar as it can be demonstrated that the terms are modified for reasons other than financial difficulties on the part of the borrower and that the new terms are similar to market terms extended to customers with similar risk profiles at the time of the restructuring.
- **Loan renewal:** a transaction arranged to replace another formerly granted

by the entity itself in the absence of prevailing or anticipated financial difficulties on the part of the borrower; in a nutshell, a transaction arranged for reasons other than for refinancing purposes.

- **Renegotiated transaction:** a transaction the financial terms of which are modified in the absence of prevailing or anticipated financial difficulties on the part of the borrower; in a nutshell, when terms are modified for reasons other than for restructuring purposes.

Regardless, for a transaction to qualify as a renewal or renegotiation, the borrower must be able, as of the date of renewal/renegotiation, to secure a similar amount of funds in the market on equivalent terms to those offered by the entity; in addition, these terms must match those being offered at the time to customers with similar risk profiles.

The Group did not have any outstanding investments qualifying as refinancing, refinanced or restructured transactions at either year-end.

Liquidity coverage ratio (%) 449%

b) Liquidity risk

Liquidity risk is the risk that a credit institution will encounter difficulty in securing liquid funds or accessing them in sufficient amount and at an acceptable cost to meet its payment obligations without adversely affecting the market price or the cost of the transaction.

The Group operates a policy to protect itself against liquidity risk, keeping enough cash and other liquid financial instruments available to meet computable liabilities with residual maturity of less than one year.

Renta 4 Banco S.A. (Parent) strives to maintain a long-term financing structure that is in line with the liquidity of its assets, with a maturity profile that is compatible with the generation of stable, recurring cash flows to enable it to manage its balance sheet without short-term liquidity pressures.

Additionally, Renta 4, Sociedad de Valores, S.A. (subsidiary) has to meet a cash adequacy ratio. Therefore, assets that can easily be liquidated and are low-risk must amount to at least 10% of its computable liabilities with a residual maturity of less than one year. This does not include temporary and instrumental payables (brokerage customers).

The group had met the abovementioned cash adequacy ratio at December 31, 2017 and 2016. Article 412 of Regulation (EU) No 575/2013, of June 26, 2013, on prudential requirements for credit institutions and investment firms (hereinafter the "CRR"), requires compliance with a liquidity coverage requirement, which is set out in Delegated Regulation (EU) 2015/61. This requisite must be met by credit institutions on an individual basis (Article 6.4 of the CRR) and on the basis of the consolidated situation of the parent (Article 11.3 of the CRR) as of October 1, 2015.

It has been adopted as per the following calendar:

- 60% of the liquidity coverage requirement by October 1, 2015.
- 70% by January 1, 2016.
- 80% by January 1, 2017.
- 100% by January 1, 2018.

The liquidity ratio at December 31, 2017 presented by the parent at consolidated level was over 100%, which will be required as of January 1, 2018.

The table below analyzes the Group's financial instruments by residual maturity groupings, based on the criteria used to draw up the liquidity statements at December 31, 2017 and 2016. The maturity dates considered to draw up this table are in accordance with the contractual conditions of the instruments:

2017 — Thousands of €

ASSETS	3 months or less	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	Over 12 months
Cash	101	-	-	-	-
Exposures with central banks	58,191	-	-	-	-
Transferable assets constituting credits with or backed by the central government of a Member State	170	10,051	-	-	166,871
Transferable assets constituting credits with or backed by central banks and public-sector bodies	27,719	5,151	15,449	48,651	200,937
Transferable assets constituting credits with or backed by the Bank for International Settlements, the International Monetary Fund, the European Commission or multilateral development banks	-	-	-	-	-
Transferable assets constituting credits with or backed by the European Financial Stability Facility and the European Stability Mechanism	-	-	-	-	-
Total ITO shares or investments	14,562	-	-	-	-
Other transferable shares not specified elsewhere	373,770	-	-	-	-
Bonds of non-financial companies	312	-	-	-	72,469
Money market instruments and securities	5,332	-	-	-	32,098
Other equity securities	-	-	-	-	-
Gold and other precious metals	-	-	-	-	-
Non-renewable amounts receivable and loans	21,634	2,761	1,109	3,279	37,698
Amounts receivable from derivatives	680	23	27	123	-
Other assets	58,344	-	-	1,818	454
Total	**560,815**	**17,986**	**16,585**	**53,871**	**510,527**

2017 — Thousands of €

LIABILITIES	3 months or less	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	Over 12 months
Retailer deposits	617,789	-	-	-	-
Liabilities with non-financial customers	86,633	23	27	-	58
Liabilities with financial customers	340,525	-	-	-	9,950
Other liabilities arising from securities issued	-	-	-	-	-
Liabilities on derivative payables	-	-	-	-	-
Other liabilities	65,903	3,263	-	1,737	-
Total	**1,110,850**	**3,286**	**27**	**1,737**	**10,008**

2017	Thousands of €
Liquidity buffer	461,176
Net liquidity outflow	102,692
Liquidity coverage ratio (%)	449%

2016					Thousands of €
ASSETS	**3 months or less**	**Between 3 and 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**Over 12 months**
Cash	100	-	-	-	-
Exposures with central banks	10,872	-	-	-	-
Transferable assets constituting credits with or backed by the central government of a Member State	14,998	-	-	-	155,682
Transferable assets constituting credits with or backed by central banks and public-sector bodies	49,270	5,718	30,039	12,964	184,737
Transferable assets constituting credits with or backed by the Bank for International Settlements, the International Monetary Fund, the European Commission or multilateral development banks	-	-	-	-	-
Transferable assets constituting credits with or backed by the European Financial Stability Facility and the European Stability Mechanism	-	-	-	-	-
Total ITO shares or investments	36,277	-	-	-	-
Other transferable shares not specified elsewhere	390,966	-	-	-	-
Bonds of non-financial companies	53,281	-	17,109	-	-
Money market instruments and securities	5,664	-	-	-	3,703
Other equity securities	-	-	-	-	-
Gold and other precious metals	-	-	-	-	-
Non-renewable amounts receivable and loans	31,878	20,309	25,396	6,873	28,778
Amounts receivable from derivatives	2,669	621	86	89	-
Other assets	46,869	-	-	2,975	411
Totales	**642.844**	**26.648**	**72.630**	**22.901**	**373.311**

2016					Thousands of €
LIABILITIES	**3 months or less**	**Between 3 and 6 months**	**Between 6 and 9 months**	**Between 9 and 12 months**	**Over 12 months**
Retailer deposits	517,586	-	-	-	-
Liabilities with non-financial customers	91,740	-	-	173	58
Liabilities with financial customers	443,962	319	-	-	9,950
Other liabilities arising from securities issued	-	-	-	-	-
Liabilities on derivative payables	-	-	-	-	-
Other liabilities	37,599	-	1,001	1,524	-
Total	**1,090,887**	**319**	**1,001**	**1,697**	**10,008**

2016	Thousands of €
Liquidity buffer	295,587
Net liquidity outflow	95,276
Liquidity coverage ratio (%)	310%

As may be observed in the tables above, there are no significant items under the breakdown of maturities on the asset side of the balance sheet which would reduce the abovementioned gap. The most significant figures are the equity instruments, property, plant and equipment and intangible assets, and shares.

c) Market risk

The Renta 4 Group's trading portfolio focuses on investments through shares listed on the domestic market and residually listed on international markets, and positions on futures and/or options on the main stock market indexes, traded on regulated and diversified markets, with a sufficient guarantee of liquidity to enable positions to be closed. Nevertheless, the Group measures the risk associated with these positions periodically using value-at-risk methodology (VaR) which expresses the maximum expected loss for a specific time interval on the basis of the historic performance of a security or portfolio. The VaR of these portfolios (at 1 day and with a confidence level of 98.75%) at December 31, 2017 and 2016 was as follows:

		Thousands of euros
	2017	**2016**
Trading portfolio (maximum potential loss)	127	180
Available-for-sale investments (maximum potential loss)	1,120	1,470
VaR (% of the portfolio)	0.21%	0.29%

c.1) Exchange rate risk

The Group's exposure to this risk factor is due to its investment in Latin America, which is insignificant.

c.2) Interest rate risk

This risk factor is defined as the possibility that changes in interest rates could have an adverse impact on the value of a financial instrument or a portfolio of financial instruments or the value of the Group as a whole. These adverse changes may arise from movements in the interest rate curves or in the credit spreads applied to counterparties.

The directors consider that exposure to this risk is insignificant. In accordance with prevailing legislation, the Renta 4 Group analyzes the adverse impact of a change in interest rates on its economic value and net interest income. Under no circumstances does it exceed the limits established for aggregation of own funds for hedging interest rate risk.

d) Other risks

As a result of the investments held by the Group in foreign countries, there were no restrictions at December 31, 2017 or 2016 on its ability to access or use the assets, or to settle the liabilities.

2.6 Fair value of financial instruments

As described in Note 4.f), with the exception of financial instruments classified as "Loans and receivables" and equity instruments whose fair value cannot be reliably determined, the Group's financial assets are booked at their fair value on the consolidated balance sheet.

Similarly, with the exception of financial liabilities classified as "Financial liabilities at amortized cost", the other financial liabilities are also booked at their fair value on the consolidated balance sheet.

The table below provides a breakdown of the Group's financial assets and liabilities at fair value at year-end 2017 and 2016, by class of financial asset/liability and by one of the following three fair value measurement hierarchies:

- **LEVEL 1:** Financial instruments whose fair value has been calculated on the basis of their listed price on active markets, without making any changes to the list prices.
- **LEVEL 2:** Financial instruments whose fair value has been estimated on the basis of listed prices on organized markets for similar instruments, or by employing other valuation techniques in which all material inputs are based on directly or indirectly observable market data.
- **LEVEL 3:** Instruments whose fair value has been estimated through the use of valuation techniques in which some significant input is not based on observable market data.

Financial assets

			Fair value hierarchy		
31/12/2017	**Balance sheet total**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading	**2,232**	**2,232**	**1,118**	**1,114**	**-**
Debt securities	1,282	1,282	170	1,112	-
Other equity instruments	97	97	97	-	-
Trading derivatives	853	853	851	2	-
Available-for-sale financial assets	**598,393**	**598,033**	**563,057**	**34,976**	**-**
Debt securities	578,284	578,284	543,308	34,976	-
Equity instruments	19,749	19,749	19,749	-	-
Equity instruments at cost	360	-	-	-	-
31/12/2016					
Financial assets held for trading	**7,379**	**7,379**	**3,638**	**3,741**	**-**
Debt securities	3,703	3,703	-	3,703	-
Other equity instruments	211	211	211	-	-
Trading derivatives	3,465	3,465	3,427	38	-
Available-for-sale financial assets	**565,528**	**565,505**	**538,963**	**26,542**	**-**
Debt securities	523,413	523,413	496,871	26,542	-
Equity instruments	42,092	42,092	42,092	-	-
Equity instruments at cost	23	-	-	-	-

Financial liabilities

			Fair value hierarchy		
31/12/2017	**Balance sheet total**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets held for trading	**213**	**213**	**91**	**122**	**-**
Trading derivatives	213	213	91	122	-
31/12/2016					
Financial assets held for trading	**4,205**	**4,205**	**4,051**	**154**	**-**
Trading derivatives	4,205	4,205	4,051	154	-

The main valuation methods, assumptions and inputs used to estimate the fair value of the financial liabilities at the various hierarchy levels at year-end 2017 and 2016 were as follows:

- **Trading derivatives:** the fair value of most of the proprietary portfolio of trading derivatives was determined on the basis of the instruments' quoted prices on active markets (Level 1).
- **Debt securities:** the fair value of the debt instruments was determined on the basis of their listed prices on formal exchanges (the Bank of Spain book entry clearing system), the BME Clearing screens (for credit institutions), or using prices obtained from information services providers that build prices based on pricing data reported by contributors. Investments in Spanish government debt listed on active markets are deemed Level 1 valuations for fair value hierarchy purposes, while private fixed-income security valuations are deemed Level 2.
- **Equity instruments:** the fair values of all the Group's listed equity instruments were determined on the basis of the securities' prices quoted on official markets, which is why these investments are classified as Level 1 in the tables above.

There were no transfers among the various levels in 2017 or 2016.

"Loans and receivables" and "Financial liabilities at amortized cost" are typically very short-term transactions at floating rates, and so their carrying amount does not differ significantly from their fair value.

The amounts recognized in the 2017 and 2016 consolidated income statements in respect of changes in the fair value of the Group's financial instruments, which correspond to unrealized gains and losses, distinguishing between financial instruments whose fair value is determined using Level 1 (on the basis of prices quoted in active markets), Level 2 (using valuation techniques fed by variables observable in the market) and Level 3 (all other instruments), are not material at either year-end 2017 or 2016 for the purpose of the accompanying consolidated financial statements; nor are the changes in unrealized gains and losses during the years then ended.

2.7 Segment information

Business segment information is generated for the purposes of facilitating the internal control, monitoring and management of the Renta 4 Group's business and earnings.

The Board of Directors is the most senior decision-making body for operations in each business segment. In defining its business segments, management considers each unit's intrinsic risks and management specifics. Likewise, in order to split and allocate the Group's business and earnings, management bases its analysis on the basic business units, for which accounting and management information is readily available. Management applies the same general principles as are used to prepare the Group's management information, and the measurement and recognition criteria and accounting principles are essentially the same as those used to draw up the financial statements.

The business segments described below reflect the Group's organizational structure at year-end 2017 and 2016, based on the type of services offered and the customer segments in which they are provided.

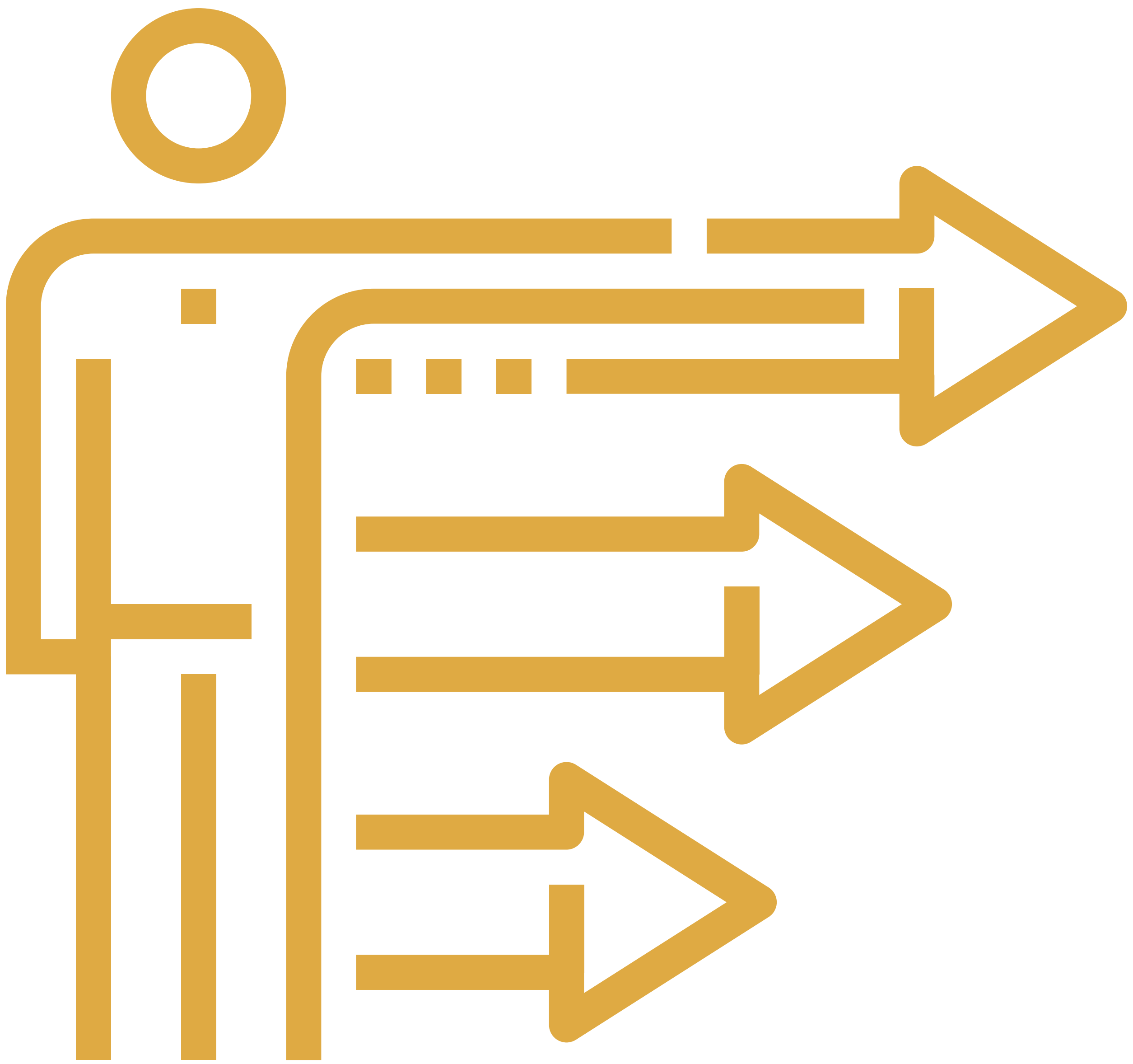
The Group's main lines of business, which constitute its primary reporting segments, are as follows:

- Brokerage (Spanish and international capital markets and the sale of managed and third-party mutual funds).
- Asset management (management of UCITS and pension funds).
- Corporate services: includes primarily support services for the rest of the segments, in addition to depositary and custodial services.

The Group carries out its core business operations in the Spanish market; however, since 2011 it has been conducting an insignificant amount of business in Chile, Colombia, Peru and Luxembourg. The customer bases and product ranges are similar in all markets.

The Group's business focuses mainly on brokerage, asset management, corporate and other services. These activities are carried out through a network of branches, agents, subsidiaries and web pages, and are offered to individuals and financial intermediaries, and small/medium-sized enterprises. Corporate services are provided by various Group subsidiaries.

Inter-segment sales relate mainly to commissions on the sale of the managed investment funds paid by the Asset Management segment to the Brokerage segment for marketing them through the network. These fees and commissions are paid in accordance with the agreed terms, which the directors deem to be in line with market practices.



The table below shows segment information at December 31, 2017 and 2016:

Thousands of euros

	31.12.2017					31.12.2016(*)				
INCOME STATEMENT	Brokerage	Asset management	Corporate services	Adjustments	Total	Brokerage	Asset management	Corporate services	Adjustments	Total
Interest income										
Internal	-	-	-	-	-	-	-	-	-	-
External	3,737	-	-	-	3,737	3,466	-	-	-	3,466
Interest and similar expense										
Internal	-	-	-	-	-	-	-	-	-	-
External	(700)	-	-	-	(700)	(422)	-	-	-	(422)
Return on equity instruments (dividends)	-	-	371	-	371	-	-	319	-	319
Share of profit/(loss) of entities accounted for using the equity method	-	-	-	-	-	(129)	-	(49)	-	(178)
Fee and commission income										
Internal	12,491	-	-	(12,491)	-	11,092	-	-	(11,092)	-
External	55,593	70,105	11,547	-	137,245	54,210	59,654	9,412	-	123,276
Fee and commission expense										
Internal	-	(12,491)	-	12,491	-	-	(11,092)	-	11,092	-
External	(27,546)	(43,828)	(379)		(71,753)	(24,401)	(37,945)	(274)	-	(62,620)
Gains or losses on financial assets and liabilities (net)	6,716	-	1,049	-	7,765	3,580	-	596	-	4,176
Foreign currency translation differences (net)	2,998	-	-	-	2,998	2,289	-	-	-	2,289
Other operating income	155	130	168	-	453	35	-	163	-	198
Other operating expenses	(2,851)	-	(18)	-	(2,869)	(2,438)	-	(21)	-	(2,459)
GROSS MARGIN	**50,593**	**13,916**	**12,738**	**-**	**77,247**	**47,282**	**10,617**	**10,146**	**-**	**68,045**
Staff expenses	(22,242)	(4,370)	(4,556)	-	(31,168)	(19,480)	(3,292)	(3,990)	-	(26,762)
Other administrative expenses	(13,730)	(1,642)	(2,812)	-	(18,184)	(13,999)	(2,365)	(2,867)	-	(19,231)
Depreciation and amortization	(4,361)	(64)	(553)	-	(4,978)	(4,310)	-	(552)	-	(4,862)
Provision expenses	(128)	-	-	-	(128)	-	-	(500)	-	(500)
Impairment losses on financial assets	63	(43)	-	-	20	(1)	-	532	-	531
(+/-) Gains/(Losses) on the derecognition in non-financial assets accounts and investments	720	-	-	-	720	-	-	-	-	-
Impairment losses on other assets	-	-	-	-	-	-	-	-	-	-
PROFIT BEFORE TAX	**10,915**	**7,797**	**4,817**	**-**	**23,529**	**9,492**	**4,960**	**2,769**	**-**	**17,221**
BALANCE SHEET										
Total assets	1,245,029	32,676	19,179	(75,346)	1,221,538	1,194,589	26,016	40,841	(66,328)	1,195,118
Total liabilities	1,143,770	13,308	513	(31,055)	1,126,536	1,124,981	10,208	369	(30,946)	1,104,612
Other information	-	-	-	-	-	-	-	-	-	-
Acquisitions of property and equipment	3,540	-	3	-	3,543	3,911	-	16	-	3,927

(*) Presented solely and exclusively for comparison purposes.
"Adjustments" in the table above includes the elimination of inter-segment sales between the Brokerage Services and the Asset Management segments. These transactions, which are eliminated on consolidation, are presented in the table above to provide an accurate reflection of the activity of each segment.
Adjustments to total segments assets and liabilities correspond to the elimination of inter-company items and own funds between Group companies on consolidation.

2.8 Cash, cash balances at central banks and other demand deposits

The breakdown of the balance of "Cash and balances with central banks and other demand deposits" in the consolidated balance sheet at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Cash	101	100
Bank of Spain	18,191	10,872
Other demand deposits	380,041	386,980
Total	**398,333**	**397,952**

The breakdown by remaining maturity term is provided in note 5.b).

"Other demand deposits" at December 31, 2017 and 2016 includes mainly balances in demand current accounts earning interest at market rates for this type of account, excluding "Valuation adjustments" in the amount of 379,812 thousand euros (386,501 thousand euros in 2016).

The breakdown of the instruments deemed by the Group to constitute cash or cash equivalents is as shown in the table below, which does not include "Valuation adjustments":

Thousands of euros

	2017	2016
Cash	101	100
Bank of Spain	18,191	10,872
Demand current accounts	379,812	386,501
Total	**398,104**	**397,473**

The balances on deposit with the Bank of Spain are held for the purpose of covering the minimum reserve coefficient requirement, which applies to the Group's parent, as per legal stipulations in force.

2.9 Financial assets and liabilities held for trading

The breakdown of these headings on the asset and liability side of the consolidated balance sheets is as follows:

Thousands of euros

	Assets		Liabilities	
	2017	2016	2017	2016
Derivatives	853	3,465	213	4,205
Equity instruments	97	211	-	-
Debt securities	1,282	3,703	-	-
Total	**2,232**	**7,379**	**213**	**4,205**

None of the assets included in this portfolio were encumbered by any commitments or guarantees at either year-end.

a) Derivatives

As mentioned in note 4.f), trading derivatives are classified as held for trading. Therefore, they are measured at fair value, with any changes in fair value recognized directly in the consolidated income statement.

The notional amounts and fair values at December 31, 2017 and 2016 of the derivatives recognized under "Trading derivatives" by type of market, type of product, counterparty, remaining term to maturity and type of risk are as follows:

Thousands of euros

	Notional amounts		Fair value			
	Memorandum accounts		Assets		Liabilities	
	2017	2016	2017	2016	2017	2016
By type of market						
Organized markets	8,951	141,652	851	3,427	91	4,051
OTC markets	6,899	2,274	2	38	122	154
	15,850	**143,926**	**853**	**3,465**	**213**	**4,205**
By type of product						
Options						
Bought	-	17,292	-	439	-	-
Sold	-	34,123	-	-	-	664
Futures	4.180	43.681	-	-	-	-
Other						
Bought	10.999	35.866	853	3.007	76	422
Sold	671	12.964	-	19	137	3.119
	15.850	**143.926**	**853**	**3.465**	**213**	**4.205**
By counterparty						
Resident credit institutions	-	44,964	-	395	-	602
Other financial Institutions	8,951	1,875	851	3	91	22
Non-resident credit institutions	-	-	-	-	-	-
Other sectors	6,899	97,087	2	3,067	122	3,581
	15.850	**143.926**	**853**	**3.465**	**213**	**4.205**
By term to maturity						
Within 1 year	15,850	143,926	853	3,465	213	4,205
Between 1 and 5 years	-	-	-	-	-	-
	15,850	**143,926**	**853**	**3,465**	**213**	**4,205**
By type of risk hedged						
Exchange rate risk	6,724	1,850	2	-	77	-
Interest rate risk	500	500	-	-	-	-
Share price risk	-	51,415	-	439	-	664
Other risks (1)	8,626	90,161	851	3,026	136	3,541
	15,850	**143,926**	**853**	**3,465**	**213**	**4,205**

(1) At December 31, 2017 and 2016 Renta 4 Banco had long positions in electricity derivatives that were fully matched with opposite positions. These transactions arise mainly from electricity futures positions arranged to provide a counterparty to an institutional investor, which are hedged with opposite positions through electricity swaps, a product commonly used by most market participants. Accordingly, the financial result of these positions is zero as the positions are fully offset.

b) Equity instruments

The breakdown by issuer sector of the balance under this heading at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Credit institutions	-	5
Non-resident finance companies	5	-
Other non-resident sectors	92	206
Total	**97**	**211**

The breakdown of "Other equity instruments", based on whether or not the securities included are admitted for listing and the percentage of the total they represent, is as follows:

	Thousands of euros		% sobre el total	
	2017	2016	2017	2016
Listed	97	211	100	100
Unlisted	-	-	-	-
	97	**211**	**100**	**100**

c) Debt securities

The breakdown of debt securities by counterparties is as follows:

Thousands of euros

	2017	2016
Non-resident public administrations	170	-
Spanish credit institutions	1,112	3,703
Total	**1,282**	**3,703**

d) Other information

The breakdown by remaining maturity term is provided in Note 5.b) on liquidity risk.

Note 6 provides detailed information on the fair value of the financial assets included in this category and the methods used to obtain fair value.

2.10 Available-for-sale financial assets

The breakdown of this heading on the asset side of the consolidated balance sheet is as follows:

Thousands of euros

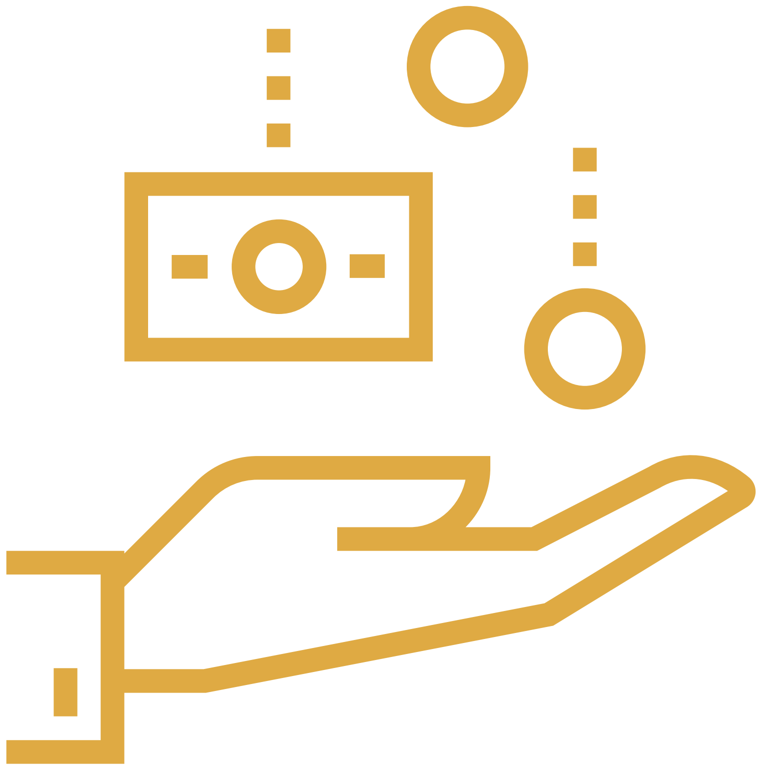
	2017	2016
Equity instruments	20,109	42,115
Debt securities	578,284	523,413
Total	**598,393**	**565,528**

In 2017 and 2016, none of the financial instruments included in this portfolio were transferred or reclassified.

The movement in this consolidated balance sheet heading in 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Opening balance	**565,528**	**495,249**
Additions	303,276	437,383
Disposals	(253,123)	(359,014)
Deferral of interest accrued	1,768	1,675
Collection of coupons	(20,300)	(10,782)
Valuation adjustments	1,243	1,043
Impairment of assets	(1)	(24)
Reversal of general loan-loss provision	2	(2)
Closing balance	**598,393**	**565,528**



a) Equity instruments

The breakdown of this heading at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Investments in UCITS	12,718	26,641
Shares and other equity investments	7,391	15,474
Total	**20,109**	**42,115**

The breakdown of investments in UCITs at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Renta 4 Renta Fija Euro, F.I.	6,491	6,206
Other (*)	1,809	4,751
Renta 4 Retorno Dinámico FI	861	-
Franklin US Low Duration "I" (EurHdg)	741	1,408
Ubam GLB hy solution I	501	-
Pictet Total Return Agora I	496	-
Blackstone Divers Multi-STR I	491	-
Renta 4 Minerva	487	-
Pictet Short-Term Money Mkt	442	-
Gam Star MBS Total Return Ordinary	399	702
Edmond de Rothschild Start "I" (Eur) Acc	-	1,509
F&C Reits EQ Long Short	-	1,484
Echiquier QME (Eur) Acc	-	1,274
Pioneer ABS Ret Bond “H”	-	971
Echiquier Patrimoine Acc	-	913
Threadneedle UK ABS Alpha "2"INA(EurHdg)	-	898
BNY Mellon GLB Real Ret (Eur) "A"	-	873
Ivesco Global Targeted Returns "C" (Eur)	-	821
Dnca Invest Miuri	-	808
Muzinich Enhanced Yield S-T "A" (Eur) Acc	-	804
Gam Star Emerging Market Rates "O" (Eur)	-	604
Neuberger Berman SD EM Market Debt "I" (Eur Hedge)	-	602
Principal Preferred SEC "A" (Eur Hdg)	-	602
Gamco Merger Arbitrage "I" (EurHdg)	-	511
AXA WF Global Inflati "A" (EurHdg)	-	501
Salar E1 Eur	-	399
Total	**12,718**	**26,641**

(*) Investments in UCITS for individual amounts under 400 thousand euros.

The breakdown of “Shares and other equity investments” at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Quoted		
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	5,310	5,599
ETFS Physical Gold	928	1,266
Renta 4 SICAV Mila "I" (Eur)	393	1,469
Kivallic Energy	219	220
Promocinver Sicav	-	534
Renta 4 SICAV Bolsa “I” (Eur)	-	1,109
Renta 4 SICAV Bolsa "R" (Eur)	-	535
Renta 4 SICAV Nexus "I" (Eur)	-	519
Renta 4 SICAV Nexus "R" (Eur)	-	509
Renta 4 SICAV Mila "R" (Eur)	-	486
Renta 4 SICAV Renta F "I" (Eur)	-	2,965
Unquoted		
Other equity interests	541	263
	7,391	**15,474**

At December 31, 2017 an additional impairment of equity instruments in the amount of 1 thousand euros (Note 22.f) was recognized for the investment in Kivallic Energy (December 31, 2016: 24 thousand euros).

This was recognized as an asset impairment loss in the consolidated income statement. At December 31, 2017 and 2016 the Group had no significant exposure to equity investments whose market value implies a decline of over 40% with respect to the related investment cost or that have been trading below acquisition cost for over 18 months and have not been provisioned.

The breakdown of “Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets” in equity (Note 18.j) at year-end 2017 and 2016 as a result of changes in the fair value of the assets held in this portfolio is provided below:

Thousands of euros

	2017	2016
Equity instruments		
Other resident sectors	(812)	(606)
Other non-resident sectors	(151)	(17)
Debt securities		
Spanish government	2,217	1,000
Credit institutions	(1)	-
Other non-resident sectors	-	-
Total	**1,253**	**377**

b) Debt securities

The breakdown of debt securities by counterparties is as follows:

Thousands of euros

	2017	2017
Spanish government (*)	543,307	496,871
Credit institutions (**)	34,977	25,545
Other resident and non-resident sectors	-	999
Valuation adjustments	-	(2)
Total	**578,284**	**523,413**

(*) Spanish government includes Spanish government debt securities.
(**) Credit institutions includes Spanish credit institutions' promissory notes.

The breakdown by remaining maturity term for these headings is provided in Note 5.b).

The fair values of these debt instruments at December 31, 2017 and 2016 were chiefly determined on the basis of their listed prices on formal exchanges (the Bank of Spain book-entry system) and by using prices obtained from information service providers that build prices based on prices fed by contributors (Bloomberg).

At December 31, 2017 the Group had transferred quoted debt securities to BME Clearing (at December 31, 2016) as collateral for daily trading in Spanish derivatives and equities. At December 31, 2017 these assets had a nominal value of 65,000 thousand euros (65,000 thousand euros at December 31, 2016) and a market value of 72,469 thousand euros (69,008 thousand euros at December 31, 2016).

In addition, at December 31, 2017 the Group had signed a credit facility agreement with the Bank of Spain secured by a pledge of securities. The pledged securities had a nominal value of 269,191 thousand euros (258,248 thousand euros at December 31, 2016). The fair value of these securities amounted to 297,907 thousand euros and 282,728 thousand euros at December 31, 2017 and 2016 respectively. The amounts drawn on the facility at December 31, 2017 and 2016 were 260,625 thousand euros and 216,137 thousand euros respectively.

2.11 Loans and receivables

The breakdown of this heading on the asset side of the consolidated balance sheets is as follows:

Thousands of euros

	2017	2016
Loans and advances:		
Central banks	40,000	-
Credit institutions	38,636	90,196
Customers	83,787	72,029
Total	**162,423**	**162,225**

The breakdown by remaining maturity term is provided in note 5.b).

a) Central banks

The detail of this heading for 2017 is as follows:

Thousands of euros

Company	Rate	Date of Maturity	Nominal 2017
Bank of Spain	-0.40%	01/02/2018	40,000
Total			**40,000**

There was no balance under this heading at December 31, 2016.

b) Credit institutions

A detail of this heading is shown below:

Thousands of euros

	2017	2016
Term accounts or deposits	574	69,683
Other accounts (*)	37,797	20,219
Doubtful assets	453	453
Valuation adjustments		
Value adjustments for asset impairment	(188)	(188)
Interest accruing	-	29
Total	**38,636**	**90,196**

(*) At December 31, 2017 and 2016 "Other accounts" mainly contained the amount of 35,547 thousand euros (15,907 thousand euros in 2016) for collateral on international derivative operations required by Bank of America.

The breakdown of these assets by remaining term to maturity is provided in Note 5.b).

The breakdown of term accounts or deposits at December 31, 2017 and 2016 is as follows:

31.12.17

Company	Rate	Date of Maturity	Thousands of euros
Banco Bice (*)	3.12%	01/10/2018	143
Banco Security (*)	2.76%	01/03/2018	283
Banco Bice (*)	3.12%	01/19/2018	148
			574

(*) These term accounts or deposits relate to one of the Latin American companies.

31.12.16

Company	Rate	Date of Maturity	Thousands of euros
Banca March, S.A.	0.15	04/11/2017	10,000
Banca March, S.A.	0.15	04/11/2017	10,000
CaixaBank, S.A.	0.03	07/29/2017	19,100
Ibercaja Banco, S.A.	0.34	03/12/2017	30,000
Banco Security (*)	3.72	01/04/2017	288
Banco BICE (*)	4.20	01/11/2017	145
Banco BICE (*)	4.20	01/20/2017	150
Total			**69,683**

(*) These term accounts or deposits relate to one of the Latin American companies.

c) Customers

The breakdown of this consolidated balance sheet heading by loan type, performance status, borrower classification and interest rate category is as follows:

Thousands of euros

	2017	2016
By loan type and status:		
Loans secured by physical property	38,148	36,944
Borrowers with no collateral	1,942	4,239
Other term borrowers	19,377	498
Receivable on demand and sundry loans	3,448	3,781
Doubtful assets	1,996	2,578
Other financial assets	20,493	26,345
Valuation adjustments	(1,617)	(2,356)
	83,787	**72,029**
By sector:		
Public Authorities	1	57
Other financial corporations	25,565	19,029
Other non-financial corporations and individual entrepreneurs	36,049	34,607
Other households	22,172	18,336
	83,787	**72,029**
Interest rate:		
Floating	83,787	72,029
Fixed	-	-
	83,787	**72,029**

The breakdown by remaining maturity term for these headings is provided in Note 5.b).

Breakdown of transactions classified as secured by physical property:

Thousands of euros

	Debt		Value of collateral	
	2017	2016	2017	2016
Pledged securities	38,148	36,944	74,629	87,913
Other	-	-	-	-
	38,148	**36,944**	**74,629**	**87,913**

In 2017 and 2016 the Group was given pledges on customer securities it holds on deposit as collateral against payments receivable.

“Borrowers with no collateral” comprises debtors with physical property, debtors with personal loans and debtors without physical property. “Other term borrowers” contains fixed-term deposits in Chile and in Peru, and simultaneous deposits by the Chilean subsidiary with its customers.

“Other financial assets” includes the amounts required of the Group as guarantees by Renta 4, S.A., S.V. (clearing house for markets and brokers) and the amounts that the Bank, in turn, requires of clients (Note 16.d). This refers to trading in derivatives on both active Spanish markets (MEFF, Eurostoxx) and in international derivatives, and with CFD products.

The breakdown of valuation adjustments for operations classified as “Loans and advances - Customers” is as follows:

Thousands of euros

	2017	2016
Valuation adjustments:		
Value adjustments for asset impairment	(1,898)	(2,558)
Interest accruing	281	202
	(1,617)	**(2,356)**

d) Impairment losses

The breakdown of the impairment losses recognized at year-end 2017 and 2016 on assets classified as loans and receivables (due from credit institutions and loans and advances to customers) is provided in the table below:

Thousands of euros

	Specific allowance	General allowance	Total
Balance at December 31, 2015	**2,629**	**674**	**3,303**
Additions			
Charged to profit or loss (Note 22.f)	149	-	149
Recoveries			
Recoveries credited to profit or loss (Note 22.f)	(148)	(558)	(706)
Amounts used			
Write-downs	-	-	-
Other	-	-	-
Balance at December 31, 2016	**2,630**	**116**	**2,746**
Additions			
Charged to profit or loss (Note 22.f)	129	11	140
Recoveries			
Recoveries credited to profit or loss (Note 22.f)	(99)	(60)	(159)
Amounts used			
Write-downs	-	-	-
Other	(641)	-	(641)
Balance at December 31, 2017	**2,019**	**67**	**2,086**
Due from credit institutions	188	-	188
Loans and advances to customers	1,831	67	1,898
	2,019	**67**	**2,086**

Total credit risk hedging was determined collectively.

The movement in the balance of financial assets derecognized because the likelihood of recovery is deemed remote is as follows:

	Thousands of euros
Balance at December 31, 2015	**1**
Additions	
With a charge against asset impairment losses	-
Decreases	
Due to recovery	-
Due to forgiveness	-
Balance at December 31, 2016	**1**
Additions	
With a charge against asset impairment losses	-
Decreases	
Due to recovery	-
Due to forgiveness	-
Balance at December 31, 2017	**1**

2.12 Investments in joint ventures and associates

The breakdown of this heading on the consolidated balance sheet by financial instrument and counterparty is as follows:

Thousands of euros

	2017	2016
Investment in associates		
Securities owned by the company	-	286
	-	**286**

Movements in this heading on the accompanying balance sheet in 2017 and 2016 were as follows:

Thousands of euros

	2017	2016
Opening balance	**286**	**421**
Additions	-	-
Disposals	(286)	-
Individual results for the year	-	(135)
Impairment	-	-
Closing balance	**-**	**286**

In 2017 the Group sold its stake in Hanson Asset Management Limited, W4I Investment Advisory Limited and Renta 4 Guipuzcoa S.A. The impact at consolidated level was positive in the amount of 720 thousand euros, recognized under “Gains or (-) losses on the derecognition in non-financial assets accounts and investments, net” on the 2017 consolidated income statement. (Note 3)

The breakdown by company at December 31, 2016 is as follows:

Thousands of euros

Company	2016
Hanson Asset Management Limited	39
W4I Investment Advisory Ltd.	247
	286

The measurement of investment using the equity method for inclusion in the Group's consolidation at December 31, 2016 was based on the information on own funds presented in Appendix I.

At year-end 2016 the composition of this heading on the consolidated balance sheet, disregarding impairment corrections, was as follows, by listed and unlisted shares, and their percentage of the total:

	2016	
	Miles de euros	% of total
Unlisted	286	100%
Listed	-	-
	286	**100%**

This was recognized under "Share of profit/(loss) of companies accounted for using the equity method", and the breakdown by investees is as follows:

Thousands of euros

	2016
Profit (loss) in the year for Hanson Asset Management Limited	(49)
Profit (loss) in the year for Renta Markets, S.V., S.A.	-
Profit (loss) in the year for W4I Investment Advisory Limited	(86)
Elimination of fees and commissions paid by a Group Company to Renta Markets, S.A and W4I Investment Advisory Limited	(43)
Closing balance	**(178)**

At December 31, 2016 the result contributed to consolidation by investments in joint ventures and associates was a negative 178 thousand euros.

2.13 Tangible assets

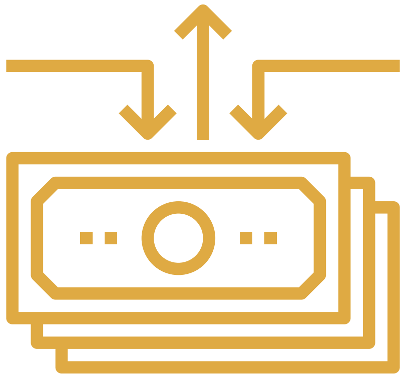
The breakdown of tangible assets for own use and movements in 2017 and 2016 under this heading are as follows:

Thousands of euros

	Computer equipment	Furniture, fixtures and other assets	Buildings	Investment properties	Total
Cost					
Balance at December 31, 2015	**5,892**	**28,835**	**23,945**	**5,837**	**64,509**
Additions	154	3,757	16	-	3,927
Disposals	(379)	-	-	-	(379)
Balance at December 31, 2016	5,667	32,592	23,961	5,837	68,057
Additions	388	3,152	3	-	3,543
Disposals	-	(3,188)	-	-	(3,188)
Balance at December 31, 2017	6,055	32,556	23,964	5,837	68,412
Accumulated depreciation					
Balance at December 31, 2015	**(4,992)**	**(12,585)**	**(5,044)**	**(1,755)**	**(24,376)**
Additions	(329)	(2,689)	(422)	(130)	(3,570)
Disposals	379	-	-	-	379
Balance at December 31, 2016	**(4,942)**	**(15,274)**	**(5,466)**	**(1,885)**	**(27,567)**
Additions	(355)	(2,870)	(424)	(129)	(3,778)
Disposals	-	3,188	-	-	3,188
Balance at December 31, 2017	**(5,297)**	**(14,956)**	**(5,890)**	**(2,014)**	**(28,157)**
Balance at December 31, 2016	**725**	**17,318**	**18,495**	**3,952**	**40,490**
Balance at December 31, 2017	**758**	**17,600**	**18,074**	**3,823**	**40,255**

The additions recognized under "Furniture, fixtures and other assets" in 2017 and 2016 correspond to upgrade work undertaken by the Group at several of its office buildings.

The Group had no material contractual commitments for the acquisition or sale of property and equipment at either year-end; nor were its assets subject to material restrictions on title.



At December 31, 2017 and 2016 the fair value of the Group's tangible assets did not significantly differ from the amounts recognized on the accompanying consolidated balance sheet.

The carrying amount of Group property and equipment located outside Spain at year-end 2017 was 702 thousand euros. The carrying amount at December 31, 2016 was 812 thousand euros.

No significant amounts of property and equipment were subject to use or title restrictions, retired from service or pledged as security for liabilities at either year-end.

Finance leases

The carrying amount at year-end 2016 of property and equipment acquired under finance lease arrangements was 1,204 thousand euros. At December 31, 2017 no tangible financial assets had been acquired under finance leases.

On February 8, 2007, the Parent arranged a finance lease with a bank on an office building in Valencia in the amount of 1,673 thousand euros. On January 8, 2017 the Parent settled the purchase option and had the change of the asset's ownership entered in the Property Register.

On July 5, 2001 the Parent arranged a finance lease with a bank on the property located at Paseo de la Habana, 74, in Madrid, for a total of 18,170 thousand euros. On December 5, 2014 the Parent settled the purchase option, and the change of the asset's ownership was entered in the Property Register in 2015.

With regard to this property, on March 15, 2016 the Parent obtained an appraisal by an independent expert of 18,763 thousand euros. This exceeds the net carrying amount of the property at December 31, 2017 and 2016.

Investment properties

At December 31, 2017 and 2016 the building in Madrid located at Paseo de la Habana, 63, and the building in Mallorca at Paseo de Mallorca, 32, were classified as investment properties, with net carrying amounts of 3,823 thousand and 3,952 thousand euros, respectively.

The breakdown of the future minimum payments receivable under non-cancelable operating leases at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Within one year	168	163
Between one and five years	672	652
	840	**815**

On March 15, 2016 the Group drew up an independent appraisal of the most significant investment property, the building at Paseo de la Habana, 63, to determine its fair value. According to the outcome of the appraisal, carried out using the income approach and market comparison, fair value does not differ from carrying amount.

2.14 Intangible assets

a) Goodwill

The breakdown of the movement in this heading on the accompanying consolidated 2017 and 2016 balance sheets is as follows:

Thousands of euros

	Cost	Impairment losses	Total
Balances at 12.31.15	**17,772**	**(2,481)**	**15,291**
Movements	-	-	-
Balances at 12.31.16	**17,772**	**(2,481)**	**15,291**
Movements	-	-	-
Balances at 12.31.17	**17,772**	**(2,481)**	**15,291**

At December 31, 2017 goodwill totaled 15,291 thousand euros (2016: 15,291 thousand euros), corresponding to the companies clustered into the Asset Management CGU (5,476 thousand euros in 2017 and 2016) and the Brokerage CGU (9,815 thousand euros in 2017 and 2016). The Brokerage CGU encompasses Renta 4 Banco, S.A. (arising from the acquisition of Banco Alicantino de Comercio S.A.), Renta 4, S.A., Sociedad de Valores, Renta 4 Burgos S.A., Renta 4 Aragón S.A., Renta 4 Huesca S.A. and Padinco Patrimonios S.G.C., S.A., while the Asset Management CGU includes Renta 4 Gestora S.G.I.I.C., S.A. (arising from the acquisition of Gesdinco Gestión, S.G.I.I.C.) and Renta 4 Pensiones, E.G.F.P., S.A.

Until 2015, the Group recognized other goodwill related to the Chile CGU; this goodwill was associated with the business expected to be generated as a result of the sale of other services provided by the Renta 4 Group to Chilean customers (brokerage activities and asset, fund, pension fund and portfolio management) and the potential growth in the Chilean customer base due to the scope for trading in the Spanish market. However, in 2015, based on the results obtained by this CGU, the directors considered it necessary to recognize an impairment loss of 129 thousand euros under “Impairment losses (net) on other assets - Goodwill and other intangible assets” in the consolidated income statement for that year (Note 22.g). As a result of this impairment, at December 31, 2015 the goodwill of the Chile CGU had been fully written off.

The Group performed an impairment test on the goodwill of the Brokerage and Asset Management CGUs at December 31, 2017 and 2016, using the assumptions detailed below.

The impairment test performed by the parent company was reviewed by an independent expert which, on March 2, 2018, issued a report on the impairment test and the correct measurement of goodwill at December 31, 2017.

Under IAS 36, goodwill is impaired when its carrying amount exceeds its recoverable amount, defined as the higher of value in use and fair value less costs to sell. In this case, the recoverable amounts of these CGUs were determined using an income approach; specifically, management used the dividend discount model based on cash flow projections which were in turn based on the management-approved budgets, as follows:

Brokerage CGU

	2017	2016
Projection period	5 years	5 years
Discount rate (projection period)	11.8%	12.0%
Growth rate in perpetuity	2.5%	2.0%

Asset Management CGU

	2017	2016
Projection period	5 years	5 years
Discount rate (projection period)	10.9%	12.8%
Growth rate in perpetuity	2.5%	2.0%

Balance at December 31, 2017: 2.3 m €

The main assumptions used by this methodology are as follows:

Projection period

As required in paragraph 33.b of IAS 36, the projection period used to estimate the future cash flows of both CGUs was 5 years, in accordance with management-approved budgets for the next 5 years. Management believes this period is the right timeframe for adequately reflecting the business plan, as projected for each CGU.

Discount rate

The discount rates reflect management's estimate of the risks specific to each unit. It is the rate used by management to evaluate business performance and investment proposals. The discount rate used to calculate value in use for each of the CGUs at the measurement date was the cost of equity (Ke) and was determined using the Capital Asset Pricing Model (CAPM).

This model is based on the risk-free rate (Rf), calculated using the average yield on 10-year Spanish government bonds during the five years prior to December 31, 2017, plus a market risk premium (Rm), multiplied by the beta coefficient. The resulting discount rates, as shown in the tables above, were 11.8% and 10.9% respectively (2016: 12.0% and 12.8%).

Growth rate in perpetuity

The estimated rate of growth in perpetuity was based on long-run inflation estimates taken from public sources. The estimated inflation rate used was 2.5% for all cash-generating units.

Management of the CGUs believes it can substantiate the use of these growth rates.

Sensitivity analysis

In order to test the robustness of its calculations, management performed sensitivity analysis varying the key inputs used to determine value-in-use estimates. To this end, it varied the discount rates, growth rates in perpetuity and capital requirement assumptions used. The results of this exercise are outlined below:

Asset Management and Brokerage CGUs

Reasonable variations with respect to the base case scenario of +/-100 basis points in the discount rate used, coupled with reasonable variations of +/-100 basis points in the rate of growth in perpetuity modelled, would not lead to the impairment of either of the CGUs.

Nor would reasonable variations with respect to the base case scenario of +/-100 basis points in the discount rate modelled, coupled with reasonable variations of +/-0.25 times the minimum capital required of the CGUs, lead to the impairment of either of these two CGUs.

Lastly, reasonable variations with respect to the base case scenario of +/-100 basis points in the rate of growth in perpetuity modelled, coupled with reasonable variations of +/-0.25 times the minimum capital required of the CGUs, would not lead to the impairment of either of these two CGUs.

b) Other intangible assets

This consolidated balance sheet heading includes software acquired from third parties and the Gesdinco & Padinco and Chilean customer portfolios. This account registered the following activity in 2017 and 2016:

Thousands of euros

	Cost	Accumulated amortization	Carrying amount
Balance at December 31, 2015	**9,120**	**(6,866)**	**2,254**
Additions and charges	1,314	(1,292)	22
Disposals	(2,506)	2,506	-
Balance at December 31, 2016	7,928	(5,652)	2,276
Additions and charges	1,209	(1,200)	9
Disposals	(65)	65	0
Balance at December 31, 2017	**9,072**	**(6,787)**	**2,285**

At December 31, 2017 and 2016 "Other intangible assets" included the Gedinco and Padinco customer portfolios, fully amortized (815 thousand euros of cost and 815 thousand euros of accumulated amortization). It also included the Chilean customer portfolio at a carrying amount of 146 thousand euros, 646 thousand euros related to cost and 500 thousand euros of accumulated amortization (carrying amount of 228 thousand euros, 646 thousand euros related to cost and 418 thousand euros of accumulated amortization at December 31, 2016).

This heading also includes software applications with a net value of 2,139 thousand euros at December 31, 2017 (2,048 thousand euros at December 31, 2016).

2.15 Other assets and other liabilities

The breakdown of these headings in the accompanying consolidated balance sheet at December 31, 2017 and 2016 is as follows:

Thousands of euros

Assets	2017	2016
Prepayments and accrued income	507	699
Other	1	17
	508	**716**

Thousands of euros

Liabilities	2017	2016
Fees and commissions payable	1,437	983
Other	3,334	1,308
	4,771	**2,291**

2.16 Financial liabilities at amortized cost

The breakdown of these liability headings on the consolidated balance sheets is as follows:

Thousands of euros

	2017	2016
Due to central banks	9,951	39,950
Due to credit institutions	17,909	20,127
Customer deposits	932,941	945,099
Other financial liabilities	155,446	87,707
	1,116,247	**1,092,883**

The breakdown by remaining maturity term for these headings is provided in Note 5.b).

a) Due to central banks

The breakdown of this consolidated balance sheet heading by instrument category is as follows:

Thousands of euros

	2017	2016
Time accounts	9,951	39,950
Valuation adjustments - Interest accrued by non-resident institutions	-	-
Total	**9,951**	**39,950**

The breakdown of the balances due to central banks at December 31, 2017 and 2016 is as follows:

12.31.2017

			Thousands of euros	
Company	Rate	Expiry date	Limit	Drawn down
European Central Bank (1)	0.00%	06/29/2020	9,951	9,951
			9,951	**9,951**

(1) Loans secured by debt security pledges (Note 10).

12.31.2016

Company	Rate	Expiry date	Limit	Drawn down
			Thousands of euros	
European Central Bank (1)	0.00%	02/23/2017	20,000	20,000
European Central Bank (1)	0.00%	03/30/2017	10,000	10,000
European Central Bank (1)	0.00%	06/29/2020	9,950	9,950
Total			**39,950**	**39,950**

(1) Loans secured by debt security pledges (Note 10).

These deposits from the European Central Bank are taken using the credit policy with a securities pledge set up by the parent company in the ECB, which enables it to raise immediate liquidity. These deposits are taken under the framework of the programs designed by the European Central Bank (T-LTRO) to bolster long-term funding. The Group had undrawn liquidity with the European Central Bank at December 31, 2017 of 260,625 thousand euros (216,137 thousand euros at December 31, 2016).

b) Due to credit institutions

The breakdown of this consolidated balance sheet heading by instrument category is as follows:

Thousands of euros

	2017	2016
Time accounts	-	22
Other accounts	17,909	20,105
Total	**17,909**	**20,127**

The breakdown of time accounts at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Loans and implicit financial liabilities	-	-
Finance lease agreements (Note 13)	-	22
	-	**22**

c) Customer deposits

The breakdown of this consolidated balance sheet heading by counterparty and type of financial instrument is as follows:

Thousands of euros

	2017	2016
Term deposits	-	130
Demand deposits		
Current accounts	932,941	849,380
Other demand funds	-	-
Repurchase agreements	-	95,589
Valuation adjustments	-	-
	932,941	**945,099**

d) Other financial liabilities

All the financial liabilities included under this consolidated balance sheet heading are classified in the “Financial liabilities at amortized cost” portfolio and are accordingly measured at amortized cost. This heading includes payment obligations qualifying as financial liabilities that are not included in other headings.

The breakdown of “Other financial liabilities” by type of financial instrument is as follows:

Thousands of euros

	2017	2016
Payment obligations	1,405	1,363
Deposits received	58	58
Clearing houses	4,794	2,837
Tax collection accounts		
Social Security Administration	477	375
Financial guarantees	98,870	60,437
Other items	49,842	22,637
Total	**155,446**	**87,707**

The Group includes the financial guarantees required of its customers for trading on Spain’s futures exchange, the MEFF, in international derivatives and with CFD (contract for difference) products in “Financial guarantees” in the table above.

“Other items” above includes balances outstanding in respect of transactions with Allfunds customers pending settlement; these transactions are settled during the initial days of the following month. At year-end 2017 these balances totaled 36,698 thousand euros (8,482 thousand euros in 2016).

2.17 Provisions

The breakdown of this consolidated balance sheet heading at year-end 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Pending legal issues and tax litigation	628	700
	628	**700**

The breakdown of the movement in this heading in 2017 and 2016 is as follows:

	Other provisions
Balance at December 31, 2015	**200**
Additions with a charge to profit or loss	500
Provision recoveries with a credit to profit or loss	-
Provisions utilized	-
Balance at December 31, 2016	**700**
Additions with a charge to profit or loss	128
Provision recoveries with a credit to profit or loss	-
Provisions utilized	(200)
Balance at December 31, 2017	**628**

At December 31, 2017 and 2016 the provisions recognized on the consolidated balance sheet amounting to 628 and 700 thousand euros respectively correspond to the parent and other subsidiaries, and mainly cover certain business-related liabilities and third-party claims.

2.18 Equity

The breakdown of Group equity at year-end 2017 and 2016 is shown below:

Thousands of euros

	2017	2016
Own funds		
Issued capital	18,312	18,312
Share premium	8,496	8,496
Other reserves	58,919	54,782
Less: Treasury shares	(643)	(370)
Profit or (-) loss	16,513	12,127
Less: dividends and remuneration	(8,118)	(4,165)
	93,479	**89,182**
Accumulated other comprehensive income		
Foreign currency translation	(380)	4
Available-for-sale financial assets	1,253	377
	873	**381**
Non-controlling interest		
Accumulated other comprehensive income	(61)	-
Other items	711	943
	650	**943**
TOTAL EQUITY	**95,002**	**90,506**

a) Issued capital

Share capital at December 31, 2017 and 2016 stood at 18,311,941.35 euros, comprising 40,693,203 registered shares, numbered consecutively from 1 to 40,693,023, each with a nominal value of 0.45 euro and all of the same class and series. All the shares are fully subscribed and paid.

The Parent's shares have been quoted on the Madrid, Barcelona, Bilbao and Valencia stock exchanges since November 14, 2007 under ISIN code ES0173358039 given by the National Numbering Agency.

The listed price of the shares at December 31, 2017 was 6.79 euros (5.87 euros at December 31, 2016).

The Parent's shareholder structure at December 31, 2017 and 2016 was as follows:

	December 31, 2017		December 31, 2016	
	Number of shares	Percentage stake	Number of shares	Percentage stake
Mr Juan Carlos Ureta Domingo	12,672,766	31.14%	12,659,705	31.11%
Ms Matilde Estades Seco	987,791	2.43%	987,791	2.43%
Surikomi, S.A.	2,113,366	5.19%	2,113,366	5.19%
Inver. Financ. e Inmob. AR Santamaría S.L.	2,376,802	5.84%	2,375,202	5.84%
Juan Carlos Ureta Estades	8,163	0.02%	8,163	0.02%
Matilde Ureta Estades	5,027	0.01%	5,027	0.01%
Inés Asunción Ureta Estades	2,781	0.01%	2,781	0.01%
Cartera de Directivos, S.A.	-	0.00%	1,600	0.00%
Mutualidad General de la Abogacía	2,800,650	6.88%	2,800,650	6.88%
Banco de Castilla la Mancha, S.A.	-	0.00%	-	0.00%
Mobel Línea, S.L.	940,962	2.31%	940,962	2.31%
The Bank of New York Mellon S.A. N.V.	798,940	1.96%	800,000	1.97%
Santiago González Enciso	1,791,094	4.40%	1,791,094	4.40%
Pilar Muro Navarro	422,405	1.04%	422,405	1.04%
Indumenta Pueri, S.L. (*)	-	-	2,131,232	5.24%
Global Portfolio Investments SL	2,131,232	5.24%	-	-
Arbarin Sicav	562,884	1.38%	411,217	1.01%
Contratas y Servicios Extremeños S.A.	2,044,590	5.02%	2,040,010	5.01%
Others (including treasury shares)	11,033,750	27.13%	11,201,998	27.53%
Total	**40,693,203**	**100%**	**40,693,203**	**100.00%**

(*) In 2017 Indumenta Pueri, S.L. is a shareholder of Global Portfolio Investments S.L.

At December 31, 2017, in addition to the direct shareholding disclosed in the table above, the Group's main shareholder held another 13.50% interest indirectly (year-end 2016: 13.50%), producing an overall shareholding in the parent company of 44.64 % (year-end 2016: 44.61%).

b) Share premium

The share premium account has the same restrictions and may only be used for the same purposes as the voluntary reserves of the parent company.

c) Other reserves

The breakdown of this heading at December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Legal reserve of the parent company	3,662	3,662
Reserves of entities accounted for using the equity method	-	(1,155)
Other reserves	55,257	52,275
	58,919	**54,782**

The breakdown of "Other reserves" by Group Company is as follows:

Thousands of euros

Company	2017	2016
Renta 4 Banco, S.A.	48,234	39,360
Renta 4 Sociedad de Valores, S.A.	7,828	17,433
Renta 4 Burgos, S.A.	(2,475)	(2,475)
Renta 4 Aragón, S.A.	(1,049)	(1,050)
Renta 4 Vizcaya, S.A.	(365)	(365)
Renta 4 Gestora, S.G.I.I.C., S.A.	3,865	2,988
Renta 4 Huesca, S.A.	(373)	(373)
Carterix, S.A.	(81)	(56)
Renta 4 Pensiones, S.G.F.P., S.A.	2,935	2,150
Renta 4 Equities	197	217
Renta 4 Guipúzcoa	-	(3,034)
Other	(3,459)	(2,520)
	55,257	**52,275**

The breakdown of "Reserves of entities accounted for using the equity method" is as follows:

Thousands of euros

Company	2017	2016
Hanson Asset Management Limited	-	(1,155)
	-	**(1,155)**

d) Legal reserve

Companies are obliged to transfer 10% of the profit for the year to a legal reserve until such reserve reaches an amount equal to 20% of the share capital. The portion of this reserve that does not exceed 20% of share capital is not distributable to shareholders and may only be used to offset a debit balance in the income statement provided no other reserves are available. Under certain conditions, this reserve may be used to increase share capital. At December 31, 2017 and 2016 the parent's legal reserve met the 20% threshold.

e) Voluntary reserves

The parent's voluntary reserves at December 31, 2017 and 2016 are freely distributable as there were no unused tax losses pending offset and subject to equity requirements (Note 18.i).

This item includes a restricted reserve related to goodwill under assets in the parent company's balance sheet.

f) Treasury shares

The breakdown of the movement in this heading in 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Opening balance	(370)	(334)
Purchases	(273)	(36)
Closing balance	**(643)**	**(370)**

Own equity instruments were purchased in 2017 in the amount of 273 thousand euros.

This heading includes the following shares at December 31:

No. of shares

	2017	2016
Shares in investment fund portfolio	-	-
Other	108,740	62,323
	108,740	**62,323**

g) Interim dividend

On March 13, 2018 the Board of Directors decided to pay an interim dividend from 2017 in the total amount of 4,059 thousand euros.

The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend:

Thousands of euros

	Projected distributable parent company profits for the year
Profit after tax at December 31, 2017	16,345
Interim dividend paid in 2017	8,118
Maximum amount to be distributed	8,227
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	406,405
Projected cash a year after the date of the agreement	508,006

(*) The amount of distributable profit complies with the requirements of Article 277 of the Capital Enterprises Act.

At that date the parent company has sufficient liquidity to pay the dividend.

On October 31, 2017 the Board of Directors decided to pay an interim dividend out of 2017 profit in the gross amount of 8,118 thousand euros.

The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend:

Thousands of euros

	Projected distributable parent company profits for the year
Profit after tax at December 31, 2017	10,426
Interim dividend paid in 2017	-
Maximum amount to be distributed	10,426
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	416,982
Projected cash a year after the date of the agreement	521.228

(*) The amount of distributable profit complies with the requirements of Article 277 of the Capital Enterprises Act.

On March 15, 2017 the Board of Directors decided to pay an interim dividend from 2016 profit in the gross amount of 3,825 thousand euros.

The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend:

Thousands of euros

	Projected distributable parent company profits for the year
Profit after tax at December 31, 2016	16,945
Interim dividend paid in 2016	4,165
Maximum amount to be distributed	12,780

(*) The amount of distributable profit complies with the requirements of Article 277 of the Capital Enterprises Act.

On October 27, 2016 the Board of Directors decided to pay an interim dividend out of 2016 profit in the gross amount of 4,165 thousand euros.

The following statement prepared by the directors substantiates that there is sufficient liquidity to distribute the interim dividend:

Thousands of euros

	Projected distributable parent company profits for the year
Profit after tax at September 30, 2016	8,329
Estimate of distributable profit in the year	4,165
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	336,176
Projected cash a year after the date of the agreement	342,900

(*) The amount of distributable profit complies with the requirements of Article 277 of the Capital Enterprises Act.

At that date the parent company has sufficient liquidity to pay the dividend.

h) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the parent by the average number of ordinary shares outstanding during the year plus the average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Basic and diluted earnings per share are presented in the table below:

	2017	2016
Net profit attributable to owners of the parent (in thousands of euros)	16,513	12,127
Finance costs associated with issuance of convertible bonds (in thousands of euros)		
Net profit attributable to owners of the parent, net of the finance costs associated with issuance of convertible bonds (in thousands of euros)	16,513	12,127
Weighted average number of ordinary shares for basic and diluted earnings per share	40,604,042	40,632,213
Weighted average number of ordinary shares, excluding treasury shares, for calculating diluted earnings per share	40,604,042	40,632,213
Basic earnings per share (euros)	**0.41**	**0.30**
Diluted earnings per share (euros)	**0.41**	**0.30**

i) Minimum capital requirements

On June 26, 2013 the European Parliament and Council of the European Union approved Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (hereinafter, "CRR"), and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (hereinafter, "CRD"). These regulations took effect on January 1, 2014 and will be implemented on a staggered basis until January 1, 2019. They have the effect of repealing all formerly prevailing solvency regulations.

- The CRR and the CRD regulate minimum capital requirements in the European Union and embody the recommendations made in the third Basel Accord (Basel III), specifically:

  i. The CRR, which must be directly applied by the member states, stipulates the prudential requirements incumbent upon credit institutions and encompasses, among other matters:

  ii. Definition of the items that compute as capital, stipulating the requirements for hybrid instruments to be eligible and limiting the eligibility of non-controlling interests recognized for accounting purposes.

  iii. Definition of prudential filters and deductions from capital for each defined capital level.
  Note that the CRR introduces new deductions with respect to Basel II (deferred tax assets that are dependent on future profitability, pension funds etc.) and modifies existing deductions. However, it introduces transitional provisions that allow for staggered application.

  iv. Establishment of minimum capital requirements, included in Article 92 of the CRR, articulated around three types of capital: (i) Common Equity Tier 1 (CET 1) capital, of at least 4.5% of risk-weighted assets (RWA); Tier 1 capital, of at least 6% of RWA; and (ii) Total Capital, of at least 8% of RWA. However, the competent authority has the power to require additional own funds.

  v. Imposition of a leverage calculation requirement on financial institutions, which is defined as an entity's Tier 1 capital divided by its total exposure unadjusted by risk. Credit institutions have been obliged to publicly disclose this leverage ratio since 2015.

- The main objective and subject matter of the CRD, which has to be transposed by the member states into national legislation using their own criteria, is to coordinate national provisions concerning access to the activities pursued by credit institutions and investment firms, the modalities for their governance, and their supervisory framework. Among other matters, the CRD covers additional capital buffers with respect to those imposed by the CRR that will be gradually implemented through 2019; failure to comply with these buffers will imply constraints on the discretionary distribution of earnings, specifically:

- A Capital Conservation Buffer and a Countercyclical Capital Buffer, further implementing the Basel III regulatory framework with the aim of mitigating the procyclical effects of financial regulation. Specifically, all financial entities will be required to maintain a Capital Conservation Buffer equivalent to 2.5% of CET 1 capital, while national authorities will impose an institution-specific Countercyclical Capital Buffer, which also will have to be met by capital of the highest quality.

- A systemic risk buffer, designed to mitigate non-cyclical systemic risks, i.e. with potential serious negative consequences for the financial system and the real economy in a specific member state.

- A buffer for global systemically important institutions and other systemically important institutions to reduce the potential impact of financial distress of institutions that, given their size, complexity, interconnections, cross-border activities and/or difficulty of replacement services provided, may have on the financial system and the real economy.

In this respect, in application of Article 68.2.a) of Law 10/2014, the Bank of Spain demanded a total capital ratio of at least 10.88% at consolidated and individual level in 2017. In addition, a Bank of Spain requirement was received establishing a minimum total capital ratio at consolidated and individual level of 11.505% in 2018.

At December 31, 2017 the Group met this requirement, with a ratio of 18.45% (15.47% in 2016).

In terms of legislative developments in Spain, the newest legislation mainly focuses on the transposition of European regulations at local level:

- Royal Decree-Law 14/2013 of November 29 on urgent measures regarding the adaptation of Spanish law to European regulations on financial institution supervision and capital adequacy: partial transposition into Spanish law of the CRD and empowerment of the Bank of Spain to avail itself of the options afforded to the competent authorities in the CRR.

- Bank of Spain Circular 2/2014 of January 31 regarding credit institutions and the exercise of several of the regulatory options in Regulation (EU) No 575/2013. Its purpose is to establish, in keeping with the powers conferred, which of the options attributed by the CRR to the competent national authorities will have to be met from January 1, 2014 by consolidable groups of credit institutions and credit institutions that are part or not part of a consolidable group, and with what scope. To this end, in this Circular the Bank of Spain makes use of some of the temporary and permanent regulatory options provided for in the CRR, generally speaking with the aim of extending the way certain matters were treated under Spanish legislation up until effectiveness of the EC directive, justified in some instances by the business model traditionally pursued by Spanish banks. This does not preclude the future exercise of other options attributed to the competent national authorities in the CRR, typically in the case of options that are not general in nature, via direct application of the CRR, without requiring substantiation in the form of a Bank of Spain circular.

Total eligible equity: 66.1m €

- Law 10/2014 of June 26 on the structuring, supervision and capital adequacy of credit institutions, whose overriding purpose is to continue the transposition of CRD IV, a process initiated by Royal Decree-Law 14/2013 of November 29, and to repeal certain formerly-prevailing national provisions regarding credit institution structuring and discipline. One of the main new features is the introduction of a requirement on the part of the Bank of Spain to present, at least once a year, a Supervisor Program specifying the substance and form that its supervisory work will take and the action to be taken as a consequence of the results obtained.
This program will include the performance of stress tests at least once a year.

- Bank of Spain Circular 3/2014 of July 30 on credit institutions and certified appraisal companies and services. Among other things, this Circular amends Circular 2/2014 of January 31 on the exercise of several of the regulatory options contained in Regulation (EU) No 575/2013, with respect to the prudential requirements of credit institutions and investment service providers, with the aim of standardizing how intangible assets are deducted during the transition period provided for in the abovementioned Regulation (EU) No 575/2013, such that goodwill is treated in the same manner as other intangible assets for deduction purposes.

- Royal Decree 84/2015 of February 13 implementing Law 10/2014 of June 26 on the regulation, supervision and solvency of credit institutions, which sets out of the legal issues it implements, with particular emphasis on the requirements for the exercise of the activity of credit institutions, the elements of the supervisory function and the implementing regulation of capital buffers.

- Bank of Spain Circular 2/2016 of February 2 for credit institutions on supervision and solvency, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) No 575/2013.

In relation to its minimum capital requirements, the Group applies:

the standardized approach to calculate its capital requirements in respect of credit, counterparty and dilution risk.

the standardized approach to calculate its capital requirements in respect of market risk.

the basic indicator approach to calculate its capital requirements in respect of operational risk.

The table below presents the Group's eligible capital at year-end 2017 and 2016, indicating each of its components and deductions and broken down, as required under the new regulations, into Tier 1 and Tier 2 capital:

Thousands of euros

	2017	2016
Total eligible equity	66,102	60,080
Tier 1 Capital	**66,035**	**59,962**
Paid-in equity instruments	18,312	18,312
Share premium	8,496	8,496
CET 1 capital own equity instruments (-)		
Held directly	(643)	(370)
Held indirectly	(2,266)	(2,324)
Retained earnings	58,919	54,782
Other reserves	873	381
Non-controlling interests recognized within CET 1 capital	51	38
Transitory adjustments due to additional non-controlling interests	120	357
Goodwill (-)	(15,291)	(15,291)
Other intangible assets (-)	(2,285)	(2,276)
CET 1 equity instruments of financial sector entities in which the reporting entity has a significant interest (-)	-	(279)
CET 1 equity instruments of financial sector entities in which the reporting entity has an insignificant interest (-)	-	(1,713)
Other transitional adjustments to CET 1 capital	(251)	(151)
Excess items deducted from additional Tier 1 capital with respect to additional Tier 1 capital	-	-
Additional deductions from CET 1 capital in keeping with Article 3 of the CRR	-	-
Tier 2 Capital	**67**	**118**
General credit valuation adjustments using the standardized approach	67	118
Additional deductions from Tier 2 capital	-	-
CET 1 capital ratio	18.45%	15.47%
CET 1 capital surplus (+) / shortfall (-)	**49,926**	**42,519**
Total capital ratio	**18.47%**	**15.50%**
Total capital surplus (+) / shortfall (-)	**37,463**	**29,069**

j) Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Available-for-sale financial assets

This balance sheet heading includes the net balance of changes in the fair value of assets classified as available-for-sale which must be deferred in equity. These changes are reclassified to profit or loss when the underlying assets are sold (see Note 10).

k) Non-controlling interest

The following table presents the breakdown of the movement in the accompanying consolidated balance sheet heading in 2017 and 2016 and the profit or loss attributable to non-controlling interests:

2017 Thousands of euros

	% shareholding at 12.31.17	Balance at 12.31.16	Profit (loss) for the year	Other (Note 3)	Balance at 12.31.17
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	0.09%	1	-	-	1
Renta 4 Inversiones de Valladolid, S.A.	1.00%	3	-	-	3
Renta 4 Lérida, S.A.	18.34%	17	-	-	17
Renta 4 Inversiones Inmobiliarias (formerly Renta 4 On Line, S.A.)	1.00%	1	-	-	1
Rentsegur Correduría de Seguros, S.A.	27.51%	24	-	-	24
Renta 4 Equities, S.A.	0.11%	1	-	-	1
Renta 4 Global Fiduciaria, S.A.	30.57%	896	(232)	(61)	603
		943	**(232)**	**(61)**	**650**

2016 Thousands of euros

	% shareholding at 12.31.16	Balance at 12.31.15	Profit (loss) for the year	Other (Note 3)	Balance at 12.31.16
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	0.09%	1	-	-	1
Renta 4 Inversiones de Valladolid, S.A.	1.00%	3	-	-	3
Renta 4 Lérida, S.A.	18.34%	17	-	-	17
Renta 4 Inversiones Inmobiliarias (formerly Renta 4 On Line, S.A.)	1.00%	1	-	-	1
Rentsegur Correduría de Seguros, S.A.	27.51%	24	-	-	24
Renta 4 Equities, S.A.	0.11%	1	-	-	1
Renta 4 Global Fiduciaria, S.A.	30.57%	-	(82)	978	896
		47	**(82)**	**978**	**943**

2.19 Contingent exposures and commitments

a) Contingent exposures

The breakdown of contingent exposures, understood as transactions in which Group companies guarantee third-party obligations by granting financial guarantees or signing other kinds of agreements, at year-end 2017 and 2016 is shown in the table below:

Thousands of euros

	2017	2016
Financial guarantees and others	368	117
	368	**117**

A significant portion of these guarantees will expire without the Group companies having to make any payment; accordingly, the total sum of these commitments should not be considered a real requirement on the part of the Group to provide liquidity or financing to third parties.

b) Contingent commitments

The breakdown of contingent commitments, meaning irrevocable commitments that could give rise to the recognition of financial assets, at year-end 2017 and 2016, is as follows:

Thousands of euros

	2017	2016
Loan commitments	8,117	10,178
	8,117	**10,178**

This heading reflects commitments made to provide financing on certain previously stipulated terms and conditions.

The breakdown by counterparty of the loan commitments in respect of credit accounts signed with third parties to finance their equity market trading activities in 2017 and 2016 (indicating the related limits and amounts pending drawdown) is provided below:

Thousands of euros

2017	Limit	Debtor	Undrawn	Guarantee
Secured loans	45,809	38,148	7,661	74,629
Personal collateral loans	1,845	1,568	277	-
Personal loans	320	320	-	-
Other unsecured loans	233	54	179	-
	48,207	**40,090**	**8,117**	**74,629**

Thousands of euros

2016	Limit	Debtor	Undrawn	Guarantee
Secured loans	47,004	36,944	10,060	87,914
Personal collateral loans	-	-	-	-
Personal loans	238	238	-	-
Other unsecured loans	4,119	4,001	118	-
	51,361	**41,183**	**10,178**	**87,914**

The average interest rate charged for extending commitments of this nature was 12-month Euribor plus a spread of 1.81% at December 31, 2017 (year-end 2016: 12-month Euribor plus 1.82%).

c) Legal proceedings and/or claims underway

At both year-ends the Group was party to a number of legal proceedings and claims arising in the ordinary course of business. Both the directors and their legal counsel believe that the outcome of these cases and claims will not have a material impact on the accompanying consolidated financial statements.

2.20 Tax situation

On January 1, 2017 the tax group was dissolved and the companies forming part of this group began to pay Corporation Tax individually at the rate applicable to each, in accordance with the regulations applicable.

At December 31, 2016 the parent filed a consolidated income tax return with the following companies comprising the tax group:

Company	Head Office
Renta 4 Aragón, S.A.	Madrid
Sistemas de Inversiones Renta 4 Benidorm, S.A.	Madrid
Renta 4 Burgos, S.A.	Madrid
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid
Renta 4 Huesca, S.A.	Madrid
Carterix, S.A. (formerly Renta 4 Marruecos, S.A.)	Madrid
Renta 4 Inversiones Inmobiliarias (formerly Renta 4 On-Line, S.A.)	Madrid
Renta 4 Pensiones, S.G.F.P., S.A.	Madrid
Renta 4 Sociedad de Valores, S.A.	Madrid
Renta 4 Equities, S.A. (formerly Renta 4 Tarragona, S.A.)	Madrid
Renta 4 Inversiones de Valladolid, S.A.	Madrid
Renta 4 Lérida, S.A.	Madrid
Padinco Patrimonios, S.A.	Madrid
Renta 4 Corporate, S.A.	Madrid

The breakdown of income tax expense and the reconciliation of tax expense and the product of accounting profit before tax and the average rate of tax applicable to each company following dissolution of the tax group (at the average tax rate applicable to the Group in 2016) in 2017 and 2016 is shown below:

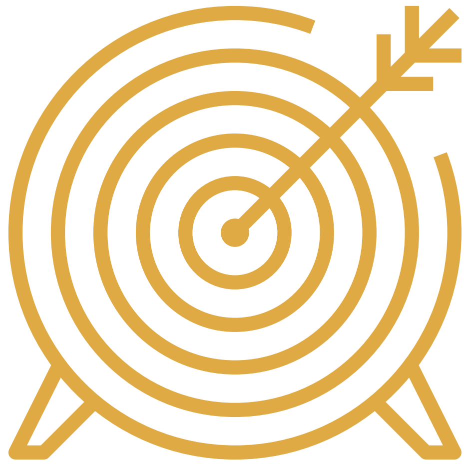
Thousands of euros

	2017	2016
Consolidated profit (loss) before taxes	23,529	17,221
Tax rate	6,891	5,166
Adjustments to prior year income tax expense	646	-
Deductions	(341)	(50)
Adjustment of deferred taxes arising from change in tax rates	(57)	-
Effect of non-deductible/taxable items	109	13
Income tax expense	7,248	5,129
Adjustments to prior year income tax expense	(646)	-
Effect of deferred taxes	(1,303)	181
Other adjustments	87	92
Current tax payable	5,386	5,402
Withholdings and prepayments	(6,017)	(4,401)
Tax payable/(receivable)	**(631)**	**1,001**

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or until the four-year inspection period has elapsed. At year-end 2017, the companies comprising the Group had their books open to inspection for the last four years in respect of all taxes applicable. The parent's directors consider that no major additional tax liabilities would arise from an inspection.

In addition, taxes were recognized with a charge/(credit) to equity, related to the valuation of available-for-sale financial assets of 367 and 312 thousand euros in 2017 and 2016 respectively.

Based on the Corporation Tax returns filed by the Group and the estimates of tax payable for 2017, the Group has the following loss carryforwards that it may apply against future tax profits:



Thousands of euros

Year generated	2017 (*)	2016 (*)
1999	5	5
2000	34	34
2001	22	22
2002	1	1
2003	-	-
2004	399	399
2005	1	1
2006	-	-
2007	-	-
2008	-	-
2009	-	-
2010	-	-
2011	1	1
2012	154	154
2013	341	341
2014	844	844
2015	790	922
2016	904	-
	3,496	**2,724**

(*) These are the global balances of loss carryforwards, for both Spanish companies and foreign subsidiaries.

These loss carryforwards include those generated by individual companies prior to their inclusion in the tax group, as well as those generated by companies not belonging to the tax group.

The breakdown of current tax assets and liabilities is as follows:

Thousands of euros

Current tax assets	2017	2016
Current corporate income tax assets	631	
	631	**-**
Current tax liabilities		
Current tax liabilities - Corporate income tax payable		
Corporate income tax payable to the Spanish tax authorities	-	1,001
Current tax liabilities - Other taxes payable		
Other		
Withholdings on unitholders in respect of UCITS redemptions	1,300	1,048
Personal income tax ("IRPF")	704	629
Other	134	56
VAT receivable	264	56
Taxes in Chile	7	7
Personal income tax withholdings, rentals	18	18
Personal income tax withholdings, dividends	569	262
	2,996	2,076
	2,996	**3,077**

The breakdown of deferred tax assets and liabilities corresponding to temporary differences arising between the carrying amount of certain assets and liabilities and their value for tax purposes is as follows:

Thousands of euros

Deferred tax assets	Temporary differences	Tax effect
2017		
Impairment of available-for-sale financial assets	638	191
Depreciation and amortization	1,498	447
Other	1,952	549
	4,088	**1,187**
2016		
Impairment of investments in group companies and associates	6,533	1,960
Depreciation and amortization	1,713	514
Other	1,670	501
	9,916	**2,975**

The temporary difference arising from "Depreciation and amortization" is reversed.

Thousands of euros

Deferred tax liabilities	Temporary differences	Tax effect
2017		
Valuation for tax purposes of assets held under finance leases	3,947	1,143
Other	1,792	538
	5,739	**1,681**
2016		
Valuation for tax purposes of assets held under finance leases	4,320	1,296
Other	533	160
	4,853	**1,456**

The Group did not have any deductible temporary differences, losses or tax credits at December 31, 2017 and 2016, for which it had not recognized deferred tax assets.

The movement in deferred tax assets and liabilities is as follows:

Thousands of euros

	2017		2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Opening balance	2,975	1,456	2,859	1,391
Additions	-	378	418	167
Disposals	(1,788)	(153)	(302)	(102)
Other	-	-	-	-
Closing balance	**1,187**	**1,681**	**2,975**	**1,456**

Regarding deferred tax assets, Royal Decree Law 3/2016 of December 2, adopting certain tax measures to consolidate public finances and other urgent social measures, must be considered. According to this law, impairment losses on investments that were tax deductible for tax periods up to 2014, but not thereafter, must be reversed at a minimum annual amount on a straight-line basis over a period of five years. The impact of this Royal Decree on the 2017 consolidated financial statements was an increase in the tax expense of 32 thousand euros (36 thousand euros in 2016).

2.21 Related parties

In 2017 and 2016 the Group defined its related parties as its key management personnel, comprising the members of the parent's Board of Directors and of the senior management team, namely one general manager, and the significant shareholders of the parent.

Balances and transactions with related parties

The transactions undertaken with Group companies in 2017 and 2016 and the related balances outstanding at year-end are summarized below:

2017 — Thousands of euros

Income and expenses	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties (**)	Total
Expenses					
Financial expenses	-	-	-	-	-
Services received	-	14	-	9	23
Total	**-**	**14**	-	**9**	**23**
Income					
Financial income	207	47	-	35	289
Services rendered	104	72	-	188	364
Total	**311**	**119**	-	**223**	**653**
Assets					
Loans secured by physical property	-	1,278	-	1,500	2,778
Financial guarantee commissions due	-	-	-	-	-
Receivable from other financial debtors	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Other financial assets	-	-	-	51	51
Total	**-**	**1,278**	-	**1,551**	**2,829**
Liabilities					
Customer deposits	709	466	-	1,501	2,676
Other financial liabilities	172	341	-	447	960
Total	**881**	**807**	-	**1,948**	**3,636**

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column.
(**) Relates to balances and transactions with related parties of significant shareholders and directors and executives.

2017 — Thousands of euros

Other transactions	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties (***)	Total
Financing, loans and capital contribution agreements (lender) (**)	-	1,278	-	1,500	2,778
Amortization or cancellation of loans and borrowing facilities	-	-	-	500	500
Financing, loans and capital contribution agreements (borrower)	-	-	-	-	-
Amortization or cancellation of loans and credits	-	-	-	-	-
Other asset transactions	-	-	-	51	51
Other liability transactions	881	807	-	1,948	3,636
Dividends paid	5,009	3,367	-	654	9,030
Guarantees and sureties	-	-	-	-	-

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column.
(**) Includes the amount drawn down.
(***) Relates to balances and transactions with related parties of significant shareholders and directors and executives.

All related-party transactions are carried out on an arm's length basis.

The transactions undertaken with significant shareholders and directors and executives in 2017 and the related balances outstanding at year-end are summarized below:

Position	Transaction type	Principal	Amount drawn	Collateral	Maturity
Other related parties	Securities loan	1,500	-	1,764	03/12/2018
Directors and executives	Loan	13	-	-	12/31/2019
Directors and executives	Securities loan	271	-	393	05/09/2018
Directors and executives	Securities loan	145	2	170	11/02/2019
Directors and executives	Securities loan	196	4	336	07/08/2018
Directors and executives	Securities loan	-	150	206	11/28/2018
Directors and executives	Securities loan	653	347	2,480	11/12/2019

2016 Income and expenses	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties (**)	Total
Expenses					
Financial expenses	-	-	-	-	-
Services received	-	13	129	5	147
Total	**-**	**13**	**129**	**5**	**147**
Income					
Financial income	14	34	-	38	86
Services rendered	20	65	-	133	218
Total	**34**	**99**	**-**	**171**	**304**
Assets					
Loans secured by physical property	-	1,223	-	2,000	3,223
Financial guarantee commissions due	-	-	-	-	-
Receivable from other financial debtors	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-
Other financial assets	-	-	-	-	-
Total	**-**	**1,223**	**-**	**2,000**	**3,223**
Liabilities					
Customer deposits	231	100	56	1,291	1,678
Other financial liabilities	141	10	60	360	571
Total	**372**	**110**	**116**	**1,651**	**2,249**

Thousands of euros

2016 Other transactions	Significant shareholders (*)	Directors and executives	Related parties or Group companies	Other related parties (***)	Total
Financing, loans and capital contribution agreements (borrower) (**)	-	1,223	-	2,000	3,223
Amortization or cancellation of loans and credits	-	-	-	-	-
Other asset transactions	-	-	-	-	-
Other liability transactions	372	110	116	1,651	2,249
Dividends paid	1,531	2,574	-	14	4,119
Guarantees and sureties canceled (Note 10.a)	-	-	-	-	-

Thousands of euros

(*) Significant shareholders who are also directors or executives are included in the "Directors and executives" column.
(**) Includes the amount drawn down.
(***) Relates to balances and transactions with related parties of significant shareholders and directors and executives.

The transactions undertaken with significant shareholders and directors and executives in 2016 and the related balances outstanding at year-end are summarized below:

Position	Transaction type	Principal	Amount drawn	Collateral	Maturity
Other related parties	Securities loan	2,000	2,000	2,192	03/12/2017
Directors and executives	Securities loan	271	271	340	05/9/2018
Directors and executives	Securities loan	142	141	179	11/27/2019
Directors and executives	Loan	21	21	-	12/01/2019
Directors and executives	Securities loan	1,000	468	1,981	03/3/2017
Directors and executives	Securities loan	200	196	307	07/8/2018
Directors and executives	Securities loan	180	126	267	11/28/2018

In addition, at December 31, 2017 securities belonging to related parties amounting to 133,248 thousand euros (December 31, 2016: 136,982 thousand euros) were deposited with a Group company.

Director-related disclosures

The composition of the Board of Directors and the compensation received by the parent's directors in their capacity as board members are shown below:

Thousands of euros

2017	Board of Directors	Board Committees	Other compensation	Total
Board members				
CHACON LOPEZ EDUARDO (*)	35	-	-	35
FERRERAS DIEZ PEDRO	60	-	-	60
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	71	-	-	71
GARCIA MOLINA FRANCISCO DE ASIS	60	-	-	60
HARMON SARAH MARIE	60	-	-	60
JUSTE BELLOSILLO INES (*)	35	-	-	35
MUTUALIDAD DE LA ABOGACIA	71	-	-	71
NAVARRO MARTINEZ PEDRO ANGEL	60	-	-	60
RUBIO LAPORTA JOSE RAMON	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
Total	**572**	**-**	**-**	**572**

(*) Joined the Board on 04/28/2017.

Thousands of euros

2016	Board of Directors	Board Committees	Other compensation	Total
Board members				
GARCÍA MOLINA, FRANCISCO DE ASÍS	60	-	-	60
NAVARRO MARTÍNEZ, PEDRO ÁNGEL	60	-	-	60
FERRERAS DIEZ, PEDRO	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
MUTUALIDAD DE LA ABOGACÍA	71	-	-	71
FUNDACIÓN OBRA SOCIAL DE LA ABOGACÍA ESPAÑOLA	71	-	-	71
HARMON SARAH MARIE	35	-	-	35
RUBIO LAPORTA, JOSÉ RAMÓN	60	-	-	60
Total	**477**	**-**	**-**	**477**

Compensation of key management personnel

The Group defines its key management personnel as the members of the parent company's Board of Directors, which includes four executive directors, and the members of its senior management team, which comprises a general manager.

The compensation accrued by key management personnel is itemized below:

Thousands of euros

Concept	Directors	Senior managers
2017		
Wages and salaries	1,509	190
Total	**1,509**	**190**
2016		
Wages and salaries	1,412	189
Total	**1,412**	**189**

In addition, the Group has an insurance policy to cover its liabilities with members of the Board of Directors and senior management for potential claims in the discharge of their duties. The premium paid by the Group in 2017 was 77 thousand euros (2016: 77 thousand euros).

The Group also had a keyman insurance policy in 2017 to cover its obligations in the event of death and total disability of its senior managers. The premium paid by the Group in 2017 was 1 thousand euros (2016: 1 thousand euros).

Other information on directors

At the end of 2017 and 2016, the directors of the parent company, in keeping with the disclosures required under Article 229 of Royal Decree-Law 1/2010 of July 2 enacting the consolidated text of the Capital Enterprises Act, had not informed the other members of the parent's Board of Directors of any potential direct or indirect conflict of interest between them (or their related parties) and the parent.

2.22 Income and expense

a) Interest income, interest expenses and profit or (losses on financial assets and financial liabilities

The breakdown of these consolidated income statement headings is provided below:

Thousands of euros

	2017	2016
Interest income		
Balances with central banks	-	1
Due from credit institutions	634	957
Loans and advances to customers	1,334	823
Debt securities	1,769	1,685
	3,737	**3,466**
Interest expenses		
Due to central banks	(20)	(28)
Due from credit institutions	(667)	(321)
Customer deposits	(13)	(73)
	(700)	(422)
Gains/(losses) on financial assets and liabilities		
Not measured at fair value through profit or loss	785	431
Held-for-trading	6,980	3,745
	7,765	**4,176**

b) Fee and commission income

"Fee and commission income" and "Fee and commission expense" in the accompanying consolidated income statements include the amounts of all fees and commissions accrued (received and paid or payable) by the Group companies during the year. The criteria used to recognize fees and commissions are detailed in Note 4.o).

The breakdown of these headings in 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Fee and commission income		
Contingent liabilities	8	2
Securities services	55,682	54,102
Sale of non-banking financial products (Note 23.a)	7,447	6,617
Management of UCITS and pension funds (Note 23.a)	68,361	58,502
Other fees and commissions	4,003	2,901
Asset management fees (Note 23.a)	1,744	1,152
	137,245	**123,276**
Fee and commission expense		
Paid to other entities and correspondent banks	(54,568)	(48,185)
Securities trading	(17,185)	(14,435)
	(71,753)	**(62,620)**

c) Other operating income and expense

The breakdown of "Other operating income" in the consolidated income statements for 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Other products	453	198
	453	**198**

This item includes mainly rental income arising from the investment properties held by the Group (Note 13).

The breakdown of "Other operating expense" in the consolidated income statements for 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Contribution to the Investment Guarantee Fund	40	40
Contribution to the Deposit Guarantee Fund	1,386	833
Contribution to FRN	249	465
Other charges	1,194	1,121
	2,869	**2,459**

"Other charges" includes mainly fees paid to the Spanish National Securities Commission (CNMV).

The subsidiary company Renta 4, S.A., Sociedad de Valores is also required to make annual contributions to the Investment Guarantee Fund in accordance with Royal Decree 948/2001 of August 3 on investor-compensation schemes, as amended by Law 53/2002 of December 30 on tax, administrative and social measures, and Royal Decree 1642/2008 of October 10 amending the amounts guaranteed. In 2017 this company contributed 40 thousand euros to this fund (2016: 40 thousand euros).

d) Staff expenses

The breakdown of this heading in the consolidated income statements is provided below:

Thousands of euros

	2017	2016
Wages and bonuses, active personnel	25,505	21,798
Social security payments	4,719	4,165
Contributions to defined benefit plans	2	2
Contributions to defined contribution plans	293	270
Termination benefits	89	84
Other staff expenses	190	168
Training expenses	78	78
Parent company share-based payments	292	197
	31,168	**26,762**

At December 31, 2017 "Wages and bonuses" in the table above included, among other items, finance income in the amount of 8 thousand euros generated by loans granted to employees to fund the purchase of Company shares. Income in this respect amounted to 9 thousand euros at December 31, 2016.

The total number of Group employees at December 31, 2017 and 2016, by sex and professional category, was as follows:

Number of employees

2017	Average			Year-end	
	Men	Women	With a disability equal to or greater than 33%	Men	Women
Management	11	-	-	11	-
Technicians	252	118	-	259	117
Administrative staff	30	54	2	29	53
	293	**172**	**2**	**299**	**170**

Number of employees

2016	Average			Year-end	
	Men	Women	With a disability equal to or greater than 33%	Men	Women
Management	14	-	-	13	1
Technicians	242	104	-	249	112
Administrative staff	33	51	2	33	53
	289	**155**	**2**	**295**	**166**

At December 31, 2017 the Board of Directors of Renta 4 Banco, S.A., responsible for authorizing the 2017 consolidated financial statements for issue, was made up of 10 men, 2 women and 2 corporate bodies.

At December 31, 2016 the Board of Directors of Renta 4 Banco, S.A., responsible for authorizing the 2016 consolidated financial statements for issue, was made up of 9 men, 1 woman and 2 corporate bodies.

e) Other administrative expenses

The breakdown of this heading in the consolidated income statements is provided below:

Thousands of euros

	2017	2016
Property, fixtures and equipment	4,410	4,297
IT	2,344	2,000
Communications	4,097	4,066
Advertising and publicity	1,581	1,314
Technical reports	1,369	2,756
Court and legal fees	631	727
Insurance and self-insurance premiums	174	200
Entertainment and employee travel expenses	1,287	1,402
Association membership fees	110	113
Levies and other contributions		
Property tax	107	99
Other	623	642
Endowments	185	165
Other expenses	1,266	1,450
	18,184	**19,231**

f) Impairment / Reversal of impairment of financial assets not measured at fair value through profit or loss

The breakdown of the balance of this heading in the accompanying consolidated income statements for the years ended December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Available-for-sale financial assets		
Impairment of equity instruments (Note 10.a)	(1)	(24)
Generic impairment allowance	2	(2)
	1	(26)
Loans and receivables		
Allowances (Note 11.d)	(140)	(149)
Recoveries (Note 11.d)	159	706
	19	**557**
	20	**531**

g) Exchange differences (net)

The breakdown of the balance of this heading in the accompanying consolidated income statements for the years ended December 31, 2017 and 2016 is as follows:

Thousands of euros

	2017	2016
Concept		
Trade	2,998	2,289
	2,998	**2,289**

2.23 Additional information

a) Fiduciary services and investment services

The breakdown of off-balance sheet customer funds at year-end 2017 and 2016 (on a consolidated basis and eliminating overlap) is as follows:

Thousands of euros

	2017	2016
Mutual and pension funds	7,072,394	6,795,844
Discretionary portfolios under management	736,933	509,775
Funds managed by the Group	7,809,327	7,305,619
Investment funds and companies	1,622,075	1,120,839
Funds marketed but not managed by the Group	1,622,075	1,120,839
Total	**9,431,402**	**8,426,458**

The net fee and commission income generated by management of the assets listed above in 2017 and 2016 is shown below:

Thousands of euros

	2017	2016
Asset management fees (Note 22.a)	1,744	1,152
Fees and commissions generated by the marketing of non-banking financial products (Note 22.a)	7,447	6,617
Fees from the management of UCITS and pension funds (Note 22.b)	68,361	58,502
	77,552	**66,271**

In addition, the Group provides securities management and custodian services for its customers. The commitments undertaken by the Group at year-end 2017 and 2016 in connection with this service are as follows:

Thousands of euros

	2017	2016
Securities owned by third parties		
Equity instruments	11,799,910	9,085,321
Debt instruments	2,470,519	1,625,049
	14,270,429	**10,710,370**

b) Branches

A list of Renta 4 Banco, S.A. branches at December 31, 2017 and 2016 is provided in Appendix II.

c) Agency agreements

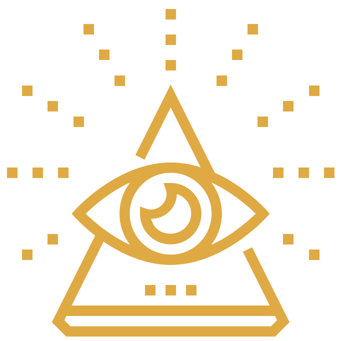
Appendix III to the accompanying consolidated financial statements provides the disclosures required under Article 22 of Spanish Royal Decree 1245/1995 of July 14 on the duty of credit institutions operating in Spain to include a list of their agents, indicating the scope of powers granted in the notes to the financial statements.

d) Audit fees

In the year ended December 31, 2017 KPMG Auditores S.L. charged the Group fees and expenses for its professional services in drawing up the financial statements as follows:

Thousands of euros

	2017
	Spain
For audit work	101
For the review of interim financial statements	24
Asset protection report	27
	152



The amounts in the table above include the total fees for services rendered during 2017, irrespective of the date of invoicing.

Audit fees for work on the 2016 financial statements totaled 219 thousand euros. In addition, the fees paid for other services similar to the review of financial statements, and other professional services rendered by the auditor or by other firms belonging to its international network, amounted to 123 thousand euros in 2016.

In the year ended December 31, 2017 other KPMG International affiliates charged the Group fees and expenses for professional services as follows:

Thousands of euros

	2017
For audit work	49
For other accountancy verification services	5
For tax advisory services	34
For other services	5
	93

e) Unclaimed balances and deposits

Pursuant to the stipulations of Article 18 of Law 33/2003 of November 3 on the equity of public administrations, the Group reports that it has no unclaimed balances and deposits as defined by the aforementioned article.

f) Customer service

Article 17 of the Spanish Finance Ministry's Order ECO/734/2004 of March 11 stipulates that customer departments and services, and financial ombudsmen of financial institutions, if any exist, must present an annual report to the Board of Directors explaining the actions carried out during the preceding year.

Article 17 establishes the obligation of customer departments and services, and financial ombudsmen of financial institutions, if any exist, to present an annual report to the Board of Directors explaining the actions carried out during the preceding year.

The Renta 4 Group received 30 complaints and claims in 2017, and 27 complaints and claims in 2016. In 2017 all of these were accepted, a response was issued to 29 of them, and the process was suspended for one of them as judicial proceedings had commenced. The rulings concerning these claims were favorable to the Renta 4 Group in 70% and 89% of cases in 2017 and 2016 respectively, while 21% in 2017 and 11% in 2016 were resolved by a Group reconciliation proposal, leading to an outlay by the Renta 4 Group of 3,517.97 euros in 2017 and 487.59 euros in 2016.

The Renta 4 Group's 2017 Customer Service Report is attached as Appendix V.

g) Environmental impact

In the light of the business activities pursued by the Group companies, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of their equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Group companies did not have any greenhouse gas emission allowances in either 2017 or 2016.

h) Information concerning the average period of payment to suppliers. Additional Provision Three. "Disclosure requirements" under Law 15/2010 of July 5

The information on average supplier payment periods is as follows:

	2017	2016
(Days)		
Average supplier payment period	30	30
Ratio of transactions paid	30	30
Ratio of transactions outstanding	30	30
(Thousands of euros)		
Total payments made	**25,805**	**24,472**
Total payments outstanding	**1,405**	**1,363**

i) Major agreements among Group companies

On January 2, 2017 Renta 4 Banco, S.A. signed a contract for the provision of accounting, IT, administrative and tax services with several subsidiaries.

On January 1, 2017 Renta 4 Banco, S.A. signed a contract with several subsidiaries for the lease of the building at Paseo de la Habana 74, Madrid (see Note 13). This floor space will be generally used for the provision of investment and financial brokerage services at each of the subsidiaries. The lease term is 1 year, and is tacitly renewable for a maximum of 10 years.

On August 31, 2013 Renta 4 Banco, S.A. signed a contract for the marketing of UCITS and managed pension funds with Renta 4 Gestora SGIIC, S.A. and Renta 4 Pensiones EGFP, S.A. The contract term is 1 year, and is tacitly renewable for equal periods.

On January 2, 2012 Renta 4 Sociedad de Valores, S.A. signed an open-ended investment service provision agreement with Renta 4 Banco, S.A., whereby it undertook to provide the bank with custody, administration, settlement and brokerage services. Both parties agreed to adjust daily, depending on the volumes (number of trades, asset values, markets etc.) administered, settled and sub-custodied by Renta 4 Sociedad de Valores, S.A., the fees and commissions that Sociedad de Valores would receive for providing the services stipulated in the contract.

No further contracts other than those mentioned above were signed with Group companies in 2017 and 2016.

j) Annual Banking Report

The information required to comply with the provisions of Article 87.1 of Law 10/2014 of June 26 on the structuring, supervision and capital adequacy of credit institutions is provided in Appendix VI.

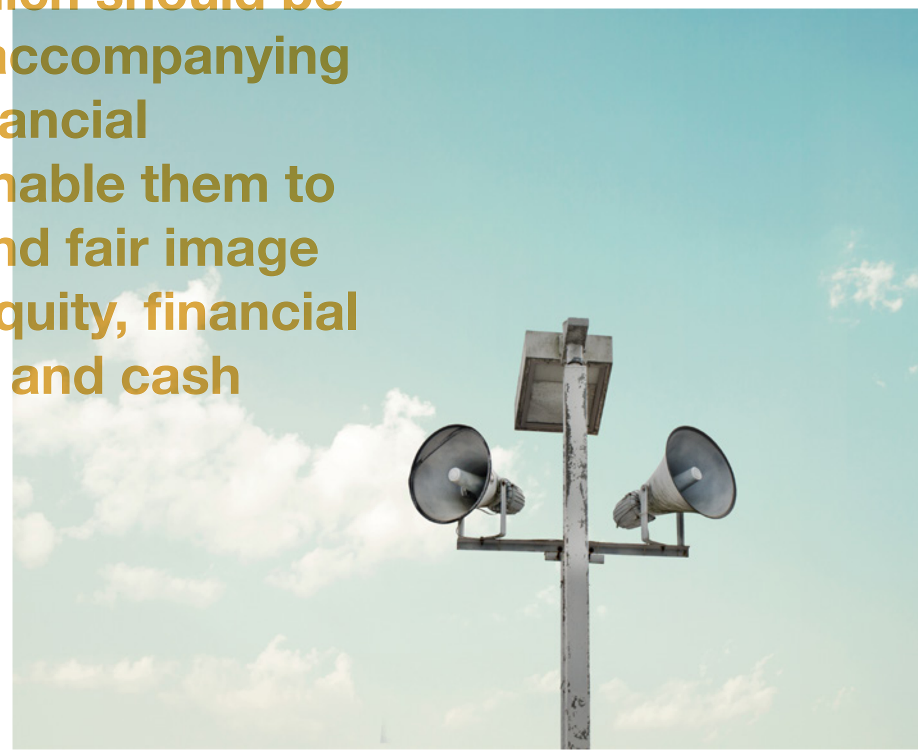
k) Other public disclosures required by the Bank of Spain

In compliance with the obligations for disclosing information to the Bank of Spain, the Group reported the following at December 31, 2017:

- It did not have any refinancing or restructuring transactions.
- It did not perform any financing transactions for real estate construction, property development and home purchases.
- It did not have any assets foreclosed or received in payment of debt applied by the Group's credit institutions.
- For information on the breakdown of customer loans by activity, see Note 11.c.

2.24 Events after the balance sheet date

Up to the date of issue by the Board of Directors of its consolidated financial statements, no other significant events arose which should be included in the accompanying consolidated financial statements to enable them to provide a true and fair image of the Group's equity, financial position, results and cash flows.



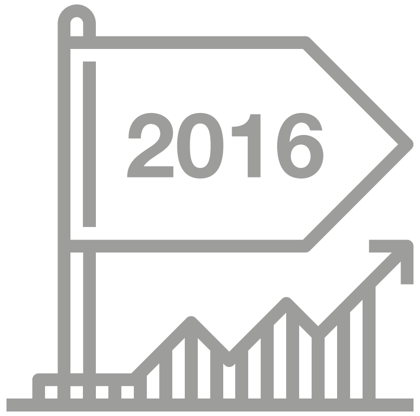
01 Appendix

Renta 4 Banco, S.A. and Subsidiaries
Breakdown of investments in Group subsidiaries and associates at December 31, 2017

			% shareholding			Thousands of euros (*)				
Company	**Head Office**	**Activity**	**Direct**	**Indirect**	**Total**	**Capital**	**Reserves**	**Valuation adjustments**	**Profit/(loss)**	**Dividend**
Group companies										
Carterix, S.A.	Madrid	Provision of financial services	5	94.92	99.92	782	(374)	-	(25)	-
Renta 4 Aragón, S.A.	Madrid	Provision of financial services	99.96	-	99.96	62	8	-	-	-
Sociedad de Estudios e Inversiones Benidorm, S.A.	Madrid	Provision of financial services	-	100	100	60	(22)	-	-	-
Renta 4 Burgos, S.A.	Madrid	Provision of financial services	99.97	-	99.97	34	10	-	-	-
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid	UCITS management	99.99	-	99.99	2,374	6,389	21	6,201	(4,345)
Renta 4 Huesca, S.A.	Madrid	Provision of financial services	99.94	-	99.94	3	(2)	-	-	-
Renta 4 Inversiones de Valladolid, S.A.	Madrid	Provision of financial services	85	14	99	60	265	-	(2)	-
Renta 4 Lérida, S.A.	Madrid	Provision of financial services	81.66	-	81.66	90	(2)	-	(2)	-
Renta 4 Inversiones Inmobiliarias S.A.	Madrid	Provision of financial services	99	-	99	60	(8)	-	-	-
Renta 4 Pensiones, E.G.F.P., S.A.	Madrid	Pension fund management	99.99	-	99.99	3,889	3,267	(8)	1,026	-
Renta 4, S.A., Sociedad de Valores	Madrid	Stockbroking	100	-	100	3,149	9,465	-	1,447	-
Renta 4 Equities	Madrid	Provision of financial services	-	99.9	99.9	15	403	-	(4)	-
Renta 4 Corporate, S.A.	Madrid	Financial advisory and consulting	100	-	100	92	352	-	497	-
Renta 4 Vizcaya, S.A.	Madrid	Provision of financial services	-	99.99	99.99	391	(367)	-	-	-
Rentsegur, Correduría de Seguros, S.A.	Madrid	Financial/insurance brokerage	-	72.5	72.5	75	(32)	-	-	-
Padinco Patrimonios, S.A.	Madrid	Provision of financial services	100	-	100	105	91	-	-	-
Renta 4 Chile SPA	Chile	Provision of financial services	100	-	100	9,640	(268)	(3)	- 4	-
Inversiones Renta 4 Chile, S.L.	Chile	Provision of financial services	0.01	99.99	100	6,625	(219)	57	-	-
Renta 4 Chile Corredores de Bolsa, S.A.	Chile	Provision of financial services	-	100	100	7,969	(405)	(67)	(392)	-
Renta 4 Colombia SAS	Bogotá	Provision of financial services	100	-	100	587	(268)	(58)	(38)	-
Renta 4 Agente de Bolsa S.A.	Lima	Provision of financial services	99.99	-	99.99	2,550	(1,098)	(182)	(404)	-
Renta 4 Luxemburgo, S.A.	Luxembourg	UCITS management	100	-	100	700	(337)	-	191	-
Renta 4 Global Fiduciaria, S.A.	Bogotá	Fiduciary services	69.43	-	69.43	3,198	(269)	(199)	(758)	-

This appendix is an integral part of Note 3 to the accompanying consolidated financial statements and should be read in conjunction therewith.

01 Appendix



Renta 4 Banco, S.A. and Subsidiaries

Breakdown of investments in Group subsidiaries and associates at December 31, 2016

			% shareholding			Thousands of euros (*)				
Company	**Head Office**	**Activity**	**Direct**	**Indirect**	**Total**	**Capital**	**Reserves**	**Valuation adjustments**	**Profit/(loss)**	**Dividend**
Group companies										
Carterix, S.A.	Madrid	Provision of financial services	5.00	94.92	99.92	782	(350)	-	(24)	-
Renta 4 Aragón, S.A.	Madrid	Provision of financial services	99.96	-	99.96	62	8	-	-	-
Sociedad de Estudios e Inversiones Benidorm, S.A.	Madrid	Provision of financial services	-	100.00	100.00	60	(21)	-	-	-
Renta 4 Burgos, S.A.	Madrid	Provision of financial services	99.97	-	99.97	34	10	-	-	-
Renta 4 Gestora, S.G.I.I.C., S.A.	Madrid	UCITS management	99.99	-	99.99	2,374	5,512	1	3,602	2,726
Renta 4 Guipúzcoa, S.A.	Madrid	Provision of financial services	100.00	-	100.00	60	1,744	-	(7)	-
Renta 4 Huesca, S.A.	Madrid	Provision of financial services	99.94	-	99.94	3	(2)	-	-	-
Renta 4 Inversiones de Valladolid, S.A.	Madrid	Provision of financial services	85.00	14.00	99.00	60	267	-	(2)	-
Renta 4 Lérida, S.A.	Madrid	Provision of financial services	81.66	-	81.66	90	(1)	-	(1)	-
Renta 4 Inversiones Inmobiliarias S.A.	Madrid	Provision of financial services	99.00	-	99.00	60	(7)	-	-	-
Renta 4 Pensiones, E.G.F.P., S.A.	Madrid	Pension fund management	99.99	-	99.99	3,889	2,482	(2)	784	-
Renta 4, S.A., Sociedad de Valores	Madrid	Stockbroking	100.00	-	100.00	3,149	13,043	-	424	9,954
Renta 4 Equities	Madrid	Provision of financial services	-	99.90	99.90	15	423	-	(20)	-
Renta 4 Corporate, S.A.	Madrid	Financial advisory and consulting	100.00	-	100.00	92	206	-	146	-
Renta 4 Vizcaya, S.A.	Madrid	Provision of financial services	-	99.99	99.99	391	(367)	-	-	-
Rentsegur, Correduría de Seguros, S.A.	Madrid	Financial/insurance brokerage	-	72.50	72.50	75	(33)	-	1	-
Padinco Patrimonios, S.A.	Madrid	Provision of financial services	100.00	-	100.00	105	91	-	-	-
Renta 4 Chile SPA	Chile	Provision of financial services	100.00	-	100.00	5,657	(268)	5	-	-
Inversiones Renta 4 Chile, S.L.	Chile	Provision of financial services	0.01	99.99	100.00	3,836	(219)	57	-	-
Renta 4 Chile Corredores de Bolsa, S.A.	Chile	Provision of financial services	-	100.00	100.00	3,986	(120)	(51)	(285)	-
Renta 4 Colombia SAS	Bogotá	Provision of financial services		100.00	-	100.00	587	(196)	(27)	(72)
Renta 4 Agente de Bolsa S.A.	Lima	Provision of financial services		99.99	-	99.99	2,050	(755)	(65)	(343)
Renta 4 Luxemburgo, S.A.	Luxembourg	UCITS management	100.00	-	100.00	700	(142)	-	(196)	-
Renta 4 Global Fiduciaria, S.A.	Bogotá	Fiduciary services	69.43	-	69.43	3,198	-	107	(269)	-
Associate										
Hanson Asset Management Limited	United Kingdom	Provision of financial services	4.99	-	4.99	3,701	(2,773)	-	(253)	-
W4I Investment Advisory Limited	United Kingdom	Provision of financial services		25.00	-	25.00	1,388	(187)	-	(216)

This appendix is an integral part of Note 3 to the accompanying consolidated financial statements and should be read in conjunction therewith.

02 Appendix

Renta 4 Banco, S.A. and Subsidiaries
List of offices December 31, 2017

OFFICE	ADDRESS
Renta 4 A Coruña	Calle Juan Flórez, 60 - 15004 A Coruña
Renta 4 Albacete	Calle Tesifonte Gallego, 25 - 02002 Albacete
Renta 4 Alicante	Av de Óscar Esplá, 29, bajo - 03007 Alicante
Renta 4 Almería	Avda. de Federico García Lorca, 21 - 04004 Almería
Renta 4 Ávila	Av de Portugal, 39 - 05001 Ávila
Renta 4 Badajoz	Calle Ronda Pilar, 2 - Bajo izquierda - 06002 Badajoz
Renta 4 Barcelona	Gran Via de Les Corts Catalanes, 655 - 08010 Barcelona
Renta 4 Barcelona - Diagonal	Avinguda Diagonal, 459 - 08036 Barcelona
Renta 4 Bilbao	Calle Elcano, 14 - 48008 Bilbao (Vizcaya)
Renta 4 Burgos	Av de la Paz, 3 Bajo - 09004 Burgos
Renta 4 Cáceres	Calle Gil Cordero, 6 Bajo - 10001 Cáceres
Renta 4 Cádiz	Av de Cayetano del Toro, 27 - 11010 Cádiz
Renta 4 Cantabria	Calle Isabel II, 20 - 39002 Santander (Cantabria)
Renta 4 Castellón	Carrer Gasset, 9 - 12001 Castellón
Renta 4 Ciudad Real	Calle de Calatrava, 5 - Bajo - 13004 Ciudad Real
Renta 4 Córdoba	Paseo de la Victoria, 1 - 14008 Córdoba
Renta 4 Cuenca	Av de Castilla-La Mancha, 4 - 16002 Cuenca
Renta 4 Cullera	Passatge de l´Ullal 2, Bj, Ed Manantial - 46400 Cullera (Valencia)
Renta 4 Elche	C/ Corredora, 34 - 03202 Elche (Alicante)
Renta 4 Gijón	Calle Jovellanos, 2, esquina c/ Cabrales - 33202 Gijón (Asturias)
Renta 4 Girona	Carrer Migdia 37 - 17002 Girona
Renta 4 Gran Canaria	Calle Muelle las Palmas, 6 - 35003 Gran Canaria
Renta 4 Granada	Calle Acera del Darro, 35 - 18005 Granada
Renta 4 Guadalajara	Calle Padre Félix Flores, 4 - 19001 Guadalajara
Renta 4 Guipúzcoa	Calle Urbieta, 2 - 20006 Donostia-San Sebastián (Guipúzcoa)
Renta 4 Huelva	Avenida de la Ría, 4 Esq. Víctor Fuente - 21001 Huelva
Renta 4 Huesca	Calle de Cavia, 8 Bajo - 22005 Huesca
Renta 4 Jaén	Av de Madrid, 20 Bajo - 23003 Jaén
Renta 4 Lanzarote	Calle Esperanza, 1 - 35500 Arrecife (Lanzarote)
Renta 4 León	Av de Ordoño II, 35 - 24001 León
Renta 4 Lleida	Rambla de Ferran, 1 - 25007 Lleida

OFFICE	ADDRESS
Renta 4 Logroño	Calle Jorge Vigón, 22 - 26003 Logroño (La Rioja)
Renta 4 Lugo	Rúa Montevideo, 7 - Bajo - 27001 Lugo
Renta 4 Madrid	Paseo de la Habana, 74 - 28036 Madrid
Renta 4 Madrid - Almagro	Calle Almagro, 11 - 28010 Madrid
Renta 4 Madrid - Príncipe de Vergara	Principe de Vergara, 12 - 28001 Madrid
Renta 4 Madrid - Serrano	Cl. Serrano, 63 - 28006 Madrid
Renta 4 Madrid Sur	Calle Leganés 33 - 28945 Fuenlabrada (Madrid)
Renta 4 Málaga	Alameda de Colón, 9 - 29001 Málaga
Renta 4 Mallorca	Avinguda Comte de Sallent, 2 - 07003 Palma de Mallorca (Balearic Islands)
Renta 4 Murcia	Av General Primo de Rivera, 23 - 30008 Murcia
Renta 4 Ourense	Rúa Curros Enríquez, 27, Baixo - 32003 Ourense
Renta 4 Oviedo	Calle del General Yagüe,1 (Conde Toreno) - 33004 Oviedo (Asturias)
Renta 4 Palencia	Plaza Isabel la Católica, 1 - 34005 Palencia
Renta 4 Pamplona	Avda. de la Baja Navarra, 9 Bis - 31002 Pamplona (Navarra)
Renta 4 Sabadell	Carrer de Vilarrubias, 9 - 08208 Sabadell (Barcelona)
Renta 4 Salamanca	Av. Mirat, 11 - 37002 Salamanca
Renta 4 Segovia	Paseo Ezequiel González, 34 - 40002 Segovia
Renta 4 Sevilla	Av de la Buhaira, 11 - 41018 Sevilla
Renta 4 Soria	Avda. Navarra 5 - 42003 Soria
Renta 4 Tarragona	Rambla Nova, 114 (Acceso C/Pare Palau 1) - 43001 Tarragona
Renta 4 Tenerife	Calle El Pilar, 54 - 38002 Tenerife (Santa Cruz de Tenerife)
Renta 4 Terrassa	Carrer d´Arquímedes, 156 - Local - 08224 Terrassa (Barcelona)
Renta 4 Teruel	Av de Sagunto, 42, bajo - 44002 Teruel
Renta 4 Toledo	Calle Roma, 3 - Bajo - 45003 Toledo
Renta 4 Valencia	Plaza Alfonso El Magnanimo. 2 - 46003 Valencia
Renta 4 Valladolid	C/ Miguel Íscar, 3 - 47001 Valladolid
Renta 4 Vigo	Avenida García Barbón, 18 - 36201 Vigo
Renta 4 Vitoria	Av. Gasteiz, 23 - 01008 Vitoria-Gasteiz (Álava)
Renta 4 Zamora	Avenida Alfonso IX, 1 - 49013 Zamora
Renta 4 Zaragoza	C/ León XIII, 5 - 50008 Zaragoza

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02 Appendix

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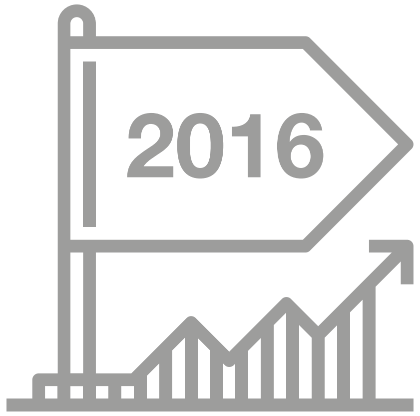
Guadalajara	Calle Padre Félix Flores, 4 - 19001 Guadalajara
Guipúzcoa	Calle Urbieta, 2 - 20006 Donostia-San Sebastián (Guipúzcoa)
Huelva	Paseo de Sta Fe, 1 bajo - 21003 Huelva
Huesca	Calle de Cavia, 8 Bajo - 22005 Huesca
Jaén	Av de Madrid, 20 Bajo - 23003 Jaén
Lanzarote	Calle Esperanza, 1 - 35500 Arrecife (Lanzarote)
León	Av de Ordoño II, 35 - 24001 León



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Madrid Sur	Calle Leganés 33 - 28945 Fuenlabrada (Madrid)
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Vitoria	Av. Gasteiz, 23 - 01008 Vitoria-Gasteiz (Álava)
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Zaragoza	C/ León XIII, 5 - 50008 Zaragoza

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03 Appendix

Renta 4 Banco, S.A. and Subsidiaries
List of Agents December 31, 2017

AES GESTIO DE PATRIMONIS, S.L.
ALBAJAR GIMENEZ, MANUEL
ARBITRAGE FINANZAS, S.L.
ARCOS BARAZAL, S.A.
BABALITA, S.A.
BAUCISA SISTEMAS, S.L.
CASTAÑE ECHEVARRIA, JOSE MARIA
CASTAÑE Y ASOCIADOS INVEST, S.L.
COFINAVE GESTION, S.L.
COMPANY DIEZ, MIGUEL ANGEL
DÍAZ BUSTAMANTE ZULUETA, JUAN
DE LA FUENTE ARTEAGA, JORGE
DRACMA FINANZAS, S.L.
ECHEVARRIA BARBERENA, MERCEDES
GALLEGO HEREDERO, PEDRO
GALLO LOPEZ, FELIX
INFORMADSA FINANCIEROS, S.L.
LOPEZ LOPEZ, ANTONIO CEFERINO
LOPEZ MINGUEZ, ANTONIO
MARQUEZ POMBO, JOSE IGNACIO
MEDIACION FINANCIERA ABDUIT 2014, S.L.
MENDEZ GONZALEZ, RAQUEL
MISUIN GESTION, S.L.
MORENO PEREZ, VICTOR
MUÑOZ CORDOBA, CARLOS
PASCUAL BALLESTEROS, JOSE MANUEL
PRIMO DE RIVERA ORIOL, FERNANDO
RENPROA SL
RIVERA CASTILLEJO, MIGUEL
SAINZ SUELVES, ANTONIO
SANFELIU CARRASCO, MARIA DEL MAR
SENTIDO COMUN GESTION, S.L.
SOFABOYCO, S.L.
SOLO 747, S.L.
YIDOSA, S.A.

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Renta 4 Banco, S.A. and Subsidiaries
List of Agents December 31, 2016

AES GESTIÓ DE PATRIMONIS, S.L.
ALBAJAR GIMENEZ, MANUEL
ARBITRAGE FINANZAS, S.L.
ARCOS BARAZAL, S.A.
BABALITA, S.A.
BAUCISA SISTEMAS, S.L.
CASTAÑE ECHEVARRIA, JOSE MARIA
CASTAÑE Y ASOCIADOS INVEST, S.L.
COFINAVE GESTIÓN, S.A.
COMPANY DIEZ MIGUEL ANGEL
DE LA FUENTE ARTEAGA JORGE
DRACMA FINANZAS, S.L.
ECHEVARRIA BARBERENA, MERCEDES
GALLEGO HEREDERO, PEDRO
GALLO LÓPEZ FELIX ALFONSO
INFORMADSA FINANCIEROS, S.L.
LOPEZ LOPEZ, ANTONIO CEFERINO
LOPEZ MIGUEZ, ANTONIO
MÉNDEZ GONZALEZ RAQUEL
MISUIN GESTION, S.L.
MORENO PEREZ VICTOR
MUÑOZ CÓRDOBA, CARLOS
PASCUAL BALLESTEROS, JULIO MANUEL
PRIMO DE RIVERA ORIOL FERNANDO
RENPROA, S.L.
RIVERA CASTILLEJO, MIGUEL
SAINZ SUELVES, ANTONIO
SANFELIU CARRASCO, MARÍA DEL MAR
SOFABOYCO, S.L.
SOLO 747, S.L.
YIDOSA, S.A.
MÁRQUEZ POMBO JOSE IGNACIO
DIAZ-BUSTAMANTE ZULUETA, JUAN
MEDIACIÓN FINANCIERA ABDUIT 2014, S.L.
SENTIDO COMÚN GESTIÓN, S.L.

This appendix is an integral part of Note 21 to the accompanying financial statements and should be read in conjunction therewith.

04 Appendix

Renta 4 Banco, S.A.

Balance sheets at December 31, 2017 and 2016

Thousands of euros

ASSETS	Notes	2017	2016
Cash, cash balances at central banks and other demand deposits	**6**	**366,405**	**369,591**
Financial assets held for trading	**7**	**1,963**	**7,165**
Derivatives		851	3,462
Equity instruments		-	-
Debt securities		1,112	3,703
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Financial assets designated at fair value through profit or loss		-	**-**
Equity instruments		-	-
Debt securities		-	-
Loans and advances		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Available-for-sale financial assets	**8**	**597,185**	**564,460**
Equity instruments		18,901	41,047
Debt securities		578,284	523,413
Memorandum item: loaned or advanced as collateral with right to sell or pledge		*370,376*	*282,728*

Thousands of euros

ASSETS	Notes	2017	2016
Loans and receivables	**9**	**139,902**	**146,469**
Debt securities		-	-
Loans and advances		139,902	146,469
Central banks		40,000	
Credit institutions		38,044	89,515
Customers		61,858	56,954
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Held-to-maturity investments		-	**-**
Memorandum item: loaned or advanced as collateral with right to sell or pledge		-	-
Derivatives - hedge accounting		-	**-**
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		-	**-**
Investments in subsidiaries, joint ventures and associates	**10**	**38,069**	**35,772**
Group entities		38,069	35,486
Jointly controlled entities		-	-
Associates		-	286
Tangible assets	**11**	**36,027**	**36,032**
Property, plant and equipment		35,730	35,726
For own use		35,730	35,726
Lease out on operating lease		-	-
Assigned to welfare projects (savings banks and credit cooperatives)		-	-
Investment properties		297	306
Of which: assigned under operating leases		297	*306*
Memorandum item: acquired under finance leasing		-	*1,204*
Intangible assets	**12**	**6,411**	**7,131**
Goodwill		5,082	5,717
Other intangible assets		1,329	1,414
Tax assets	**18**	**2,365**	**2,550**
Current tax assets		1,551	-
Deferred tax assets		814	2,550
Other assets	**13**	**449**	**582**
Insurance contracts linked to pensions		-	-
Stock		-	-
Other assets		449	582
Non-current assets and disposal groups classified as held for sale		**-**	**-**
TOTAL ASSETS		**1,188,776**	**1,169,752**

Thousands of euros

LIABILITIES	Notes	2017	2016
Financial liabilities held for trading	**7**	**136**	**4,183**
Derivatives		136	4,183
Short positions		-	-
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Deposits		-	-
Central banks		-	-
Credit institutions		-	-
Customers		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Memorandum item: subordinated liabilities		-	-
Financial liabilities measured at amortized cost	**14**	**1,103,647**	**1,087,820**
Deposits		961,024	1,012,989
Central banks		9,951	39,950
Credit institutions		15,547	18,235
Customers		935,526	954,804
Debt securities issued		-	-
Other financial liabilities		142,623	74,831
Memorandum item: subordinated liabilities		-	-
Derivatives - hedge accounting		**-**	**-**
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		**-**	**-**
Provisions	**15**	**628**	**575**
Pensions and other post employment defined benefit obligations		-	-
Other long term employee benefits		-	575
Pending legal issues and tax litigation		628	-
Commitments and guarantees given		-	-
Other provisions		-	-
Tax liabilities	**18**	**3,470**	**3,345**
Current tax liabilities		1,994	2,157
Deferred tax liabilities		1,476	1,188
Share capital repayable on demand		**-**	**-**
Other liabilities	**13**	**3,640**	**1,598**
Of which: welfare fund (only savings banks and credit cooperatives)		-	-
Liabilities included in disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**1,111,521**	**1,097,521**

Thousands of euros

EQUITY	Notes	2017	2016
Own funds	**16**	**76,004**	**71,875**
Capital		18,312	18,312
Paid-up capital		18,312	18,312
Unpaid capital called up		-	-
Memorandum item: uncalled capital		-	-
Share premium		8,496	8,496
Equity instruments issued other than capital		-	-
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		-	-
Retained earnings		-	-
Revaluation reserves		-	-
Other reserves		41,612	32,657
(-) Treasury shares		(643)	(370)
Profit or (-) loss		16,345	16,945
(-) Interim dividends		(8,118)	(4,165)
Accumulated other comprehensive income		**1,251**	**356**
Items not reclassified to profit or loss		-	-
Actuarial gains or (-) losses on defined benefit pension plans		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share of other recognized income and expense of investments in joint ventures and associates		-	-
Other valuation adjustments		-	-
Items that can be classified to profit and loss		1,251	356
Hedge of net investments in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		-	-
Available-for-sale financial assets		1,251	356
Debt instruments		2,216	1,000
Equity instruments		(965)	(644)
Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		**77,255**	**72,231**
TOTAL EQUITY AND LIABILITIES		**1,188,776**	**1,169,752**
MEMORANDUM ITEM: OFF-BALANCE SHEET ITEMS			
Guarantees given		368	117
Contingent commitments		8,117	10,178

04 Appendix

Renta 4 Banco, S.A.

Income statements for the years ended December 31, 2017 and 2016

Thousands of euros

	Notes	2017	2016
Interest income	20.a	3,441	3,343
(Interest expense)	20.b	(593)	(279)
(Expenses on share capital repayable on demand)		-	-
A) NET INTEREST INCOME		**2,848**	**3,064**
Dividend income		8,708	12,992
Fee and commission income	20.b	74,756	59,517
(Fee and commission expenses)	20.b	(31,026)	(19,100)
Gains or (-) losses on the derecognition in financial assets and liabilities not measured at fair value through profit or loss, net	20.a	785	431
Gains or (-) losses on financial assets and liabilities held for trading, net	20.a	6,579	3,756
Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net		-	-
Gains or (-) losses from hedge accounting, net		-	-
Exchange differences [gain or (-) loss], net		3,048	1,734
Other operating income	20.c	343	478
(Other operating expenses)	20.c	(2,694)	(1,654)
Of which: mandatory provisions to welfare fund (only savings banks and credit cooperatives)		-	-
B) GROSS INCOME		**63,347**	**61,218**
(Administrative expenses)		(38,357)	(32,653)
(Staff expenses)	20.d	(23,152)	(18,907)
(Other administrative expenses)	20.e	(15,205)	(13,746)
(Depreciation)		(5,043)	(5,139)
(Provisions or (-) reversal of provisions)	15	(128)	(500)
(Impairment or (-) reversal of impairment of financial assets not measured at fair value through profit or loss)		-	614
(Financial assets measured at cost)		-	-
(Available-for-sale financial assets)	20.f	(1)	(24)
(Loans and receivables)	20.f	1	638
(Held-to-maturity investments)		-	-
C) TOTAL OPERATING INCOME, NET		**19,819**	**23,540**
(Impairment or (-) reversal of impairment of investments in subsidiaries, joint ventures or associates)	10 and 20.f	(104)	(3,626)
(Impairment or (-) reversal of impairment on non-financial assets)		-	-
(Tangible assets)		-	-
(Intangible assets)		-	-
(Other)		-	-
Gains or (-) losses on the derecognition in non-financial assets accounts and investments, net	10	720	-
Of which: investments in joint ventures and associates			-
Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations		-	-
D) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**20,435**	**19,914**
(Tax expense or (-) income related to profit or loss from continuing operations)	18	(4,090)	(2,969)
E) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**16,345**	**16,945**
Profit or (-) loss after tax from discontinued operations		-	-
F) PROFIT OR (-) LOSS		**16,345**	**16,945**

04 Appendix

Renta 4 Banco, S.A.
Statements of changes in equity for the years ended December 31, 2017 and 2016

Thousands of euros

	2017	2016
Profit or (-) loss	**16,345**	**16,945**
Other comprehensive income	**895**	**691**
Items that will not be reclassified to profit or loss	**-**	**-**
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Non-current assets and disposal groups held for sale	-	-
Share of other recognized income and expense of investments in joint ventures and associates	-	-
Other valuation adjustments	-	-
Income tax relating to items that will not be reclassified	-	-
Items that can be classified to profit and loss	**895**	**691**
Hedge of net investments in foreign operations [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	-	-
Translation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges [effective portion]	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial assets	1,279	986
Valuation gains or (-) losses taken to equity	*2,063*	*1,391*
Transferred to profit or loss	*(784)*	*(405)*
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	-	-
Valuation gains or (-) losses taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or (-) loss	(384)	(295)
Total comprehensive income	**17,240**	**17,636**

04 Appendix

Renta 4 Banco, S.A.
Statement of cash flows for the years ended December 31, 2017 and 2016

Thousands of euros

	Nota	2017	2016
CASH FLOWS USED IN OPERATING ACTIVITIES		**37,183**	**302,875**
Profit or (-) loss		**16,345**	**16,945**
Adjustments made to obtain the cash flows from operating activities		**(712)**	**(2,299)**
Depreciation and amortization	**11 and 12**	5,043	5,139
Other adjustments		(5,755)	(7,438)
Net increase/(decrease) in operating assets		**(16,798)**	**42,814**
Trading portfolio		5,202	(6,699)
Other financial assets at fair value through profit or loss			**-**
Available-for-sale financial assets		(28,892)	(66,820)
Loans and receivables		6,813	116,328
Other operating assets		79	5
Net increase/(decrease) in operating liabilities		**42,199**	**249,816**
Trading portfolio		(4,047)	3,917
Other financial liabilities at fair value through profit or loss			**-**
Financial liabilities measured at amortized cost		45,849	245,346
Other operating liabilities		397	553
Income tax receipts/(payment)		**(3,851)**	**(4,401)**
CASH FLOWS FROM INVESTING ACTIVITIES		**2,709**	**4,739**
Payments		**(8,803)**	**(8,253)**
Tangible assets	**11**	(3,522)	(3,157)
Intangible assets	**12**	(796)	(926)
Investments	**10**	(4,485)	(4,170)
Other business units		-	-
Non-current assets held for sale and associated liabilities		-	-
Held-to-maturity portfolio		-	-
Other payments related to investing activities		-	-

Thousands of euros

	Nota	2017	2016
Proceeds		**11,512**	**12,992**
Tangible assets		-	-
Intangible assets		-	-
Investments		2,804	-
Other business units		-	-
Non-current assets held for sale and associated liabilities		-	-
Held-to-maturity portfolio		-	-
Other proceeds related to investing activities		8,708	12,992
CASH FLOWS FROM FINANCING ACTIVITIES		**(42,831)**	**(167,856)**
Payments		**(42,831)**	**(672,806)**
Dividends	4 and 16.h	(11,943)	(5,725)
Share premium			-
Refund of the share premium			-
Redemption of own equity instruments	14.d		-
Acquisition of own equity instruments	16.g	(273)	(36)
Other payments related to financing activities		(30,615)	(667,045)
Proceeds		**-**	**504,950**
Subordinated liabilities		-	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments	16.g	-	-
Other proceeds related to financing activities		-	504,950
EFFECT OF EXCHANGE RATE DIFFERENCES		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,939)**	**139,758**
Cash and cash equivalents at beginning of the period	**6**	**369,115**	**229,357**
Cash and cash equivalents at end of the period	**6**	**366,176**	**369,115**
MEMORANDUM ITEM			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**6**	**366,176**	**369,115**
Cash		51	51
Cash equivalents at central banks		18,019	10,466
Other financial assets		348,106	358,598
Less: bank overdrafts refundable on demand			

05 Appendix

year 2017

Renta 4 Banco, S.A.
Renta 4 Group Customer Service Report

Purpose of the Report

The purpose of this report is to evidence the customer service work performed by Renta 4 Banco, S.A. and the Renta 4 Group entities subject to the customer defense rules in the course of 2017, as it has done since 2004, in keeping with Article 20 of the Renta 4 Group's Customer Defense Rules and the provisions of *Ministerial Order ECO 734/2004 of March 11 on Customer Attention Centers and Customer Defense at Financial Institutions.*

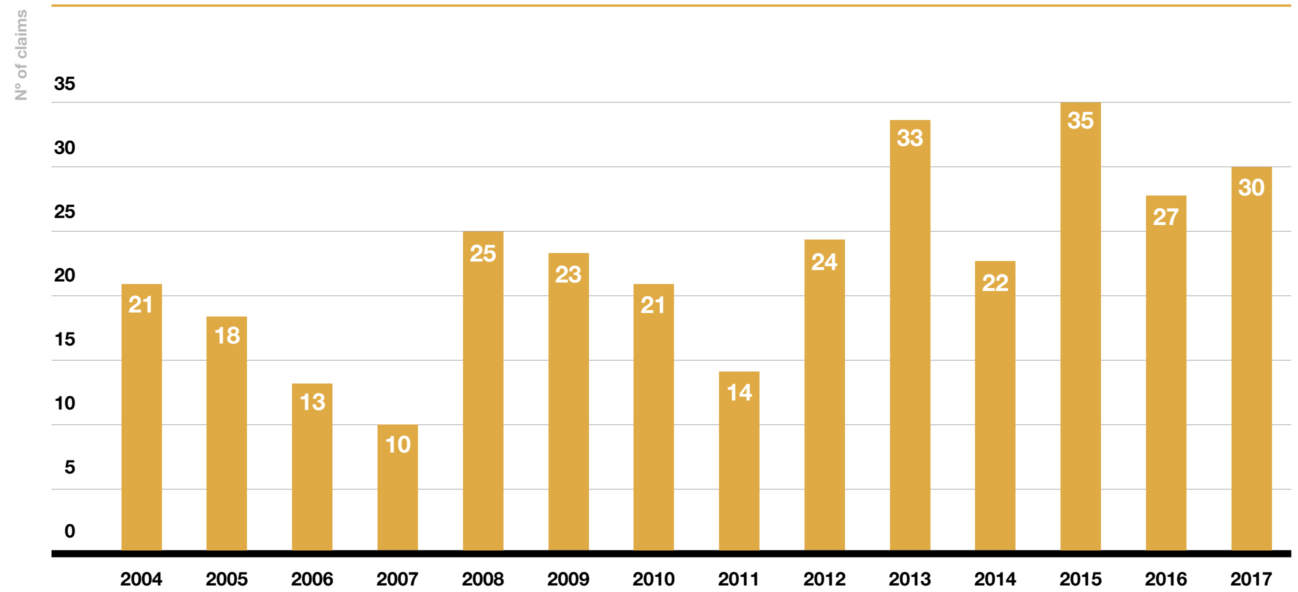
As stipulated in Article 6 of these Group rules, **the main function** of the Customer Service Center is to **address and resolve the complaints and claims presented before the entities bound thereby**, directly or via representatives, by Spanish or foreign natural or legal persons that qualify as users of the financial services provided by the said entities, provided such complaints and claims relate to their legally protected interests and rights as a result of contracts, transparency and customer protection rules or good financial practice, particularly the principle of equanimity.

Outcome of claims in 2017

In 2017 Renta 4's Customer Service Center handled a total of 30 customer claims and/or complaints, admitting all of them for processing to Renta 4 Banco, S.A. This led to the detailed study and analysis of each case and the review of the procedures established by Renta 4, before issuing a ruling or encouraging the parties to reach a settlement in respect of the controversies. One of the claims was disregarded because it was being addressed in judicial proceedings, as established in Article 13 of Renta 4 Banco's Customer Defense Rules and the regulations applicable, with notification to the customer accordingly.

Meanwhile, the number of formal enquiries received by the Customer Service Center was small, as in previous years. Virtually no formal enquiries were submitted, because normally customers present queries directly to branch personnel and these are handled quickly and smoothly to provide solutions, without the need for any formal process through the Customer Service Center.

Graphic 1 - Total claims 2004-2017



In connection with the number of claims received by the Customer Service Center since it was created in 2004 up to 2017, these were quite insignificant in absolute terms - 30 in 2017, 27 in 2016, and 35, 22 and 33 in 2015, 2014 and 2013 respectively (Graphic 1). The increase in some years could be attributed to a number of factors, such as the economic and financial environment in recent years, the financial market crisis, and changes in fees and commissions.

Moreover, in the 13 years of operation of Renta 4's Customer Service Center, the number of claims submitted is not high and significant and has remained broadly steady.

By way of an illustration, the number of claims submitted in 2017 (30) compared to the total number of Renta 4 customers at year-end 2017 (75,101) was not particularly relevant, which has been the case in all previous years.

Similarly, the number of claims submitted in the year was also fairly insignificant in comparison with the volume of assets under management at Renta 4 at December 31, 2017 (18,973 million euros).

Claims classified by type of ruling

Analyzing the claims by type of ruling issued by the Customer Service Center in 2017, as shown in Graphic 1, of all the 30 claims declared admissible, 21 unfavorable decisions were handed down for the claimants, accounting for 70% of all claims received, and in 8 claims the Customer Service Center urged the parties to reach a settlement, which represented 27% of the total.

Also as in previous years, the Customer Service Center estimated the volume and amounts of claims presented and admitted for processing in 2017; i.e. the maximum cost Renta 4 would have to pay if the rulings are in favor of the customer. The total estimated amount was approximately 75,000 euros, similar to 210,000 euros in 2016, 190,000 euros in 2015, 145,000 euros in 2014 and 200,000 euros in 2009.

TABLE 1. Trend in claims submitted to Customer Service - Classification by Types of Outcome

Classification by Types of Outcome	2017		2016		2015		2014		2013		2012		2011	
	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%
Unfavorable to the customer	21	70%	24	89%	18	51%	12	55%	24	73%	20	83%	13	93%
Favorable to the customer						0%	2	9%	0	0%		0%	1	7%
Customer Service Agreement Proposal (Agreement)	8	27%	3	11%	14	40%	6	27%	7	21%	4	17%		0%
Customer desisted					1	3%		0%	2	6%				0%
Not accepted for proceedings/issue suspended	1	3%			2	6%	2	9%						
TOTAL	**30**	**100%**	**27**	**100%**	**35**	**100%**	**22**	**100%**	**33**	**100%**	**24**	**100%**	**14**	**100%**

In 2017, Renta 4 paid customers with which it reached an agreement a total of 3,517.97 euros. This was broadly similar to previous years; in 2016 the amount was 487 euros, in 2014 it was 873.54 euros, and in 2013 it was 1,360.79 euros, much less than the amounts of 12,470.75 euros in 2015 and 60,815.02 euros paid out in 2009.

Meanwhile, in addition to its main function of resolving complaints and claims, the Customer Service Center also intermediates between customers and the Entity. After analyzing the issues behind the claims, in those cases where it is possible to do so, the Customer Service Center encourages the parties to reach an agreement.

Claims classified by issue

In connection with the contents of the claims set out in Table 2, in accordance with the same classification used in the report in previous years, the figures are as follows:

TABLE 2. Trends in Customer Service Claims – Classification by Contents

Classification by Contents	2017		2016		2015		2014		2013		2012		2011	
	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%
Commissions - Rates	6	20%	9	33,3%	13	37,1%	11	50%	18	54,5%	7	29,2%	2	14,3%
Operations with securities, orders carried out	15	50%	8	29,6%	3	8,6%	5	22,7%	13	39,4%	16	66,7%	11	78,6%
Investment Funds/ Pension Plans	3	10%	1	3,7%	9	25,7%	5	22,7%	0	0,0%	0	0,0%	1	7,1%
Others	6	20%	9	33,3%	10	28,6%	1	4,5%	2	6,1%	1	4,2%	0	0,0%
TOTAL	**30**	**100%**	**27**	**100%**	**35**	**100%**	**22**	**100%**	**33**	**100%**	**24**	**100%**	**14**	**100%**

Firstly, it should be pointed out that *Securities transactions and order execution* accounts for the largest number of claims in 2017, a total of 15 claims, or 50% of the total, followed by *Commissions - Rates* and *Others*, with 6 claims each, i.e. 20% of the total.

Securities transactions and order execution contains claims in relation to any type of discrepancy regarding contracting and execution of customer order. 15 claims were received in 2017, representing 50% of the total, a similar percentage to previous years - in 2013 a total of 11 claims were submitted, 40% of the total, 16 claims in 2012, 66.7% of the total, and 11 claims in 2011, 79% of the total.

The second largest number of claims were received in relation to *Commissions - Rates*, with a total of 6 claims in 2017, or 20% of the total, down against previous years, where this section received the highest number of claims - 9 in 2016 (33.3%), 13 in 2015 (37%), and

11 claims in 2014 (50%). This section contains all claims concerning the commissions and charges to customer accounts for Renta 4's financial and investment services.

The *Others* section also received 6 claims in 2017, or 20% of the total, a figure similar to 2016, with a total of 9 claims, or 33.3% of the total, and 10 claims in 2015, or 28.6% of the total. This heading includes claims that do not readily fit into any of the other categories. Accordingly, the reasons for the claims are various.

Finally, in *Investment funds - Pension plans*, including claims relating to the subscription, redemption, transfer and sale of investment funds and pension plans, in 2017 a total of 3 claims were received and 1 in 2016, as against 9 in 2015 and 5 in 2014.

It should be mentioned that in recent years the CNMV and the Bank of Spain have asked the Customer Service Centers of banks to provide more details on claims, with different classifications for reasons, types of product, causes etc.

Therefore, as in previous Annual Reports, information on the claims submitted in 2017, 2016 and 2015 has been presented, in accordance with the classification criteria and type of disclosures required by the CNMV and Bank of Spain, as reflected in Tables 3 and 4 in this report. This information is also subsequently included in aggregate format along with that of other entities, in the annual reports of these regulatory bodies.

CONCLUSIONS

Overall, the Customer Service Center considers that the 30 claims submitted in 2017 continue to represent an insignificant amount in absolute terms, and also when compared to the total number of the company's customers, its assets under management, and the amounts actually claimed.

The number of claims brought before the Customer Service Center annually between 2004 and 2017 is still low and has remained stable despite the growth of the company and an increase in all its business figures.

As it has been doing consistently since its creation, the Customer Service Center continued to compile all the information deemed appropriate from the various departments in respect of each and every claim presented with a view to understanding every aspect of the disputes to enable it to resolve the claim after the proper fashion or encouraging the parties involved to reach an agreement. In this process, the Customer Service Center, in conjunction with other areas of Renta 4, has promoted and implemented changes to the procedures, addressing occasional incidents as they arise and making improvements in the operations and information. The aim is to reduce the number of incidents and improve the financial services provided and transparency with customers, thereby offering higher quality and more comprehensive information on products, the related risks, operation and other characteristics.

In this manner, in addition to carrying out the duties vested in it, the Customer Service Center aims to provide a channel of communication between the various Renta 4 Group entities and their customers with a view to enhancing processes and practices and providing a higher standard of quality for all customers.

TABLE 3. Trends in Customer Service Claims – CNMV Classification

Type of Product	Cause of Claim	2017	2016	2015
Shares and rights	Marketing	3	3	3
	Managing and carrying out orders	5	4	
	Commissions		1	1
	Others			1
Debt instruments and hybrids	Commissions			2
	Others			1
UCITS	Marketing			1
	Managing and carrying out orders	4		6
	Others	1		2
Derivatives	Marketing	1	3	2
	Managing and carrying out orders	8	4	1
	Commissions	1		
Portfolio management contracts	Others			1
Others	Others	5	7	9
	Commissions	2	2	4
Total	**Others**	**30**	**24**	**35**

TABLE 4. Trend in Claims – Bank of Spain Classification

Bank of Spain criterion		2017	2016	2015
Other Investment Services	Commissions and expenses	8	10	13
	Discrepancies in entries	11	8	2
	Ex Ante	2	2	2
	Ex Post	1	2	
	Miscellaneous	3	4	9
UCITS-related	UCITS-related	5	1	9
Total		**30**	**27**	**35**

06 Appendix

Renta 4 Banco, S.A.
Annual Banking Report

year 2017

Law 10/2014 of June 27, 2014 on the structuring, supervision and capital adequacy of credit institutions was published in Spain's official state journal on June 26, 2014. This piece of legislation transposes Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In keeping with the provisions of Article 87.1 and transitory provision twelve of Law 10/2014 of June 26, credit institutions are obliged to publish the following information on a consolidated basis and in respect of the last financial year, broken down by country in which they have establishments:

a. The name, nature of activities and geographical location.

b. Turnover and number of employees on a full-time basis.

c. Profit or loss before tax and tax on profit or loss.

d. Public subsidies received.

The above disclosure requirements are met below:

a) The name, nature of activities and geographical location.

Renta 4 Banco, S.A. is the company that arose from the absorption merger on March 30, 2011 between Renta 4 Servicios de Inversión S.A. (transferee company) and Renta 4 Banco, S.A. (transferor company). The latter was formerly known as Banco Alicantino de Comercio, S.A., and the name change was entered in the Companies Register on June 8, 2011. During the merger process a number of amendments were made to the bylaws of the transferee company. Its business name was changed from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A., and its corporate purpose was expanded to include banking business, and the investment services and ancillary services offered by investment services firms. The Parent Company is listed in the Companies Register and in the Bank of Spain's Special Register of Credit Institutions as code 0083.

Renta 4 Banco, S.A.'s corporate purpose consists of the usual activities of credit institutions in general, including the provision of investment services, and the acquisition, holding, enjoyment, administration and disposal of all manner of securities, particularly those stipulated in Article 175 of the Spanish Code of Commerce and other legislation in force concerning the business of such Companies.

The activity or activities making up this corporate purpose may also be carried out by the Parent Company, in a wholly or partially indirect fashion, through ownership of shares or stakes in other companies with an identical or similar core business. In addition to the operations performed by it directly, the Bank is the parent of a group of subsidiaries that pursue a series of different activities and comprise, along with it, the Renta 4 Group. As a result, the parent company is obliged to prepare, in addition to its separate annual financial statements, consolidated annual financial statements for its Group. The registered office of the Parent Company is in Madrid, Paseo de la Habana 74.

The Group conducts its business activities predominantly in Spain. The names, nature of activities and geographical location of its subsidiaries are provided in Appendix I of this annual report.

b) Turnover and number of employees on a full-time basis.

This section presents turnover and the number of full-time equivalents country-by-country at year-end 2017 and 2016 on a consolidated basis.

Turnover has been deemed equivalent to fee and commission income, as reported in the Group's consolidated income statement for the years ended December 31, 2017 and 2016:

	Turnover		Number of employees (FTE)	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Spain	133,309	121,284	427	411
Chile	2,059	1,534	22	25
Colombia	7	-	8	7
Peru	250	262	11	11
Luxembourg	1,620	196	1	1
TOTAL	**137,245**	**123,276**	**469**	**455**

c) Profit or loss before tax and tax on profit or loss.

This heading presents consolidated profit or loss before tax and tax on consolidated profit or loss, as per the 2017 and 2016 consolidated income statement, country by country:

d) Public subsidies received

The Group did not receive any public subsidies in either 2017 or 2016.

e) Public disclosure of return on assets

The return on assets, calculated as net profit divided by the total balance sheet, was 1.33% (2016: 1.0%).

Thousands of euros

	Profit or loss before taxes		Tax on profit or loss	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Spain	23,815	18,447	(7,278)	(5,237)
Chile	(293)	(354)	75	69
Colombia	(759)	(338)	(37)	(3)
Peru	(422)	(343)	(6)	-
Luxembourg	1,188	(191)	(2)	(5)
TOTAL	**23,529**	**17,221**	**(7,248)**	**(5,176)**

3_

Management report for the year ended december 31, 2017

3.1 Economic environment and financial markets

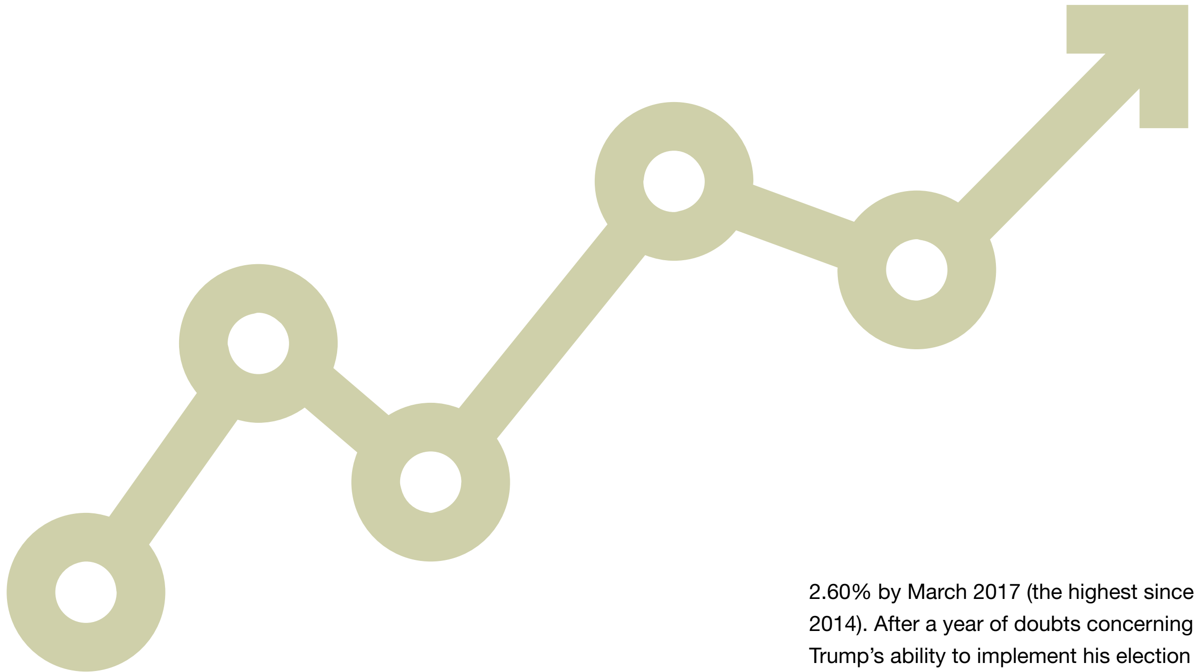
2017 was a good year for equity income.

The world MSCI gained 21.6% in dollars during the year, led by the United States (S&P +20% in local currency, +5% in euros, Nasdaq +30%). Meanwhile, the **Eurostoxx 50 made do with a gain of 6.5%** (although during the best periods it managed to bring in gains of more than 15%), **and the Ibex 35 gained 7.4%**, with a poorer performance in the latter part of the year amid major political uncertainty in our country. Emerging market stock exchanges performed particularly well (MSCI emerging, +34.3%).

A number of factors helped stock markets along in 2017. Inter alia, a positive period in the economic cycle, driving global growth, business results, corporate movements, and the maintenance of expansive monetary policies, against a background of inflation reined in (monetary policies bringing pressure to bear on returns in other investment alternatives) and the neutralization of European political risk (the Netherlands, France and Germany). By sectors, the best European performances were observed in technology, industrials and financial services. The worst performers were telecommunications, media and retail. In the case of the United States, with a weak dollar shoring up the economy, growing expectations of tax reform and a rather dovish Fed, the S&P500 had a very good year indeed, with high returns and almost a complete absence of volatility (the largest dip in the S&P 500 during the year was 3%, the smallest since 1995). A large amount of liquidity supplied by central banks reined in volatility at record lows, and even geopolitical risks (North Korea, the Middle East) were unable to raise it.

The IMF has put growth in developed countries in 2017 at 2.1%, as opposed to 1.6% in 2016. This is due to a number of rather general factors, particularly domestic demand spurred on by fast-paced job creation. Moreover, as the global recovery gradually spreads to more countries, foreign demand has been making a more positive contribution. In this context, the major absence in the recovery process is still inflation. The slow pace of wage increases and relatively low growth rates in comparison to other periods of economic recovery are the factors behind the absence of any surge in inflation. **2017 was also a good year in macroeconomic terms for emerging markets**. Economic recovery has now been confirmed, and none of the BRICS are in recession. Also, some of the structural weaknesses of certain countries such as high inflation have now been reduced across the board.

With respect to **fixed income,** we observed high volatility in the course of the year in both public and private FI. In the Eurozone, Germany's 10-year Bund set annual lows in April at 0.15% from which it rebounded to a maximum of 0.60% following the ECB's meeting in Sintra. At this meeting, the optimism shown by Draghi, who mentioned that the Eurozone was moving towards a reflationary scenario, led to a sharp rebound in debt curves and an acceleration in expectations of higher rates. Spreads in Spain and Italy fell by around 10bp in 2017 and currently stand at 103 and 150bp, although they were slightly affected by political uncertainty in the latter part of the year. Portugal pulled off a good performance, where the spread against Germany was reduced by more than 200 basis points to 140 basis points as a result of the improvement in the economic outlook and the correction of imbalances, which led two of the three main rating agencies to revise their ratings upwards to investment grade.



In the US, Trump's victory in November 2016 gave way to so-called "Trump Trade" and the US 10Y rate surged to 2.60% by March 2017 (the highest since 2014). After a year of doubts concerning Trump's ability to implement his election program, signature of the tax reform in December and the positive economic environment led to a long-term rebound in US rates to 2.49%.

EUR private fixed income continued to relinquish spreads. Investment grade credit lost 30bp during the year, while speculative grade lost 80bp. In the latter part of the year these divestitures intensified after the ECB announced that corporate bond purchases would remain high despite the reduction in the overall pace of asset purchases from 60,000 million to 30,000 million per month.

Turning to **commodities**, crude oil performed well, up by 17% in the year but with a cumulative gain of almost +50% from the 2017 lows and up 140% from March 2016 (when it fell to levels of 27 USD/b). This recovery in the price of crude was made possible thanks to a solid performance by demand (supported by an upward synchronized economic cycle in most parts of the world) and the containment of supply, with production cuts (-1.8 mln b/day) extending to the entire year 2018.

In the **currency market**, the dollar had its worst performance in the last 14 years, with a fall against the euro of almost 15% and a decrease against other benchmark currencies (the so-called dollar index) in the neighborhood of 10%. The factors to be taken into account in relation to this trend are: 1) the biggest positive surprise in European vs. American growth, 2) lower political risk in the Eurozone following the 2017 election results preventing the victory of the most populist options and 3) the Eurozone's large current account surplus vs. deficit in the United States. This could explain, at least in part, the uneven performance between US and European stock markets, and also explain the upturn in raw materials, with oil (WTI) above 60 dollars a barrel at the end of the year and gold rising above 1,300 dollars.

Sterling, meanwhile, fell by more than 3% against the euro despite higher ECB rates. Depreciation was due to uncertainty over Brexit negotiations and the downward revision of the path of intervention rate hikes in the medium term. **Emerging currencies pulled off a good performance**, as did other assets in these countries, with an average gain of 5% against the dollar in 2017. Only the currencies of particularly vulnerable countries, such as Argentina's peso or the Turkish lira, took heavy losses against the dollar in 2017. In addition, the Brazilian real depreciated slightly against the dollar, with high volatility due to the political uncertainty generated by corruption accusations against Temer and the difficulties in approving the pension reform.

3.2 Sector performance

For 2018, we expect a good macroeconomic fund, with synchronized global growth:

smooth expansion in developed countries (pending Brexit impact and fiscal stimulus in the United States), and acceleration of growth in emerging economies (economies such as Brazil or Russia confirming an end to recession). Growth, however, will remain moderate, in historic terms. High levels of debt in the United States are still the main brake on greater economic growth worldwide.

We expect **inflation to rise, albeit moderately and with geographical divergences**: higher growth in the United States (expansionary fiscal policy with an impact on growth, job market at full employment), and in the United Kingdom (impact of depreciation of sterling). We also expect a smaller increase in the Eurozone and in Japan, which will not reach their 2% targets. The output gap (gap between current and potential levels of production) has improved in recent years but it has not yet closed up in most countries, and so inflationary pressures are likely to remain contained during 2018.

With respect to monetary policies, we expect a very gradual normalization. The US Federal Reserve is leading the way in the process of normalizing interest rates (arrival level 2.5%/3%, clearly below the previous norm, in an environment of lower than historic growth and inflation) and a very gradual reduction in the balance sheet. The ECB will moderate purchases from January 2018 onwards, but will keep them in place until September 2018, keeping the door open to extend/increase QE if necessary; we believe that rates will not rise until well after termination of QE (2019e). The Bank of England is playing “wait and see” ahead of the effects of Brexit on growth and inflation. We feel that the Bank of Japan, meanwhile, will maintain a solidly expansive monetary policy for the time being.

Business results are continuing their global recovery on the back of a positive trajectory of the global economic cycle, operational leverage and favorable financial conditions. In the case of Europe, consensus estimates an annual growth of 9% in earnings per share for the Eurostoxx 50, which is still well below 2007/08 levels (while the United States is well above). Although a portion of this may be explained away by sectoral composition, we consider the gap ought to close up slightly. In the case of the United States, margins are at their highest, companies will have to face the upturn in interest rates and possible wage pressures, but they will be positively affected by lower taxes. Market consensus expects the S&P 500 EPS to grow by 10% by 2018.

In this scenario there are **reasons to remain moderately constructive in terms of equities for 2018.** In Europe, the main supports are: solid growth (IMFe GDPe 2018e +1.9%) and profits 2018e +9%e. Attractive valuations (PER 18e 14x, P/VC <1.6x, RPDe 3%) with a slight discount over its history but with high potential for profit improvement (-30% vs. pre-crisis levels). After a turning point in 2017 (EPS>+12%, first year of strong growth since 2010), a new positive cycle of earnings is moving in. Low levels of debt, high cash flow generation, operating leverage, improved sales and margins and higher growth of profits will support a rise in share prices equal to or greater than earnings plus dividends. Very gradual ECB tapering will lengthen the economic and profit cycle in Europe. Additional supports are increased business and public investment (capex levels at their lowest in 30 years), greater business and consumer confidence. The scenario is also conducive to a rebound in M&A, with good balance sheets and very low interest rates.

However, there are **risks, which will increase volatility and risk premium at certain times,** and which make it essential both to choose entry/exit timing with an appropriate selection of sectors and companies (as observed in recent years). The major risks are as follows: 1) **a slowdown in the global economic cycle**, with possible focuses on Brexit (negotiations and impact), China (high debt), or the United States (lower fiscal drive than discounted fiscal impulse, protectionist policies with a negative impact on world trade); 2) **monetary policy errors** (excessively rapid abandonment of monetary stimuluses) in a context of high world debt; 3) **geopolitical risks**, where, in addition to the usual pockets (Middle East, North Korea, Brexit, the Trump agenda), elections in Italy, Brazil or Mexico will be relevant.

With respect to **Fixed Income, a distinction must be made between public debt and credit.** In the case of **government debt**, after some short-term steepening of the slope of the sovereign debt curve in the United States, we expect the curve to flatten out in 2018 (mainly short-term rate hikes). In Europe, the upward revision of inflation forecasts will favor a steeper slope in the curve.

In **credit**, investment-grade corporate bonds offer very low expected returns or 0% returns, so it makes sense to overweight hybrid AT1 bonds with short-term call options. On the other hand, it is reasonable to underweight LT2 subordinates with call over 2 years as recent episodes of bank resolution bring these instruments closer to AT1, so they may have some convergence with them in terms of return. It is also advisable to be cautious in High Yield, especially in the Bs or lower ratings, since the end of the QE and its very low levels of return, for the risk undertaken, mean that they may undergo considerable corrections in the event of increased market volatility.

In **emerging fixed income**, we believe that it makes sense to overweight investments in Short Term Fixed Income in hard or non-local currency, which are not so exposed to short-term fluctuations and offer an attractive carry.

With regard to **currencies**, we believe that the dollar should continue to be supported in the short term by the approval of the tax reform, but we expect a gradual appreciation of the Euro as the year progresses and the ECB moves towards normalization of its monetary policy. We expect a range of 1.12-1.25 USD/EUR over the next 12 months. Emerging currencies, meanwhile, may have little room for appreciation against the EUR in 2018. Elections in key countries such as Brazil or Mexico, as well as continued deceleration in countries such as China could have a negative impact on their prices.

3.3

Performance of Renta 4 Banco and its subsidiaries

Renta 4 Banco secured Net Group Profit of 16.5 million euros in 2017, compared to 12.1 million euros the previous year, up by 36.2%.

Net Group Profit in the fourth quarter **was 5.9 million euros, up by 55.7%** against the same period the previous year.

The **fully-loaded CET1 capital ratio** was **18.47%**, one of the sector's highest.

Return on Equity (ROE) was around **19.40%,** well above the average for the sector.

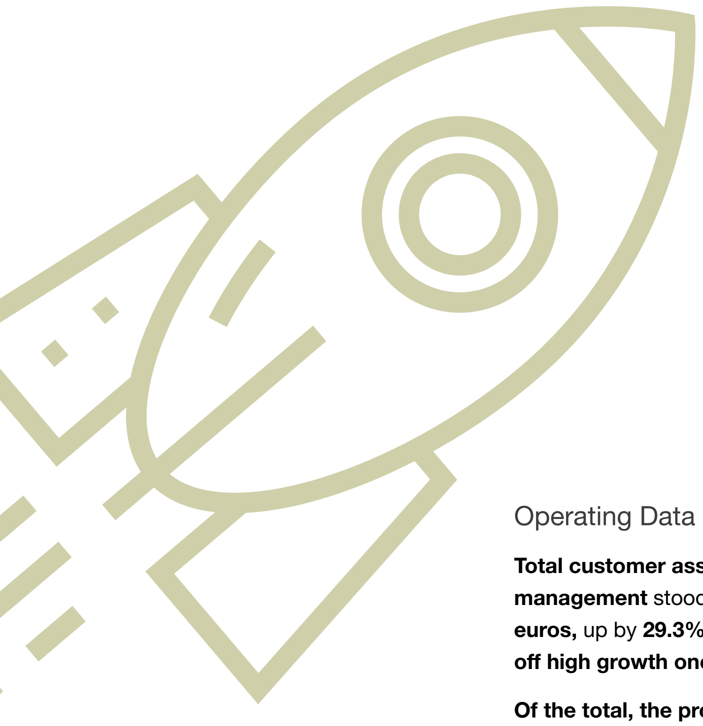
2017 was a solid year, with activity continuing to perform well, with high growth rates in customer assets and assets under management, demonstrating once again the ability to maintain a sustained growth trend with high solvency and profitability ratios.

Proprietary network customer assets stood at **10,846 million euros,** and **customer assets under management at 9,610 million euros,** producing **growth** with respect to the previous year of **36.9% and 26.6%** respectively.

Net asset inflows from the **proprietary network** also continued to perform well, and net incomings were **1,022 million euros during the year.**

The Board of Directors intends to propose to the Ordinary General Shareholders' Meeting to be held in April that **an additional dividend of 0.1 euro per share** be distributed, which, together with the interim dividend of 0.20 euros per share paid in November 2017, means a **dividend yield of over 4%** at the current share price.

Operating indicators	2017	2016	%
Nº of customers	**497,615**	**432,880**	**15.0%**
Proprietary network	75,642	68,494	10.4%
Third-party network	421,973	364,386	15.8%
Total assets (millions of euros)	**19,967**	**15,444**	**29.3%**
Equities	8,789	6,843	28.4%
Investment funds (proprietary and third party)	5,074	3,821	32.8%
Pension funds	3,370	2,830	19.1%
SICAVs	1,166	938	24.3%
Other	1,568	1,012	54.9%
Assets - Proprietary network (millions of euros)	**10,846**	**7,923**	**36.9%**
Assets - Third-party network (millions of euros)	**9,121**	**7,521**	**21.3%**
Temporary Asset Management Banco Madrid (millions of euros)	**0**	**1,261**	
Results (thousands of euros)	2017	2016	%
Fee and commission income	137,245	123,276	11.3%
Fee and commission expense	-71,753	-62,620	14.6%
Net fees and commissions	65,492	60,656	8.0%
Exchange differences	2,998	2,289	31.0%
Net fees and commissions + Exchange differences	68,490	62,945	8.8%
Net interest income	3,037	3,044	-0.2%
Gains or losses on financial assets and liabilities	7,765	4,176	85.9%
Operating expenses	57,199	53,314	7.3%
Results from operating activities	22,809	17,221	32.4%
Net profit	**16,281**	**12,045**	**35.2%**
EPS	**0.41**	**0.30**	**35.2%**
Net profit attributed to Group	**16,513**	**12,127**	**36.2%**
Employees (average for the period)	2017	2016	%
Average number of employees in the period	465	444	4.7%
Branch network (Latin America)	244 (43)	232 (36)	5.2%
Central Services	221	212	4.2%
Nº of offices	65	64	1.6%
Renta 4 shares	2017	2016	%
Ticker (Reuters/Bloomberg/ADRs)	**RTA4.MA**	**RTA4.MA**	
Share price (€)	**6.79**	**5.87**	**15.7%**
Market cap (€)	**282,446,999**	**244,177,303**	**15.7%**
Nº of shares outstanding	40,693,203	40,693,203	



Operating Data

Total customer assets under management stood at **19,967 million euros,** up by **29.3% in the year, pulling off high growth once again.**

Of the total, the proprietary network accounted for 10,846 million euros and the third-party network accounted for 9,121 million euros.

Assets from the proprietary network expanded by 36.9% during the year, or 2,923 million euros in absolute terms.

Assets under management (investment funds, SICAVs and pension funds) totaled **9,610 million euros**, representing any increase during the year of **26.6%**.

Assets in **investment funds marketed and managed by Renta 4** stood at **5,074 million euros**, as against 3,821 million euros the previous year, an increase of 32.8%.

Renta 4 Gestora Investment Funds totaled **3,758 million euros**, up by 33.9% on the year.

Customer assets invested in third-party funds stood at **1,316 million euros**, an increase of 29.7% in 2017.

Assets of **SICAVs under management** totaled **1,166 million euros,** up by 24.3%.

Pension Fund assets stood at **3,370 million euros**, up on the year by 19.1%.

Net asset inflows from customers continued at a satisfactory pace, total inflows during the year were **2,078 million euros**, and net proprietary-network inflows came to **1,022 million euros.**

2017 consolidated income statement

Concept	12/31/2017	12/31/2016	%
Interest and similar income	3,737	3,466	**7.8%**
Interest payable and similar charges	-700	-422	**65.9%**
NET INTEREST INCOME	**3,037**	**3,044**	**-0.2%**
Return on equity instruments	371	319	**16.3%**
Profit or loss, equity method	0	-178	**-**
Fee and commission income	137,245	123,276	**11.3%**
Fee and commission expense	-71,753	-62,620	**14.6%**
Gains or losses on financial assets and liabilities	7,765	4,176	**85.9%**
Exchange differences (net)	2,998	2,289	**31.0%**
Other operating expenses	453	198	**128.8%**
Other operating expenses	-2,869	-2,459	**16.7%**
GROSS MARGIN	**77,247**	**68,045**	**13.5%**
Administrative expenses:	-49,352	-45,993	**7.3%**
Employee benefit expense	-31,168	-26,762	**16.5%**
b) Other general administrative expenses	-18,184	-19,231	**-5.4%**
Depreciation/amortization	-4,978	-4,862	**2.4%**
Provisions (net)	-128	-500	**-74.4%**
Impairment losses on financial assets (net)	20	531	**-96.2%**
OPERATING INCOME	**22,809**	**17,221**	**32.4%**
Impairment losses on other assets (net)		0	**-**
Gains/(Losses) on derecognition of investments	720	0	**-**
PROFIT BEFORE TAXATION	**23,529**	**17,221**	**36.6%**
Income tax	-7,248	-5,176	**40.0%**
CONSOLIDATED GAIN (LOSS) FOR THE FINANCIAL YEAR	**16,281**	**12,045**	**35.2%**
PROFIT/LOSS ATTRIBUTED TO THE PARENT	**16,513**	**12,127**	**36.2%**
Profit attributed to non-controlling interests	-232	-82	**182.9%**

Customer numbers also showed a significant increase. The total number of customer accounts was 497,615, of which **75,642 were proprietary network** and 421,973 were accounted for by the third-party network.

Net profit attributable to the Group in 2017 was **16.5 million euros**, up by **36.2%** against the previous year.

Gross fee and commission income (fees and commissions received, share of profit and loss of companies accounted for using the equity method and other operating income) stood at **137.7 million euros, up by 11.7%** on 2016.

Management fees obtained in the **"Asset management"** segment totaled **70.1 million euros.** This represented an **increase of 17.5%** with respect to 2016.

Gross fees and commissions from **"Brokerage"** business rose by **4.2%** to **55.4 million euros** vs. 53.1 million euros in 2016. Noteworthy in this area was the 38.1% increase in **"International Fixed Income"** trading against the same period the previous year.

Corporate Services rose by 16.2% to **12.2 million euros.**

Net fee and commission income was up by 8.0% to **65.5 million euros**, compared to 60.7 million euros in 2016.

Net interest income stood at **3.0 million euros**, a slight **drop of 0.2% with respect to the same period in 2016.**

Gains/losses on financial assets and liabilities rose by **85.9%** to **7.8 million euros**, as against 4.2 million euros in 2016.

Turning to costs, **Operating expenses** (overheads, staff expenses, other operating costs and depreciation) stood at **57.2 million euros**, an increase of 7.3% over the last twelve months.

Staff expenses rose by 16.5% to **31.2 million euros** and **General administrative costs** stood at **18.2 million euros**, compared to 19.2 million euros the previous year, **down by 5.4%** due to cost reduction measures through reviews of processes and the use of technology to boost productivity and optimize expenses.

Profit before tax amounted to **23.5 million euros**, compared to 17.2 million euros in 2016, an increase of 36.6%.

3.4 Business outlook

The increase in the equity of customers in the proprietary network, the growing weight of asset management activity and the increasing pace at which new customer equity

is being captured are enabling us to gain market share on a constant basis, confirming the Renta 4 Group's business model as a bank specializing in investment services, which allows us to maintain a positive projection of revenue generation in the coming periods.

The Renta 4 Banco Group pays particular attention to maintaining its activity in a sustained line of profitable growth, increasing the business lines that contribute recurring revenues, such as asset management, with adequate control of costs and risks inherent to the business model, maintaining high solvency, liquidity and profitability ratios.

Development of technology and the solid emergence of digital channels is one of the main aspects that we consider essential to improve the efficiency ratio, both in terms of the integration of digital media with the physical network of offices and customer relations and in the area of achieving cost savings by obtaining improvements in processes.

For 2018, we maintain a profitable growth projection with high solvency ratios that allow us to continue with our policy of high shareholder remuneration.

3.5 Risk management policy

Detailed disclosures of the company's risk management policies are set out in Note 5 to the 2017 financial statements.

3.6 Purchase of treasury shares

Detailed disclosures concerning treasury shares are set out in Note 18 to the 2017 financial statements.

3.7 Environmental impact

In the light of the business activities pursued by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that could be material in respect of its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

The Company had no greenhouse gas emission allowances in either 2017 or 2016.

3.8 Research and development

R+D efforts in 2017 focused on developments related to digital development.

3.9 Events after the reporting period

Events occurring after the reporting period are disclosed in Note 24 to the 2017 financial statements.

3.10 Human resources

Disclosures on personnel are provided in Notes 4.p) and 22.d) to the 2017 financial statements.

Approval of the 2017 consolidated financial statements

The members of the Board of Directors of Renta 4 Banco, S.A. state that to the best of their knowledge the 2017 consolidated annual financial statements approved at the meeting held March 13, 2017 and prepared in accordance with the accounting principles applied, give a true and fair view of the consolidated equity, financial position and results of Renta 4 Banco, S.A.. and subsidiaries, and that the management report includes a fair analysis of the business results and position of Renta 4 Banco, S.A. and subsidiaries, as well as a description of the main risks and uncertainties facing the Group.

D. Juan Carlos Ureta Domingo
Chairman

D. Pedro Navarro Martínez
Deputy Chairman

D. Juan Luis López García
CEO

D. Santiago González Enciso
Board member

D. Jesús Sánchez Quiñones
Board member

D. Francisco García Molina
Board member

D. Eduardo Trueba Cortés
Board member

D. Pedro Ferreras Díez
Board member

Fundación Obra Social Abogacía
Rafael Navas Lanchas | Board member

D. Jose Ramón Rubio Laporta
Board member

Dª. Inés Justo Bellosillo
Board member

D. Eduardo Chacón López
Board member

Mutualidad General de la Abogacía
Antonio de Arcos Barazal | Board member

Dª Sarah Marie Harmon
Board member

4_ Annual corporate governance report

Annual corporate governance report of listed public limited companies

Final date of the reference year 31/12/2017

Identifying data of the issuer

C.I.F. A- 82473018
Company name:
RENTA 4 BANCO, S.A.
Paseo de la Habana, 74
28036 Madrid

A. STRUCTURE OF THE PROPERTY

A1_Complete the following chart on the company's social capital:

Date of last modification	Social capital (€)	Number of shares	Number of voting rights
27/09/2011	18,311,941.35	40,693,203	40,693,203

Indicate if there are different types of shares with different associated rights:

Yes **No** ✓

A2_List the direct and indirect holders of significant shares of your company at the closing date of the year, excluding the directors:

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
INDUMENTA PUERI S.L.	0	2,131,232	5.24%
MRS. MARIA BEATRIZ LOPEZ PERERA	0	2,044,590	5.02%

Name or corporate name of the indirect owner of the participation	Through: Name or corporate name of the direct owner of the participation	Number of voting rights
INDUMENTA PUERI S.L.	GLOBAL PORTFOLIO INVESTMENTS SL	2,131,232
MRS. MARIA BEATRIZ LOPEZ PERERA	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	2,044,590

Indicate the most significant movements in the shareholding structure during the year:

A3_Complete the following tables about the members of the board of directors of the company, who hold voting rights for the shares of the company:

Name or corporate name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOSE RAMON RUBIO LAPORTA	361,429	0	0.89%
MR JUAN CARLOS URETA DOMINGO	12,672,766	5,493,930	44.64%
MR. EDUARDO TRUEBA CORTÉS	72,787	0	0.18%
MR. PEDRO ANGEL NAVARRO MARTINEZ	150,946	45,900	0.48%
MR. JUAN LUIS LOPEZ GARCIA	71,943	0	0.18%
MR. FRANCISCO DE ASIS GARCÍA MOLINA	28,163	47,404	0.19%
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ	291,228	0	0.72%
MR. SANTIAGO GONZALEZ ENCISO	562,676	1,228,418	4.40%
MR PEDRO FERRERAS TENZ	77,682	0	0.19%
MUTUALIDAD GENERAL DE LA ABOGACIA	2,800,650	0	6.88%
MS SARAH MARIE HARMON	5,267	0	0.01%
MS INES JUSTE BELLOSILLO	1,905	0	0.00%
MR EDUARDO CHACON LOPEZ	2,182	0	0.01%

Name or corporate name of the indirect owner of the share	Through: Name or corporate name of the direct owner of the share	Number of voting rights
MR JUAN CARLOS URETA DOMINGO	INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA, SL	2,376,802
MR JUAN CARLOS URETA DOMINGO	SURIKOMI S.A	2,113,366
MR JUAN CARLOS URETA DOMINGO	MS MATILDE ESTADES SECO	987,791
MR JUAN CARLOS URETA DOMINGO	MS MATILDE URETA ESTADES	5,027
MR JUAN CARLOS URETA DOMINGO	MR. JUAN CARLOS URETA ESTADES	8,163
MR JUAN CARLOS URETA DOMINGO	MS INES ASUNCIÓN URETA ESTADES	2,781
MR. PEDRO ANGEL NAVARRO MARTINEZ	KURSAAL 2000 SICAV, SA	45,900
MR FRANCISCO DE ASIS GARCÍA MOLINA	HELP INVERSIONES SICAV, S. A	47,404
MR SANTIAGO GONZALEZ ENCISO	MS MATILDE FERNANDEZ DE MIGUEL	361,462
MR SANTIAGO GONZALEZ ENCISO	MR SANTIAGO GONZALEZ-ENCISO FERNANDEZ	30,739
MR SANTIAGO GONZALEZ ENCISO	MS MARIA GONZALEZ-ENCISO FERNANDEZ	30,739
MR SANTIAGO GONZALEZ ENCISO	MS CRISTINA GONZALEZ-ENCISO FERNANDEZ	30,739
MR SANTIAGO GONZALEZ ENCISO	MR IGNACIO GONZALEZ-ENCISO FERNANDEZ	30,739
MR SANTIAGO GONZALEZ ENCISO	MS MATILDE GONZALEZ-ENCISO FERNANDEZ	30,739
MR SANTIAGO GONZALEZ ENCISO	IGE-6, SL	260,439
MR SANTIAGO GONZALEZ ENCISO	FUNDACION GONZALEZ ENCISO	452,822

Total % of voting rights held by the board of directors	58.77%

Complete the following tables about the members of the board of directors of the company, which hold rights over shares of the company:

A4_Indicate, if applicable, the family, commercial, contractual or corporate nature relationships that exist among the holders of significant shareholdings, insofar as they are known by the company, unless they are scarcely relevant or derive from the ordinary business line or commercial traffic:

A5_Indicate, if applicable, the commercial, contractual or corporate nature relationships that exist between the holders of significant shareholdings, and the company and / or its group, unless they are scarcely relevant or derive from ordinary commercial business:

A6_Indicate whether any parasocial agreements have been communicated to the company that affect it, as established in articles 530 and 531 of the Capital Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes **No** ✓

Indicate whether the company is aware of the existence of concerted actions among its shareholders. In such case, describe them briefly:

Yes **No** ✓

In the event that during the year there has been any modification or break in said agreements or deals or concerted actions, indicate it expressly:

No se han producido.

A7_Indicate whether there is any individual or legal entity that exercises or may exercise control over the company in accordance with article 4 of the Securities Market Law. In such case, identify it:

Yes ✓ No

Name or corporate name	Observations
MR JUAN CARLOS URETA DOMINGO	The direct and indirect participation on the social capital is 44.643%

A8_Complete the following tables on the treasury stock of the company:

At the closing of the fiscal year:

Number of direct shares	Number of indirect shares (*)	Total % on social capital
108,740	0	0.27%

(*) Through:

Detail the significant variations, in accordance with the provisions of Royal Decree 1362/2007, made during the year:

Explain the significant variations

A9_Detail the conditions and term of the current mandate of the shareholders' meeting to the board of directors to issue, repurchase or transfer own shares.

The General Shareholders' Meeting held on April 29, 2013 adopted the following agreement: "The Board of Directors is hereby authorized, with the express power of substitution - even though it could have an effect on self-contracting or there are competing interests - so that, in accordance with the provisions of Article 146 et seq. of the consolidated text of the Companies Capital Act and other applicable regulations, may be carried out, directly or indirectly, through entities of the Renta 4 Group, and in the measure that it deems appropriate in light of the circumstances, the derivative acquisition of shares of the Company itself. The minimum acquisition price or consideration shall be equivalent to the nominal value of the own shares acquired, and the maximum acquisition price or consideration shall be the equivalent to the market price of the treasury shares acquired in an official secondary market at the time of acquisition. At no time can the nominal value of the shares acquired, directly or indirectly, be added to those already held by the Company and its subsidiaries, which may exceed 10% of the subscribed capital or the maximum amount that may be legally established. The acquisition modalities may consist of purchase, exchange, donation, adjudication or payment in kind or any other form of business for consideration, as the circumstances advise. This authorization is granted for a period of 5 years. It is hereby stated that the authorization granted to acquire own shares can be used, totally or partially, for delivery or transmission to administrators or workers of the Company or of companies of its Group, directly or as a consequence of the exercise by those of rights. of option, all within the framework of the remuneration systems referenced to the market price of the shares of the Company approved in due form. Likewise, in connection with the issuance of the convertible and/or exchangeable bonds for shares of Renta 4 Banco, S.A. carried out under the Sixth agreement of the General Shareholders' Meeting of the Company in April 2010 and the agreement of the Board of Directors of the Company of February 2011 and which was the object of the corresponding note on the obligations registered in the official registers of the CNMV, expressly empowers the Board of Directors, with express powers of substitution, so that it may acquire shares of the Company, up to the maximum legally permitted, to be able to attend, as provided for in the note on the obligations, the conversion requests in the periods foreseen in the issuance, included in the New Voluntary Conversion Date approved under Item 4 of the agenda of the General Meeting of Shareholders held on April 27, 2012, as well as any other new conversion date that may be agreed upon, through the delivery of own shares. For all this, the Board of Directors is authorized, with express authority to substitute the Board members it deems appropriate, including the Secretary and Deputy Secretary of the Board, as broadly as necessary to request as many authorizations and adopt as many agreements as necessary or convenient in compliance with current legal regulations for the execution and good purpose of this agreement."

A.9.bis_Estimated free float:

	%
Estimated Free Float	27.43

A10_Indicate whether there are any restrictions on the transfer of securities and/or any restriction on the right to vote. In particular, the existence of any type of restrictions that may hinder the takeover of the company through the acquisition of its shares in the market will be communicated.

Yes **No** ✓

A11_Indicate whether the general meeting has agreed to adopt neutralization measures against a public tender offer pursuant to the provisions of Law 6/2007.

Yes **No** ✓

If applicable, explain the approved measures and the terms under which the restrictions will be ineffective:

A12_Indicate whether the company has issued securities that are not traded on a regulated community market.

Yes **No** ✓

Where appropriate, indicate the different classes of shares and, for each class of shares, the rights and obligations that it grants.

B. GENERAL MEETING

B1_Indicate and, if applicable, detail, if there are differences with the minimum regime established in the Capital Companies Act (LSC) with respect to the quorum for the constitution of the general meeting.

Yes **No** ✓

B2_Indicate and, if applicable, detail if there are differences with the regime established in the Capital Companies Act (LSC) for the adoption of corporate resolutions:

Yes **No** ✓

Describe how it differs from the regime provided in the LSC.

B3_Indicate the rules applicable to the modification of the company's articles of association. In particular, the majorities foreseen for the modification of the articles of association will be communicated, as well as, where appropriate, the rules foreseen for the protection of the rights of the partners in the modification of the articles of association.

In accordance with what is stated in article 21 ("Constitution") of the Articles of association, in order for the Meeting to validly agree on the amendment of the Articles of association it will be necessary, on first call, the concurrence of shareholders present or represented that have at least fifty percent (50%) of the subscribed capital with the right to vote, and second call will be sufficient the concurrence of twenty-five percent (25%) of said capital.

Likewise, for the valid adoption of the corresponding agreement, the aforementioned article of the Articles of association indicates that when the second call is attended by shareholders representing twenty-five percent (25%) or more of the subscribed capital with voting rights without reaching fifty percent (50%), agreements can only be validly adopted with the favourable vote of two thirds of the capital present or represented at the Meeting.

Likewise, article 12 ("Constitution") of the Regulations of the General Shareholders' Meeting contains the same norms that are indicated in the Articles of association regarding their modification. Also, article 25.3. c) ("vote on the proposed resolutions") of the aforementioned Regulation indicates that, in order for shareholders to be able to exercise their voting preferences separately, those matters that are substantially independent must be voted separately, among them, the amendment of Social Statutes. Finally, article 26 of the Regulations of the General Shareholders' Meeting ("Adoption of resolutions and proclamation of results") states that, in order to agree on any amendment to the Articles of association, if the capital present or represented exceeds fifty percent (50%) it will be enough for the agreement to be adopted by an absolute majority. However, a favourable vote of two thirds of the capital will be required present or represented at the General Meeting when shareholders representing twenty-five percent (25%) or more of the subscribed capital with voting rights are present at the second call without reaching fifty percent (50%).

B4_Indicate the attendance data in the general meetings held in the year to which this report refers and those of the previous year:

	Attendance data				
			% distance vote		
General meeting date	% Physical presence	% in representation	Electronic voting	Others	Total
28/04/2015	39.71%	28.71%	0.00%	0.00%	68.42%
29/04/2016	42.65%	18.04%	7.09%	0.00%	67.78%
28/04/2017	47.24%	22.22%	0.00%	0.00%	69.46%

B5_Indicate if there are any statutory restrictions that establish a minimum number of shares required to attend the general meeting:

Sí **No** ✓

B6_Section repealed.

B7_Indicate the address and mode of access to the company's website to the information on corporate governance and other information about the general meetings that must be made available to shareholders through the Company's website.

Corporate website: www.renta4banco.com

The information on corporate governance and other information about the general meetings can be found on the corporate website, in the menu located on the left side of the web, in the section "Corporate Governance" where all the corporate information on the subject about the provisions of current legislation is collected.

C. STRUCTURE OF THE ADMINISTRATION OF THE COMPANY

C1_Board of directors

C.1.1 Maximum and minimum number of directors provided in the articles of association:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the following chart with the board members:

Name or company name of the director	Representative	Director category	Position in the board	Date First appoint	Date Last appoint	Election procedure
MR JOSE RAMON RUBIO LAPORTA		Independent	DIRECTOR	28/04/2015	28/04/2015	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR JUAN CARLOS URETA DOMINGO		Executive	PRESIDENT	20/08/1999	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR. EDUARDO TRUEBA CORTÉS		Independent	INDEPENDENT COORDINATOR DIRECTOR	29/09/2007	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR. PEDRO ANGEL NAVARRO MARTINEZ		Other External	DIRECTOR	27/11/2013	28/04/2017	AGREEMENT BOARD OF DIRECTORS
MR. JUAN LUIS LOPEZ GARCIA		Executive	DIRECTOR	27/09/2011	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR. FRANCISCO DE ASIS GARCÍA MOLINA		Independent	DIRECTOR	04/12/2008	29/04/2013	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ		Executive	DIRECTOR	04/12/2008	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR. SANTIAGO GONZALEZ ENCISO		Executive	DIRECTOR	20/08/1999	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR PEDRO FERRERAS TENZ		Other External	DIRECTOR	18/07/2005	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	MR. RAFAEL NAVAS LANCHAS	Proprietary	DIRECTOR	27/11/2012	27/11/2012	AGREEMENT GENERAL SHAREHOLDERS 'MEETING
MUTUALIDAD GENERAL DE LA ABOGACIA	MR ANTONIO DE ARCOS BARAZAL	Proprietary	DIRECTOR	24/05/2011	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MRS SARAH MARIE HARMON		Independent	DIRECTOR	29/04/2016	29/04/2016	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MRS INES JUSTE BELLOSILLO		Independent	DIRECTOR	28/04/2017	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS
MR. EDUARDO CHACON LOPEZ		Proprietary	DIRECTOR	28/04/2017	28/04/2017	AGREEMENT GENERAL MEETING OF SHAREHOLDERS

Total number of directors	14

Indicate the terminations that have occurred in the board of directors during the period subject to information:

C.1.3 Complete the following tables on the members of the board and their different categories:

EXECUTIVE DIRECTORS

EXECUTIVE DIRECTORS

Name or company name of the director	Position in the organization chart of the company
MR JUAN CARLOS URETA DOMINGO	PRESIDENT
MR. JUAN LUIS LOPEZ GARCIA	CHIEF EXECUTIVE OFFICER
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ	GENERAL MANAGER
MR. SANTIAGO GONZALEZ ENCISO	REGIONAL MANAGER

Total number of executive directors	4
% of the total board	28.57%

EXTERNAL PROPRIETARY DIRECTORS

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of the director	Name or corporate name of the significant shareholder who represents or has proposed his/her appointment
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	MUTUALIDAD GENERAL DE LA ABOGACIA
MUTUALIDAD GENERAL DE LA ABOGACIA	MUTUALIDAD GENERAL DE LA ABOGACIA
MR. EDUARDO CHACON LOPEZ	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.

Total number of proprietary directors	3
% of the total board	21.43%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the director:	Profile
MR JOSE RAMON RUBIO LAPORTA	Mr. Rubio has held various positions of responsibility throughout his career, specifically he began his professional career at the headquarters of “Marks & Spencer” in London. Also, from 1975 to 1982 he was General Secretary and of the Board of Directors, as well as Administration and Legal Advisory Director of a group of family companies in the construction, promotion, mining and power supply sector with more than 700 employees. In 1982 he was a founding partner of the law firm “Mateu de Ros, Ramón y Cajal Rubio y asociados”, today “Ramón y Cajal Abogados”, where he remained until 1994, where he mainly developed the international business, participating in different operations of public release in stock market of Spanish companies in London, presentation of foreign investors in listed Spanish companies, organization of presentations of the Spanish Chamber of Commerce in London, advice to different firms including “BNP Securities”, “Ask Securities” and “Map Securities”, all from London. He has been a board member of entities such as “Mediterranean Fund” managed by “Lombard Odier y Cia” and Secretary of the Board of Directors of “Ascorp, SA.” a listed company of the “Grupo Cooperativo Mondragón”, as well as different positions of Director in other companies dedicated to strategic management, real estate services and the health sector. In addition, from 1995 to 1998 he was Chief Executive Officer of the Previasa insurance group. Since 1998 he has been Vice President and CEO of Grupo Hospitalario Quirón. In June 2012, he was named President of the Institute for the Development and Integration of Health (IDIS) and in July 2012 Vice President of USP Hospitales. Mr. Rubio has a Law Degree from the Complutense University of Madrid (1974), completed his training with various disciplines of Political Science from the Complutense University of Madrid (1975) and courses on Urban Law. He speaks English and German.

Name or corporate name of the director:	Profile
MR. EDUARDO TRUEBA CORTÉS	Degree in Law and Business Management from ICADE. He worked as a Financial Advisor at Merrill Lynch in 1986 and 1987. After his time at Merrill Lynch, he was a member of the Board of Directors of Inversión, S.A for two years and after completing that stage he spent 3 years at the company Urquijo Gestión as Investment Director managing Collective Investment Institutions. Since 1992 he joined the Family Office of the Family del Pino. He is responsible for the Asset Allocation and the investment decision making process for the Simcav Chart, Allocation and Beeper.

Name or corporate name of the director:	Profile
MR. FRANCISCO DE ASIS GARCÍA MOLINA	Bachelor in Economic and Business Sciences from the Autonomous University of Madrid. After working for Unilever/Elida Gibbs in Spain and London for almost nine years in the Marketing Department, between 1985 and 1989 he held the position of Marketing Director of the Koipe Group. Between 1990 and 1991 he was General Manager of Neisa, SA., Afterwards, he held the position of Marketing and Strategy Manager in Spain, in the first place, and of Marketing Director for Europe later. Since 1995 he joined Diageo Spain as General Director, where he held the position of non-executive President of the Board of Directors between the years 2003-2005. Since 2005 he has held the position of non-executive Director in the Board of Directors of different companies, among which stand out Bodegas LAN y VIESA, a company belonging to the VARMA Group. Likewise, he is currently a member of the Disciplinary Committee of the AUTOCONTROL Advertising Association.

Name or corporate name of the director:	Profile
MS SARAH MARIE HARMON	Major in Journalism from the University of Kansas in 1990 and Master in Health Administration from the University of North Carolina in 1995. Between 1995 and 1998 she was the Manager of the Customer Service of United Healthcare. From 1998 to 2000 she was Senior Manager of Cerner Corporation. She held the position of Practice Manager at EHealth (Entensity Inc.) between 2000 and 2001, the year in which she was incorporated as Director of Business Development to Medem, Inc. until 2003. In 2004 she joined Microsoft Ibérica, holding different positions of responsibility, until being Director of Business Development between 2011 and 2013. From 2013 to the present she has been working in the position of General Director of Linkedin Iberia.

Name or corporate name of the director:	Profile
MS INES JUSTE BELLOSILLO	Degree in Business Studies from the Autonomous University of Madrid in 1997 and Master in Business Administration and Management (MBA.) by the Instituto de Empresa in 1998. In 1999, she was the Export Manager in charge of the European market and responsible for opening new markets, establishing contacts with new partners and attending international fairs in Perfumería GAL, S.A. From 1999 to 2001, she was an external consultant at DPB Consultores, holding the position of Financial Manager at the NGO-German Agro Action (Luanda, Angola) during 2003 and 2004. In 2011 (to date) she was named President of the JUSTE Group, being this an Industrial Group of Spanish family capital, with more than 90 years of experience in research, development, manufacture and marketing of pharmaceutical and chemical-pharmaceutical products.

Total number of independent directors	5
Total % of the board	35.71%

Indicate whether any director qualified as independent receives from the company or from its group any amount or benefit for a concept different from the remuneration of a director, or maintains or has maintained, during the last financial year, a business relationship with the company or with any company in its group, either in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such relationship.

See information of point D.3

Where appropriate, a reasoned statement by the board on the reasons why it considers that said director can perform his/her duties as an independent director will be included.

OTHER EXTERNAL DIRECTORS

The other external directors will be identified and the reasons why they cannot be considered proprietary or independent and their links, either with the company, its directors or its shareholders, will be detailed:

Name or company name of the director:	Company, director or shareholder with whom he has the link:	Motivos:
MR. PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	For having exceeded the maximum term of 12 years to maintain the status of independent director.

Name or company name of the director:	Company, director or shareholder with whom he has the link:	Motivos:
MR PEDRO FERRERAS DIEZ	RENTA 4 BANCO S.A.	For having exceeded the maximum term of 12 years to maintain the status of independent director.

Total number of other external directors	2
Total % of the board	14.29%

Indicate the variations that, if applicable, have occurred during the period in the category of each director:

Name or company name of the director	Date of change	Previous category	Current category
MR. PEDRO ANGEL NAVARRO MARTINEZ	28/04/2017	Independent	Other External
MR PEDRO FERRERAS DIEZ	28/04/2017	Independent	Other External

C.1.4 Complete the following table with information regarding the number of female directors during the last 4 years, as well as the nature of such directors:

	Number of female directors				% of the total number of directors of each type			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	2	1	0	1	40.00%	16.66%	0.00%	20.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	**2**	**1**	**0**	**1**	**14.29%**	**8.33%**	**0.00%**	**8.33%**

C.1.5 Explain the measures that, if applicable, would have been adopted to try to include in the board of directors a number of women that allows reaching a balanced presence of women and men.

Explanation of the measures

The Regulations of the Board of Directors determine in article 9 section 5 that the Board must ensure that the selection procedures of its members favour diversity of gender, experience and knowledge and do not suffer from implicit biases that may imply any discrimination and, in particular, to facilitate the selection of Directors.

The Board of Directors has entrusted the Appointments and Remuneration Committee with the responsibility of ensuring that the procedures for the selection of directors do not discriminate on the basis of gender diversity, establishing a representation objective for the less represented gender and preparing guidelines on how to achieve this objective, in accordance with the provisions of article 32.3, letter g) of the Regulations of the Board of Directors..

The General Meeting of April 28, 2017 appointed, on the proposal of the Appointments and Remuneration Committee Ms. Inés Juste Bellosillo as a director with the status of independent, thus advancing in the goal of incorporating a greater number of women to the Board of Directors of the Company.

C.1.6 Explain the measures that, in each case, the appointments committee would have agreed so that the selection procedures do not suffer from implicit biases that hinder the selection of female directors, and the company deliberately seeks and includes among the potential candidates, women who meet the professional profile sought:

Explanation of the measures

In accordance with article 32 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is entrusted with developing the following actions so that the selection procedures do not suffer from implicit biases that hinder the selection of Directors:

- Evaluate the necessary competencies, knowledge and experience in the Board of Directors, defining, consequently, the functions and aptitudes necessary in the candidates who must cover each vacancy and evaluating the time and dedication required so that they can perform their duties in a correct way.

Any Director may request from the Appointments and Remuneration Committee to take into consideration, in case it considers them suitable, potential candidates to fill Director vacancies.

- Submit to the Board the proposals for the appointment of independent directors so that the latter may directly designate them (co-optation) or make them their own to be submitted to the Board for decision, as well as proposals for the re-election or removal of said directors by the General Meeting of Shareholders.
- To inform the appointment proposals of the remaining Directors for their designation by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or separation by the same.
- Ensure that the procedures for the selection of directors do not discriminate on the basis of gender diversity, establish a representation goal for the less represented gender, and prepare guidelines on how to achieve this goal.

In this regard, the Appointments and Remuneration Committee prepared the proposal for the Board Selection Policy based on the principles of diversity and balance in the composition of the Board of Directors of the Company, and with the aim of ensuring that the proposals for appointment and re-election of directors should be based on a prior analysis of the needs of the Board of Directors. Thus, the Appointments and Remuneration Committee has sought, through the establishment of the basic objectives and principles applicable to the selection process of directors and a series of conditions that candidates must meet in the Director Selection Policy (i) favour diversity and integration of knowledge, experiences and gender, ensuring that in 2020 the number of female directors represents at least 30 percent of the total of members of the Board of Directors; and (ii) achieve an adequate balance in the Board of Directors that enriches the decision-making and provides plural points of view to the debates of the matters of its competence.

When, in spite of the measures that have been adopted, there are few or no female directors, explain the reasons that justify it::

Explanation of the reasons

In the current financial year, Ms. Inés Juste Bellosillo has been appointed as a director with the status of independent, thus advancing in the objective of incorporating a greater number of women to the Board of Directors of the Company, after an adequate evaluation by the Appointments and Remuneration Committee, of compliance with the requirements of experience, technical competence and knowledge that candidates for the Company's director must meet, pursuant to article 32 of the Regulations of the Board of Directors. The fact that there is not a greater number of female directors is not due to the existence of discrimination based on gender in the procedure that hinders the selection of the same, as it has been demonstrated with this appointment in the year referred to in this Annual Corporate Governance Report..

C.1.6 bis Explain the conclusions of the appointments committee regarding the verification of compliance with the director selection policy. And in particular, on how this policy is promoting the goal that in 2020 the number of female directors represents at least 30% of the total number of members of the board of directors.

Explanation of the conclusions

In 2016, the Appointments and Remuneration Committee established the basic principles and/or guidelines on which the policy for appointing directors should be based, contained in the proposal for the Board Selection Policy that has been submitted for approval by the Board of Directors. This Policy, based on the principles of diversity and balance in the composition of the Board of Directors of the Company, is expressly aimed at favouring the diversity and integration of knowledge, experiences and gender, ensuring that in 2020 the number of female directors represents, at least 30 percent of the total number of members of the Board of Directors.

On the other hand, in the year 2017 Ms. Inés Juste Bellosillo was appointed as a director of the Company, having previously been favourably evaluated by the Appointments and Remuneration Committee.

C.1.7 Explain the form of representation on the board of shareholders with significant participations.

In accordance with the provisions of article 9 of the Regulations of the Board of Directors of Renta 4 Banco, S.A., the Board of Directors, in the exercise of its powers of proposal to the General Meeting and of co-option for the appointment of directors, will consider the existence within its ranks of a series of categories of directors, among which are Proprietary Directors, understood as such:

i. those that have a shareholding equal to or greater than that which is legally considered significant or that would have been designated by their status as shareholders, although their shareholding does not reach that amount; or

ii. who represent shareholders of those indicated in section (i) above. It is also stated in said article that when a director performs senior management functions and, at the same time, is or represents a significant shareholder or represented in the Board of the Company, it will be considered as an executive.

For the purposes of this definition, it will be presumed that a director represents a shareholder when:

i. would have been appointed in exercise of the right of proportional representation in the Board of Directors;

ii. is a Director, senior manager, employee or non-occasional provider of services to said shareholder, or to companies belonging to the same group;

iii. from the corporate documentation it appears that the shareholder assumes that the Director has been appointed by him or represents him;

iv. is a spouse, a person bound by an analogous affective relationship, or a relative up to the second degree of a significant shareholder.

It is also determined that the number of proprietary and independent external Directors will constitute a large majority of the Board, with the number of Executive Directors being the minimum necessary taking into account the complexity of the Company and the percentage of participation of the executive Directors in the capital of the Company. The percentage of proprietary directors over the total of non-executive Directors will not be greater than the proportion existing between the capital of the company represented by said Directors and the rest of the capital, with the number of independent directors being at least one third of the total of the Directors. The Board of Directors will take into account these guidelines in the exercise of its powers to propose appointments to the General Board and co-option for vacancy coverage.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding is less than 3% of the capital:

Indicate whether formal requests for presence on the board have been answered from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain the reasons why they were not attended:

Sí **No** ✓

C.1.9 Indicate if any director has ceased in his/her position before the end of his/her term, if he/she has explained his/her reasons and through which means, to the board, and, if he/she has done so in writing to the entire board, explain then, at least the reasons that he/she has given:

C.1.10 Indicate, if any, the powers delegated to deputy director/s:

C.1.11 Identify, where appropriate, the members of the board that assume positions of administrators or directors in other companies that are part of the group of the listed company:

Name or company name of the director:	Short description:
MR. JUAN LUIS LOPEZ GARCIA	All the powers held by the Board of Directors, except those legally or statutorily non-delegable.

Name or company name of the director	Corporate name of the group entity	Position	Do they have executive functions?
MR. JUAN LUIS LOPEZ GARCIA	RENTA 4 PENSIONES, S.G.F.P., S. A	DIRECTOR	NO
MR. FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 CORPORATE, S.A	DIRECTOR	NO
MR. FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4. SV., S.A	DIRECTOR	NO
MR JESÚS SANCHEZ- QUIÑONES GONZALEZ	RENTA 4 CORPORATE, S.A	PRESIDENT/CHIEF EXECUTIVE OFFICER	YES
MR JESÚS SANCHEZ- QUIÑONES GONZALEZ	RENTA 4. S.V., S. A	DIRECTOR	NO
MR. SANTIAGO GONZALEZ ENCISO	RENTA 4. SV., S. A	DIRECTOR	NO
MR PEDRO FERRERAS TENZ	RENTA 4 CORPORATE, S. A	DIRECTOR	NO

C.1.12 Detail, where appropriate, the directors of your company that are members of the board of directors of other companies listed on official securities markets other than your group, which have been notified to the company:

C.1.13 Indicate and, if applicable, explain if the company has established rules on the number of boards that its directors can be part of:

Sí **No** ✓

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the board of directors:

Remuneration of the board of directors (thousands of euros)	1,505
Amount of the rights accrued by the current directors in matter of pensions (thousands of euros)	4
Amount of rights accrued by the former directors in matter of pensions (thousands of euros)	1,509

C.1.16 Identify the members of senior management who are not in turn executive directors, and indicate the total remuneration accrued in their favour during the year:

Name or corporate name	Position
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	PRESIDENT/GENERAL MANAGER OF RENTA 4 S. V

Total remuneration at senior management (in thousands of euros)	190

C.1.17 Indicate, if applicable, the identity of the board members who are, in turn, members of the board of directors of significant shareholder companies and/or entities of their group:

Name or company name of the director	Name of the significant shareholder	Position
MR. FRANCISCO DE ASIS GARCÍA MOLINA	HELP INVERSIONES SICAV, S. A	PRESIDENT
MR. SANTIAGO GONZALEZ ENCISO	IGE-6, SL	SOLIDARY ADMINISTRATOR
MR. EDUARDO CHACON LOPEZ	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	PRESIDENT-CHIEF EXECUTIVE OFFICER

Detail, if applicable, the relevant relationships other than those contemplated in the previous section, of the members of the board of directors that link them with significant shareholders and/or entities of their group:

C.1.18 Indicate whether any modification in the board's regulations has occurred during the year:

Sí **No** ✓

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing directors. Detail the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures.

The appointment of the Directors corresponds to the Meeting, without prejudice to the right of proportional representation that corresponds to the shareholders in the terms established in the Law.

If vacancies occur during the term for which the Directors were appointed, the Board by co-option may designate the persons who will occupy them until the first Meeting is held, unless it has already been convened, in which case the Board may designate to a Director until the next Board meeting to the one already convened.

The proposals for the appointment, ratification or re-election of Directors shall be made by persons of recognized good repute, solvency, technical competence and experience, and shall be approved by the Board at the proposal of the Appointments and Remuneration Committee ("CNR"), in the case of the independent Directors, and on the proposal of the Board itself following a report from the CNR, in the case of the remaining Directors, in any case the proposal or report of the CNR must assign the new Director within one of the director classes contemplated in the Regulations of the Board of the Company. The proposal must be accompanied by a justifying report from the Board assessing the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the Board or the Board itself. When the Board separates from the proposals of the CNR, it will have to motivate the reasons, recording them in the minutes. The Directors may be individuals or legal entities. In the case of a legal entity, it will be necessary for the latter to designate a single individual for the permanent exercise of the duties inherent to the position. The natural person must gather the legal requirements established for administrators, will be subject to the same duties and will respond jointly and severally with the legal entity administrator. The proposal of individual representative must be submitted to the report of the CNR. The revocation of your representative by a legal entity Director will not take effect until you designate the substitute person.

From the publication of the announcement of the call and until the holding of the Meeting, the Company must continuously publish on the website, at least, the following information on the persons proposed for the appointment, ratification or re-election of Board members: identity, curriculum and category to which each of them belongs, as well as the proposal and reports mentioned. If it were a legal person, the information must include the corresponding to the individual to be appointed for the permanent exercise of the functions of the position.

No Directors of the Company may be appointed, those persons who hold positions or functions of representation or management in other credit institutions or hold a significant participation in their capital stock, unless expressly authorized by the Board.

Annually, the Board will evaluate (i) its operation and the quality of its work, (ii) the performance of its duties by the President and, by the CEO, based on the report submitted by the CNR, (iii) the operation and composition of its Committees, based on their report, (iv) diversity in the composition and powers of the Board, based on the report submitted by the CNR, and (v) the performance and contribution of each Board Member, paying special attention to those responsible for the different committees of the Board, based on the reports that the Committees submit. For this purpose, the President will organize and coordinate with the Presidents of the Commissions the evaluation of the Board.

The Directors shall hold office for a period of four years, while the Board does not agree to their separation or resign from office, and may be re-elected one or more times for periods of four years.

The Directors shall cease to hold office when the term for which they were appointed expires, the Meeting has been held or the term for the holding of the Meeting that has to resolve on the approval of the accounts of the previous year has expired or when the Board so decides in use of the powers conferred by law and the articles of association.

The CNR may propose the dismissal of the independent Directors prior to the fulfilment of the statutory period for which they were appointed, when there is just cause, appreciated by the CNR. In particular, it shall be understood that there is just cause when the director has breached the duties inherent to his position or incurred in some of the circumstances described in article 9.2.a of the Regulations of the Board that prevent his appointment as an independent Director when the director becomes employed in new positions or contract new obligations that prevent him from devoting the time necessary to carry out the functions of the position of director.

It may also be proposed to terminate as a result of Public Offerings of Acquisition, mergers or other similar corporate operations that involve a change in the capital structure of the Company when such changes in the structure of the Board are favoured by the proportionality criterion indicated in the Regulations of the Board.

When, due to resignation or for any other reason, a Director leaves office before the end of his term, he shall explain the reasons in a letter sent to all the members of the Board.

C.1.20 Explain to what extent the annual evaluation of the board has led to important changes in its internal organization and on the procedures applicable to its activities:

Description of modifications

They have not occurred, since the self-evaluation has been satisfactory.

C.1.20.bis Describe the evaluation process and the areas evaluated by the board of directors assisted, where appropriate, by an external consultant, regarding the diversity in its composition and competences, the operation and the composition of its committees, the performance of the President of the board of directors and the chief executive of the company and the performance and contribution of each director.

The Board of Directors has proceeded to the evaluation of its composition and powers, of the functioning and composition of the committees, and of the performance of the President, the Chief Executive Officer, the Coordinating Director as well as the Secretary of the Company, by means of the referral to all Directors of the corresponding evaluation questionnaires related to the Board of Directors, Appointments and Remuneration Committee and Audit and Control Committee.

Once the replies were received, the CNR proceeded to draw up the corresponding evaluation reports on the Board of Directors, the President, the Chief Executive Officer, the Independent Coordinating Director and the Secretary of the Board. It also proceeded to the preparation of the evaluation report on its composition, competencies and operation. In the same way, the CAC proceeded to the preparation of the evaluation report on its composition, competencies and functioning.

After the evaluation made, the Board of Directors approved the evaluation reports corresponding to the Board, its committees and the President, the Chief Executive Officer, the Coordinating Director and Secretary, concluding that: (i) the Board of Directors has an adequate composition and efficiently assumes and exercises the powers and competencies attributed to it by the articles of association and the regulations of the board of directors, making prevail at all times in its performance the interest of the Company and the maximization of the economic value of the Company;

(ii) the Appointments and Remuneration Committee and the Audit and Control Committee each have an adequate composition and efficiently assume and fulfil the competences attributed to them by the applicable regulations and by the different corporate texts of the Company; and (iii) the President, the Chief Executive Officer, the Coordinating Director and the Secretary have effectively and diligently fulfilled their duties.

C.1.20.ter Breakdown, as the case may be, of the business relationships that the advisor or any company of its group maintains with the company or any company of its group.

The Company has external legal advisors who, on an annual basis, supervise and support the CNR in the procedure for reviewing the directors' evaluation procedure. Likewise, they provide the Company with legal advisory services mainly in the commercial and procedural field.

C.1.21 Indicate the cases in which the directors are obliged to resign.

In accordance with Article 12 of the Regulations of the Board, the directors must present their resignation in the following cases:

a. When they reach the age of 75 years.

b. When they cease to hold positions, roles or functions to which their appointment as executive directors are associated.

c. In the case of proprietary directors, when the shareholder in whose appointment they are appointed fully transfers the shareholding held in the Company or reduces it to a level that requires a reduction in the number of its proprietary directors.

d. When they are involved in any of the cases of incompatibility or prohibition provided for in the Law, in the Articles of association or in the Regulations of the Board.

e. When the Board itself so requests by a majority of at least two thirds of its members, for having violated its obligations as a director, prior proposal or report of the Appointments and Remuneration Committee, or when its permanence in the Board can put in risk the credit and reputation of the Company.

f. When they have been seriously reprimanded by the Audit and Control Committee.

g. When the contractual or organic relationship has ended for any other fair cause with one of the shareholders of the Company that has motivated his designation as a Director.

h. In the event that a natural person representative of a legal entity Director incurred in any of the cases foreseen in section 2 above, that person must be replaced immediately by the legal entity Director.

C.1.22 Section repealed.

C.1.23 Are reinforced majorities, other than legal ones, required in any kind of decision?

Sí **No** ✓

In such case, describe the differences.

C.1.24 Explain if there are specific requirements, different from those relating to directors, to be appointed as President of the board of directors.

Sí **No** ✓

C.1.25 Indicate if the President has a casting vote:

Sí ✓ No

Matters where there is a casting vote

In accordance with the provisions of articles 38 and 40 of the Articles of association, the President of the Board of Directors has a casting vote in the votes held in the Board of Directors and, if an Executive Committee is established, will assume its presidency and it will also have a casting vote in the deliberations of said body.

C.1.26 Indicate whether the articles of association or the regulations of the board establish any limit on the age of the directors:

Sí ✓ No

- President age limit: 75 years
- Deputy Director age limit: 75 years
- Director age Limit: 75 years

C.1.27 Indicate whether the articles of association or the board's regulations establish a limited mandate for independent directors, different from that established in the regulations:

Sí **No** ✓

C.1.28 Indicate whether the articles of association or the regulation of the board of directors establish specific rules for the delegation of the vote in the board of directors, the way to do it and, in particular, the maximum number of delegations that a director can have, as well as if established some limitation regarding the categories in which it is possible to delegate, beyond the limitations imposed by legislation. In such case, detail these rules briefly.

Delegation of vote is included in article 38.2 of the Articles of association. To this effect, "(...) all the Directors may be represented by another Director. The representation will be granted on a special basis for the meeting of the Board of Directors in question and may be communicated by any of the means provided in section 2 of the previous article. Non-executive directors may only delegate their representation to another non-executive one".

In relation to the means foreseen by which the delegation of vote may be communicated, article 37.2 of the Articles of association indicates that "the convening of meetings of the Board of Directors will be carried out by letter, fax, telegram, e-mail or by any other means, and will be authorized with the signature of the President , or that of the Secretary or Deputy Secretary, by order of the President . The call will be issued with the necessary notice so that the Directors receive it no later than the third day prior to the date of the session, except in the case of sessions of an urgent nature that may be called for its immediate conclusion. The cases in which the Regulations of the Board of Directors require a specific call for tenders are an exception. The call will always include, unless justified cause, the Agenda of the session and will be accompanied, where appropriate, by the information deemed necessary".

C.1.29 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, in your case, the times that the board has met without the assistance of its President. In the computation, representations made with specific instructions will be considered as attendance.

Number of board meetings	13
Number of board meetings without the President's assistance	0

If the President is an executive director, indicate the number of meetings held, without the attendance or representation of any executive director and under the presidency of the coordinating director.

Number of meetings	0

Indicate the number of meetings held during the year by the different board committees:

Commission	No. of Meetings
AUDIT COMMITTEE	7
APPOINTMENTS AND REMUNERATION COMMISSION	4

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with the attendance of all its members. In the computation, representations made with specific instructions will be considered as attendance:

Number of meetings with the attendance of all the directors	13
% of attendance on total votes during the year	100.00%

C.1.31 Indicate if the individual and consolidated annual accounts that are submitted to the board for approval are previously certified:

Sí **No** ✓

Identify, if applicable, the person(s) who has/have certified the individual and consolidated annual accounts of the company, for its formulation by the board:

C.1.32 Explain, if any, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts formulated by it from being presented at the general meeting with qualifications in the audit report.

The Audit and Control Committee analyses the quarterly, semi-annual and annual financial statements and maintains systematic meetings with the External Auditor, reviewing, as the case may be, any change in accounting criteria that may affect the financial statements, ensuring that there are no qualifications part of the Auditor and that the Board of Directors formulates the accounts without any exceptions.

For these purposes, as stated in article 31 of the Regulations of the Board of Directors, the Audit and Control Committee has the power to review the Company's accounts, monitor compliance with legal requirements and correct application of the generally accepted accounting principles, as well as information on the proposals for the modification of accounting principles and criteria suggested by management.

C.1.33 Does the secretary of the board have the status of a director?

Sí **No** ✓

If the secretary does not have the status of a director, complete the following table:

Name or corporate name of the secretary	Representative
MR PEDRO ALBERTO RAMON Y CAJAL AGÜERAS	

C.1.34 Section repealed.

C.1.35 Indicate, if any, the mechanisms established by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.

The competence to preserve the independence of the External Auditors is attributed to the Audit and Control Committee pursuant to article 31.3 b) of the Regulations of the Board of Directors. In this regard, the following are foreseen as powers of the Audit and Control Committee:

"Regarding the external auditor: (i) submit to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for selection, appointment, re-election and replacement of the external auditor, as well as conditions of their hiring, the scope of their professional mandate and the revocation or renewal of their appointment;

(ii) regularly gathering information from the external auditor on the audit plan, in addition to preserving its independence

-monitoring that the remuneration of the external auditor for their work does not compromise their quality or independence-, and on those issues that may jeopardize their independence and the results of their execution, for consideration by the Committee, and any other related with the process of developing the audit of accounts, as well as receiving information and maintain with the external auditor the notices provided for in the audit of accounts and in the auditing standards, as well as verify that senior management takes its recommendations into account; (iii) receive annually from the external auditors the declaration of its independence in relation to the Company or its related companies directly or indirectly, as well as the information of the additional services of any kind rendered and the corresponding fees received from these entities by the external auditor, or by the persons or entities linked to it in accordance with the provisions of the legislation on account auditing and , for this purpose, that the Company notifies the CNMV as a significant event of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if there were any, and in case of resignation of the external auditor examine the circumstances that may have motivated it; (iv) issue annually, prior to the issuance of the audit report, a report in which an opinion on the independence of the account auditors will be expressed. This report must contain, in any case, the valuation of the provision of the additional services referred to in the previous section, individually considered and as a whole, other than the legal audit and in relation to the independence regime or with the regulatory regulations for auditing, ensuring that the Company and the external auditor respect the regulations in force regarding the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, the other regulations on independence of the auditors, (v) encouraging the Company auditor to assume responsibility for the audits of the companies that, if applicable, are part of the group, and (vi) ensuring that the external auditor holds an annual meeting with the plenary of the auditor Board of Directors to inform them of the work done and the evolution of the accounting and risk situation of the Company."

C.1.36 Indicate whether during the year the Company has changed its external auditor. Where appropriate, identify the incoming and outgoing auditor:

Sí **No** ✓

In the event that there were disagreements with the outgoing auditor, explain the content thereof:

C.1.37 Indicate whether the audit firm performs other work for the company and/or its group other than the audit and in that case declare the amount of the fees received for such work and the percentage that it represents on the fees invoiced to the company and/or your group:

Sí **No** ✓

	Company	Group	Total
Amount of work other than audit (thousands of euros)	83	12	95
Amount of works other than those of audit / Total amount billed by the audit firm (in %)	52.86%	13.64%	38.78%

C.1.38 Indicate whether the audit report of the annual accounts of the previous year has reservations or qualifications. If so, indicate the reasons given by the President of the audit committee to explain the content and scope of said reservations or qualifications.

Sí **No** ✓

C.1.39 Indicate the number of years that the current audit firm has been conducting the audit of the annual accounts of the company and/or its group without interruption. Also, indicate the percentage that represents the number of years audited by the current audit firm on the total number of years in which the annual accounts have been audited:

	Company	Group
Number of uninterrupted years	1	1
Number of years audited by the current audit firm / No. of years that the company has been audited (in %)	6.25%	6.25%

C.1.40 Indicate and, if applicable, detail, if there is a procedure for directors to obtain external advice:

Sí ✓ No

Detail the procedure

The right of the Directors to have external advice is regulated in article 23 of the Regulations of the Board of Directors, which is transcribed below:

1. "In order to be assisted in the exercise of their functions, the Directors have the right to obtain from the Company the necessary advice for the fulfilment of their duties and when it is necessary the advice paid to the Company by legal experts, accountants, financial or other experts, provided that it deals with concrete issues of a certain importance and complexity that arise in the performance of the position.
2. The request to hire external advisors or experts must be made to the President of the Board of Directors and be authorized by the full Board if, in his opinion:
   a. It is necessary for the full performance of the functions entrusted to the Directors;
   b. its cost is reasonable, in view of the importance of the problem and of the assets and income of the Company;
   c. the technical assistance received cannot be adequately provided by experts and technicians of the Company; and
   d. it does not jeopardize the confidentiality of the information that must be provided to the expert.
3. In the event that the request for expert assistance is made by any of the Board Committees, it cannot be denied, unless the Board, by a majority of its members, considers that the circumstances set forth in section 2 of this article do not apply."

C.1.41 Indicate and, if applicable, detail, if there is a procedure for directors to have the necessary information to prepare the meetings of the administrative bodies with sufficient time:

Sí ✓ No

Detail the procedure

The right of information of the Directors in relation to the meetings of the Board of Directors is regulated in article 22 of the Regulations of the Board, which establishes the following:

1. "1. In the performance of its duties, the Director has the duty to demand and the right to obtain from the Company the adequate and necessary information to fulfil its obligations. In this regard, the Director may inquire about any aspect of the Company and its subsidiaries. For this purpose, it will be able to examine its books, records, documents and other antecedents of the social operations, being able to inspect all its facilities and communicate with the senior executives of the Company. Likewise, the Directors will have the right to be informed periodically of the movements in the shareholding and of the opinion that the significant shareholders, investors and rating agencies have on the Company and its group.
2. In order not to disturb the ordinary management of the Company, the exercise of the information powers will be channelled through the President of the Board of Directors, who will attend the requests of the Director, providing him with the information directly or offering him the appropriate interlocutors at the level of the organization that proceeds.
3. On the other hand, unless the Board of Directors has been constituted or has been exceptionally convened for reasons of urgency, the President of the Board of Directors, with the Secretary's collaboration, will ensure that the Directors have prior and in advance with the information necessary for the deliberation and adoption of agreements on the matters to be discussed."

In turn, article 28.4 of the Regulations of the Board of Directors adds that the meeting of the Board of Directors meeting will be accompanied by the information necessary for it.

C.1.42 Indicate and, if applicable, detail, whether the company has established rules that oblige directors to report and, where appropriate, resign in those cases that could harm the credit and reputation of the company:

Sí ✓ No

Explain the rules

In accordance with article 12 of the Regulations of the Board of Directors:

1. "1. The directors will be removed from the position when the term for which they were appointed expires, the General Meeting has been held or the term for the holding of the Meeting that has to decide on the approval of the accounts of the previous year has expired or when the General Meeting decides it in use of the powers granted to it by law and the articles of association.
2. The directors must present their resignation in the following cases:
   a. When they reach the age of 75 years.
   b. When they cease to hold positions, roles or functions to which their appointment as executive directors are associated.
   c. In the case of proprietary directors, when the shareholder in whose appointment they are appointed fully transfers the shareholding held in the Company or reduces it to a level that requires a reduction in the number of its proprietary directors.
   d. When they are involved in any of the cases of incompatibility or prohibition provided for in the Law, in the Articles of association or in these Regulations.
   e. When the Board itself so requests by a majority of at least two thirds of its members, for having violated its obligations as a director, prior proposal or report of the Appointments and Remuneration Committee, or when its permanence in the Board can put in risk the credit and reputation of the Company.
   f. When they have been seriously reprimanded by the Audit and Control Committee.
   g. When the contractual or organic relationship has ended for any other fair cause with one of the shareholders of the Company that has motivated his designation as a Director."

In relation to this last aspect, article 21.2, letter b), of the Regulations of the Board of Directors, establishes the following: "The Director must also inform the Company [...] Of the judicial, administrative or any other procedure that is initiated against the Director and that, due to its importance or characteristics, could affect seriously in the reputation of the Company. In particular, any Director must inform the Company, through its President, in the event that he is charged or prosecuted or ordered against the order to open an oral proceeding for any of the crimes indicated in Article 213 of the consolidated text of the Capital Companies Law. In this case, the Board will examine the case as soon as possible and adopt the decisions it deems most appropriate in the interest of the Company."

C.1.43 Indicate whether any member of the board of directors has informed the company that he/she has been prosecuted or has been ordered to open a trial for any of the crimes indicated in article 213 of the Capital Companies Act:

Sí **No** ✓

Indicate if the board of directors has analysed the case. If the answer is affirmative, explain in a reasoned manner the decision taken on whether or not the director continues in his/her position or, where appropriate, state the actions taken by the board of directors up to the date of this report or that he intends to carry out.

C.1.44 Detail the significant agreements entered into by the company that come into force, are modified or terminated in the event of a change in control of the company as a result of a public takeover bid, and its effects.

They do not exist.

C.1.45 Identify in an aggregate form and indicate, in detail, the agreements between the company and its management and management positions or employees that provide indemnities, clauses of guarantee or armouring, when these resign or are dismissed in an irrelevant manner or if the contractual relationship comes to an end due to a public offer of acquisition or other type of operations.

Number of beneficiaries	Type of beneficiary	Description of the Agreement
3	CEO (Mr. Juan Luis López García), Director and General Manager (Mr. Jesús Sánchez- Quiñones González), and the member of the Management Committee, President of Renta 4 Gestora SGIIC, S.A. and Renta 4 Pensiones EGFP, S.A. (MR. Antonio Fernández Vera).	The Chief Executive Officer and the Director and General Director have, in the event of dismissal declared inadmissible, the right to receive compensation equivalent to the legal compensation foreseen for unfair dismissal under the common labour regime. On the other hand, the member of the Management Committee, President of Renta 4 Gestora SGIIC, S.A. and Renta 4 Pensiones EGFP, S.A. is entitled, in the event of withdrawal or unfair dismissal, to receive the compensation equivalent to the legal compensation provided for unfair dismissal of the common labour regime.

Indicate whether these contracts have to be communicated and/or approved by the bodies of the company or its group:

	Board of directors	General meeting
Body that authorizes the clauses	Yes	No

	Yes	No
Is the general meeting informed about the clauses?		X

C2_Commissions of the board of directors

C.2.1 List all the committees of the board of directors, their members and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE

Name	Position	Category
MR JOSE RAMON RUBIO LAPORTA	PRESIDENT	Independent
MR. FRANCISCO DE ASIS GARCÍA MOLINA	DIRECTOR	Independent
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	DIRECTOR	Proprietary

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external	0.00%

Explain the functions attributed to this committee, describe the procedures and rules of organization and operation of the same and summarize its most important actions during the year.

A. Composition.

It is composed of a minimum of 3 Directors, who will be appointed by the Board of Directors, at the proposal of its President , from among its non-executive members, with at least two of them being independent. The committee shall appoint, from among its members, the President, who in all cases shall be an Independent Director, who shall be replaced every 4 years, without prejudice to his continuity or re-election as a member of the Committee. Likewise, the Committee will appoint its Secretary, and, if applicable, a Vice-President. Likewise, all the members of the Audit and Control Committee must have the knowledge, professional experience and dedication necessary for the performance of the functions entrusted to them.

B. Competences.

Article 42 of the Articles of Association and Article 31 of the Regulations of the Board.

C. Operation.

It will meet at least quarterly and, in any case, whenever it is convened by its President, or at the request of the President of the Board of Directors. The conclusions obtained in each meeting will be taken to an act that will be reported to the Board meeting. They will be obliged to attend the meetings of the Committee and to provide their collaboration and access to the information available to any member of the management team or personnel of the Company that is required for this purpose, as well as the auditors of accounts.

In fiscal year 2017, the CAC has carried out, among others, the following functions:

- Serve as a communication channel between the Board and the external auditor, evaluating the results of each audit.
- Report the election of KPMG Auditores, S.L. as auditor for the fiscal year ended on 12/31/2017.
- Issue, prior to the audit report, a report on whether the independence of the auditors or audit companies is compromised.
- Approve the Action Plan of the Internal Audit for the year 2017.
- Supervise the effectiveness of the internal control, internal audit and risk management systems of the Company, as well as discuss with the auditor any significant weaknesses of the internal control system detected.
- Approve the reports on the control and risk management policy, corporate governance and treasury stock for its elevation to the Board.
- Supervise compliance with the rules of the internal codes of conduct and the Corporate Social Responsibility policy.
- Supervise the preparation and presentation of the mandatory financial information and, in particular, the annual, individual and consolidated accounts.
- Report on the Annual Corporate Governance Report.
- Evaluate its own operation within the framework of the process of self-evaluation of the functioning of the Board of Directors and its internal Committees.

Identify the member of the audit committee that has been appointed, taking into account their knowledge and experience in accounting, auditing or both, and report on the number of years that the President of this committee has been in office.

Name of experienced director	MR JOSE RAMON RUBIO LAPORTA
No. of years of the President in charge	1

APPOINTMENTS AND REMUNERATION COMMITEE

Name	Position	Category
MR. EDUARDO TRUEBA CORTÉS	PRESIDENT	Independent
MR. PEDRO ANGEL NAVARRO MARTINEZ	DIRECTOR	Other External
MRS SARAH MARIE HARMON	DIRECTOR	Independent

% of proprietary directors	0.00%
% of independent directors	66.67%
% of other external	33.33%

Explain the functions attributed to this committee, describe the procedures and rules of organization and operation of the same and summarize its most important actions during the year.

A. Composition.

It is composed of a minimum of 3 members, who must be all of them non-executive Directors, and at least one third of them must be independent Directors, who will cease in their position when they do so in their capacity as Directors or when the Board of Directors so decides. The Board of Directors shall appoint from among its members the President, who shall meet the condition of independent Director, and the Secretary thereof.

B. Competences.

The functions of the Commission are set out in article 32 of the Regulations of the Board of Directors.

C. Operation.

The Committee will meet as many times as necessary for the fulfilment of its functions. It must also meet when convened by its President, the President of the Board of Directors, and at least once a quarter. The Appointments and Remuneration Committee will be validly constituted when the majority of its members attend. The Committee will have access to the information and documentation necessary for the exercise of its functions. The conclusions obtained in each meeting will be taken to a minute book, which will be signed by the President and the Secretary.

In fiscal year 2017, the CNR has carried out, among others, the following functions:

- To watch over the observance of the remuneration policy established by the Company.
- To direct the evaluation process of its own functioning, of the functioning of the Board and of the performance of its functions by the President, the Secretary, the Independent Coordinating Director and the Chief Executive Officer, and inform the Board of the results achieved.
- Propose to the Board the content of the Annual Remuneration Report of the Directors.
- Report favourably to the Board on the valuation of Ms. Inés Juste Bellosillo as an independent director of the Company so that it may raise, at the General Shareholders' Meeting, the proposal for her appointment.
- Propose to the Board the re-election of Mr. Eduardo Trueba Cortés as independent director.
- Report favourably to the Board on the re-election of Mr. Juan Carlos Ureta Domingo as executive director; MR. Jesús Sánchez - Quiñones González as executive director; MR. Santiago González Enciso as executive director; MR. Pedro Ferreras Díez as another external director; MR. Pedro Ángel Navarro Martínez as another external director; MR. Juan Luis López García as executive director and of the Mutualidad General de la Abogacía as proprietary director.
- Report favourably to the Board on the appointment of Mr. Eduardo Chacón López, as proprietary director of the Company.

C.2.2 Complete the following table with the information regarding the number of female directors that make up the committees of the board of directors during the last four years:

Number of female directors								
	Year 2017		Year 2016		Year 2015		Year 2014	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND REMUNERATION COMMISSION	1	0.00%	0	33.33%	1	33.33%	1	33.33%

C.2.3 Section repealed

C.2.4 Section repealed.

C.2.5 Indicate, if applicable, the existence of regulations for board committees, the place where they are available for consultation, and the modifications made during the year. At the same time, it will be indicated whether a yearly report on the activities of each committee has been voluntarily prepared.

APPOINTMENTS AND REMUNERATION COMMITTEE.

The regulations of the Appointments and Remuneration Committee can be found in article 42 bis of the Articles of Association and in article 32 of the Regulations of the Board of Directors. Both corporate texts are available for consultation on the Company's website.

The Board of Directors, in order to comply with the duty imposed on said body by article 28 of the Regulations of the Board of Directors through which it incorporates recommendation 36 of the Code of Good Governance of Listed Companies of February 2015 approved by the Board of the National Securities Market Commission (CNMV), evaluates once a year (i) its own functioning and the quality of its work, (ii) the performance of the functions of the President of the Board and the Chief Executive Officer of the Company based on the report submitted by the Appointments and Remuneration Committee, (iii) the functioning and composition of its Committees, based on the report they give them, (iv) the diversity in the composition and powers of the Board of Directors, based on the report that the Appointments and Remuneration Committee has raised; and (v) the performance and contribution of each director, with a special attention to the heads of the different committees of the Board, based on the reports submitted by the Audit and Control Committee and the Appointments and Remuneration Committee in each case. In this sense, each of the committees of the Board of Directors has made a report on its own operation, so that the Board of Directors can evaluate its operation during the year.

AUDIT AND CONTROL COMMITTEE

The regulation of the Audit and Control Committee is found in article 42 of the Articles of association and in article 31 of the Regulations of the Board of Directors. Both corporate texts are available for consultation on the Company's website.

The Board of Directors, in order to comply with the duty imposed on said body by article 28 of the Regulations of the Board of Directors through which it incorporates recommendation 36 of the Code of Good Governance of Listed Companies of February 2015 approved by the Board of the National Securities Market Commission (CNMV), evaluates once a year (i) its own functioning and the quality of its work, (ii) the performance of the functions of the President of the Board and the Chief Executive Officer of the Company based on the report submitted by the Appointments and Remuneration Committee, (iii) the functioning and composition of its Committees, based on the report they give them, (iv) the diversity in the composition and powers of the Board of Directors, based on the report that the Appointments and Remuneration Committee has raised; and (v) the performance and contribution of each director, with a special attention to the heads of the different committees of the Board, based on the reports submitted by the Audit and Control Committee and the Appointments and Remuneration Committee in each case. In this sense, each of the committees of the Board of Directors has made a report on its own operation, so that the Board of Directors can evaluate its operation during the year.

In this regard, the Committee has drawn up an annual activity report, in compliance with the provisions of the aforementioned precepts.

C.2.6 Section repealed.

D. LINKED OPERATIONS AND INTRAGROUP OPERATIONS

D.1_Explain, if applicable, the procedure for the approval of transactions with related parties and intra-group.

Procedure to report the approval of related operations

As indicated in article 5 of the Regulations of the Board of Directors, it will be competent to "adopt resolutions on all kinds of matters that are not attributed by the Law or the Articles of association to the General Meeting, with the highest powers and powers to manage, manage and represent the Company in and out of court, without prejudice to which it will focus its activity essentially in the supervision and control of the management and ordinary management of the Company entrusted to the executive directors and senior management, as well as in the consideration of all those matters of particular importance for the Company or that are necessary for a correct exercise of the aforementioned general supervisory function. In any case, the following catalogue of matters that may not be subject to delegation shall be reserved for the plenary session of the Board of Directors: [...]

t) The approval, after a favourable report from the Audit and Control Committee, of the operations that the Company carries out with directors, under the terms of the Capital Companies Act, or with the shareholders, individually or in concert with others, of significant participation, including shareholders represented on the Board of Directors of the Company or with persons linked to them. The directors affected or who represent or are related to the affected shareholders must abstain from participating in the deliberation and voting of the agreement in question. Only transactions that simultaneously meet the following three characteristics will be exempt from this approval: i) that are carried out under contracts whose conditions are standardized and applied en masse to a large number of clients; ii) that they be made at prices or rates established in general terms by who acts as supplier of the good or service in question; and iii) that its amount does not exceed one percent (1%) of the Company's annual revenues.

[...]

3. The powers mentioned in the previous section may be exercised for reasons of urgency by the Executive Committee or, as the case may be, by the Chief Executive Officer, provided that the law allows it, with subsequent ratification by the meeting of the Board of Directors.
4. The Board of Directors will perform its functions with a unity of purpose and independent judgment, treating all shareholders in the same position equally, in accordance with the corporate interest, which should not prevent the consideration of other legitimate interests, public or private, that come together in the development of all business activities, and especially those of workers. In this context, it should be understood as a social interest, such as the achievement of a profitable and sustainable business in the long term, that promotes its continuity and the maximization of the company's economic value.

D.2_Detail those operations that are significant due to their amount or relevant for their matter made between the company or entities of its group, and the significant shareholders of the company:

Name or corporate name of the significant shareholder	Name or company name of the company or entity of its group	Nature of the relationship	Type of operation	Amount (thousands of euros)
CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	Corporate	Dividends and other benefits distributed	601
CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	Contractual	Other	109
INDUMENTA PUERI S.L.	INDUMENTA PUERI, S.L.	Corporate	Dividends and other benefits distributed	627

D.3_Detail the significant transactions by their amount or relevant by their matter made between the company or entities of its group, and the administrators or directors of the company:

Name or corporate name of administrators or directors	Name or corporate name of the related party	Link	Nature of the operation	Amount (thousands of euros)
MUTUALIDAD GENERAL DE LA ABOGACIA	RENTA 4 BANCO S.A.	CONTRACTUAL	Reception of services	14
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CONTRACTUAL	Provision of services	63
MR JOSE RAMON RUBIO LAPORTA	RENTA 4 BANCO S.A.	CONTRACTUAL	Provision of services	2
MR. EDUARDO TRUEBA CORTÉS	RENTA 4 BANCO S.A.	CONTRACTUAL	Provision of services	2
MR. EDUARDO TRUEBA CORTÉS	RENTA 4 BANCO S.A.	CONTRACTUAL	Interest paid	1
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CONTRACTUAL	Interest paid	31
MR. FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Interest paid	3
MR. PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Interest paid	10
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Interest paid	2
MUTUALIDAD GENERAL DE LA ABOGACIA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	823
MR. EDUARDO TRUEBA CORTÉS	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	22
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	3,712
MR JOSE RAMON RUBIO LAPORTA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	104
MR PEDRO FERRERAS TENZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	22
MR. PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	43
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	85
MR. JUAN LUIS LOPEZ GARCIA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	21
MR. FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	11
MR. SANTIAGO GONZALEZ ENCISO	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other benefits distributed	165
MR. PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	653
MR. FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	196
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	429

Name or corporate name of administrators or directors	Name or corporate name of the related party	Link	Nature of the operation	Amount (thousands of euros)
MR. JUAN LUIS LOPEZ GARCIA	JUAN LUIS LOPEZ	CONTRACTUAL	Provision of services	1
MR PEDRO FERRERAS TENZ	PEDRO FERRERAS DIEZ	CONTRACTUAL	Other	2
MR. FRANCISCO DE ASIS GARCÍA MOLINA	FRANCISCO DE ASIS GARCÍA MOLINA	CONTRACTUAL	Other	1
MR. SANTIAGO GONZALEZ ENCISO	SANTIAGO GONZALEZ ENCISO	CONTRACTUAL	Other	96
MR. JUAN LUIS LOPEZ GARCIA	JUAN LUIS LOPEZ	CONTRACTUAL	Other	31
MR JOSE RAMON RUBIO LAPORTA	JOSE RAMÓN RUBIO LAPORTA	CONTRACTUAL	Other	14
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ	JESÚS SÁNCHEZ-QUIÑONES GONZÁLEZ	CONTRACTUAL	Other	3
MR. EDUARDO TRUEBA CORTÉS	EDUARDO TRUEBA CORTÉS	CONTRACTUAL	Other	53
MR. PEDRO ANGEL NAVARRO MARTINEZ	PEDRO ANGEL NAVARRO MARTINEZ	CONTRACTUAL	Provision of services	4
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO SA	CONTRACTUAL	Other	15
MRS SARAH MARIE HARMON	RENTA 4 BANCO SA	CONTRACTUAL	Other	1
MUTUALIDAD GENERAL DE LA ABOGACIA	RENTA 4 BANCO SA	CONTRACTUAL	Other	146
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO SA	CONTRACTUAL	Other	445
MS SARAH MARIE HARMON	RENTA 4 BANCO SA	CORPORATE	Dividends and other benefits distributed	1

D.4_Report of significant operations carried out by the company with other entities belonging to the same group, provided they are not eliminated in the process of preparing consolidated financial statements and do not form part of the company's habitual traffic in terms of its purpose and conditions.

In any case, any intra-group transaction will be reported with entities established in countries or territories considered being a tax haven:

D.5_Indicate the amount of transactions carried out with other related parties.

8,107 (in thousands of Euros).

D.6_Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

The Regulations of the Board establish (art. 17) that there is a conflict of interest in situations in which the interests of the Company or its group and the personal interest of the director come into direct or indirect collision, the latter being understood as cases in which the matter affects him or her or to a person with him linked.

The following are persons linked to the physical person advisor:

a. spouse or persons with analogous relationship of affectivity.

b. his ascendants, descendants and siblings or the spouse (or person with analogous relationship of affectivity).

c. The spouses of ascendants, descendants and siblings.

d. The societies in which, by itself or by interposed person, is in any of the situations of Art. 42.1 of C.Com.

Regarding the legal entity director:

a. partners that are, with respect to the legal entity, in any of the situations of Art. 42.1 of C.Com.

b. companies of the same group, and their partners.

c. representative of natural person, administrators, de jure or de facto, liquidators and general attorneys of the director.

d. persons who, with respect to the representative of the director, are considered as related persons in accordance with the provisions of points a) to d) above.

Conflict of interest situations will be governed by the following rules:

a. Notice: the director must communicate to the other directors and, where appropriate, to the Board, through the President or the Secretary, any situation of conflict in which he or related parties are.

b. Abstention: the director may not directly or indirectly carry out professional or commercial transactions with the Company unless he first reports the conflict of interest situation, and the Board approves the transaction. Shall refrain from attending and intervening in the deliberation and voting in such matters. In the case of proprietary directors, they must abstain from participating in the voting on matters that may involve a conflict between the shareholders they represent and the Company.

c. Transparency: Report in the memo and in the Annual Corporate Governance Report on any situation of conflict of interest.

The RIC regulates conflicts of interest in articles 21, 22 and 23. In this sense, there is a conflict between the Company and one of its clients or between two clients of the same, when in a particular situation, the Company may obtain a benefit, provided that there is also a possible correlative loss for a client or when a client You can make a profit or avoid a loss, and there is the possibility of concomitant loss of another customer. In order to identify these situations, attention will be paid to whether the Company, a person subject to the RIC ("Affected Person") or another person directly or indirectly linked to it through a relationship of control, is in any of the following situations:

*The Company or the person in question can obtain a financial benefit, or avoid a financial loss, at the client's expense;

*has an interest in the result of the service provided or of the operation carried out on behalf of the client, other than the client's own interest;

*has financial or other incentives to favour the interests of third parties, against the interests of the client in question;

*the professional activity is identical to that of the client;

*receives, or will receive, from a third party an incentive in relation to the service provided to the client, in money, goods or services, other than the usual commission or remuneration for the service in question.

The Company may determine other conflicts that may be incurred by the Affected Persons by virtue of their family, economic or professional ties or for any other reason.

All employees and Affected Persons, must inform the same, through the Monitoring Body of the RIC, of any personal or family situation, economic or otherwise, that may constitute a conflict of that person and those of a client of the Company or of the company itself. It is considered, at least, that this situation of conflict occurs, when the Affected Person or any person or entity with which he has a kinship or close link is in one of the following cases:

*Membership of the Board of Directors or Senior Management of a company with a scope of activity concurrent with that of the Company.

*Significant shareholding in companies with a scope of activity concurrent with that of the Company.

*Significant shareholding or other type of personal interest with respect to a client of the Company.

The Affected Persons will abstain from intervening in the preparatory acts and from deciding or casting their vote, warning of it to those who will make the corresponding decision. Likewise, they will indicate the clients of portfolio management, of the conflicts that may arise in the development of their activity.

In case of doubt about the existence of a conflict, the Affected Persons have the obligation to report this to the Monitoring Body of the RIC, as well as the specific circumstances of the operation, for the determination by it of an appropriate action. The resolution of conflicts will always be carried out under the following principles:

*In all cases priority must be given to the legitimate interests of the clients, without prejudice to the respect due to the integrity of the market.

*Efforts will be made to minimize conflicts between customers and between the Company and its customers.

*The interests of the Company will not be put before those of the clients in the operations with identical characteristics.

*They should not privilege any client when there is conflict between several.

*They will not multiply the transactions unnecessarily and without benefit for the client.

D.7_More than one company of the Group is listed in Spain?

Sí **No** ✓

Identify the subsidiary companies listed in Spain:

Listed subsidiary company

Indicate whether they have publicly defined with precision the respective areas of activity and possible business relationships between them, as well as those of the listed dependent subsidiary with the other companies in the group;

Define the possible business relationships between the parent company and the listed subsidiary, and between it and the other companies in the group

Identify the mechanisms foreseen to resolve any conflicts of interest between the listed subsidiary and the other companies in the group:

Mechanisms to resolve possible conflicts of interest

E. CONTROL AND RISK MANAGEMENT SYSTEMS

E.1_Explain the scope of the Company's Risk Management System, including tax matters systems.

The different risks implicit in the activity carried out by the Renta 4 Group are managed with prudential criteria, preserving their level of solvency, profitability, efficiency and adequate liquidity. The Renta 4 Group maintains a system of continuous management and control of all the risks assumed in the activity it carries out, covering all the companies that make up the Group, as well as all areas or business units, with special emphasis on those most sensitive to the risks inherent to the activity developed.

E.2_Identify the bodies of the company responsible for the preparation and execution of the Risk Management System, including the fiscal one.

Name of the commission or body	Description of functions:
BOARD OF DIRECTORS	Approval of the risk control and management policy, including fiscal ones, identifying the main risks of the Company and implementing and supervising the internal information and control systems, monitoring them.
AUDIT AND CONTROL COMMITTEE	Supervision of the effectiveness of the Company's internal control, risk management systems, including tax systems, the management of internal audit services that ensure the proper functioning of information and internal control systems, in particular with respect to the preparation processes in integrity and presentation of the regulated financial information related to the Company and, to its group, reviewing compliance with the regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of the accounting criteria, giving an account of this is the responsibility of the Board of Directors, the person responsible for the internal audit function being obliged to present to the Committee its guidance and work plans for its approval by the Committee, ensuring that its activity is mainly focused on the relevant risks of the Company, and to inform directly of the incidents that arise in its development, as well as to submit a report on its activities at the end of each year. Likewise, the Audit Committee will discuss with the Auditor the significant weaknesses of the internal control system detected in the performance of the audit. Supervise the process of preparation and presentation of the mandatory financial information and internal control and risk management systems associated with the relevant risks of the Company so that they are identified (operational, technological, financial, legal or reputational), manage and adequately disclose, establishing the level of risk that the Company considers acceptable, the measures to mitigate the impact of the risks identified, as well as the determination of the control and information systems that will be used to control and manage them, ensuring the independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and removal of the person responsible for the internal audit service, as well as the budget of said service, receiving periodic information on their activities and verifying that senior management take into account the conclusions and recommendations of their reports. Supervise the development of the functions attributed to the area responsible for the prevention of money laundering and know the reports and proposals submitted in this respect.
INTERNAL AUDIT	Review of established risk control procedures and systems.
RISK DEPARTMENT	It is a body dependent on the Board of Directors. The Risk department exercises its functions over all entities included in the consolidation perimeter of the Renta 4 Group and is in charge of monitoring the established risk control systems.
DEPARTMENT OF REGULATORY COMPLIANCE	It is a body dependent on the Board of Directors. The purpose of the regulatory compliance function is to identify and periodically assess the risks of regulatory non-compliance in the different business areas and to contribute to their management in an efficient manner.

E.3_Indicate the main risks, including tax risks, which may affect the achievement of business objectives.

The Renta 4 Group is a group of companies dedicated to providing specialized savings and investment services independently from any financial or industrial group, which is particularly affected by the evolution of the financial sector, which can have a significant impact on their results.

In accordance with the above, the basic risks that may affect the Renta 4 Group are the following:

1. Credit risk: Credit risk is defined as the possibility of suffering losses arising from the debtor's default on its contractual obligations, including counterparty risk.
2. Market risk: Market risk represents the possibility of suffering losses due to adverse movements in the prices of the assets that make up the Group 4 trading portfolio.
3. Operational risk: Operational risk refers to possible losses resulting from a lack of adaptation or a possible failure of processes, personnel and internal systems, or due to external events, in particular, the materialization of possible natural disasters, errors of information and price providers, intrusions in technological systems that could jeopardize the security of the Group 4 infrastructure.
4. Liquidity risk: Liquidity risk refers, as the name suggests, to a lack of cash, normally produced as a result of mismatches of cash flow entries and exits.
5. Regulatory risk: This risk refers to the probability of incurring losses as a result of the lack of adequacy of the Group 4 policies to the regulations to which its activity is subject, badly documented transactions and claims or actions against the Group.
6. Reputational risk: The reputational risk is derived from the actions of the Renta 4 Group that allow negative publicity related to the practices and business relationship, which may cause a loss of confidence in the Group, and in this way, affect its solvency.

E.4_Identify if the entity has a risk tolerance level, including the tax one.

The risk management strategy of the Renta 4 Group is based on the implementation of measures that mitigate or dilute the defined risks, establishing limits specifically for each line of business, market and products.

The objective of this system is to preserve the credit-worthiness and liquidity of the Group, ensuring that the exposure to risk is within the pre-established limits and with a balanced profile.

E.5_Indicate which risks, including tax risks, have materialized during the year.

No risk has materialized during the year.

E.6_Explain the response and supervision plans for the main risks of the entity, including tax risks.

The measures adopted to mitigate the impact of the basic risks that could affect the Renta 4 Group, if materialized, are the following:

1. Credit risk: To mitigate this risk, specific procedures and limits are established that seek to avoid overdrafts of cash and/or securities in the operations of intermediation and liquidation of client operations. However, exceptionally, individual situations of overdraft can be allowed whenever they occur with the mandatory authorizations. These situations, in any case, are limited according to the customer's credit guarantee and are monitored by the Risk Department and the Audit Unit.

   The exposure to credit risk of balance sheet exposures is mainly focused on liquid investments (current accounts, deposits and public debt issues of the Spanish government in the short term), all in line with the limits of the degree of investment concentration established the current regulations.

   The counterparty risk assessment against credit institutions is done based on credit ratings (ratings) of the main agencies that provide this information, selecting those with greater solvency, experience and recognition in the markets.

2. Market risk: In order to control this type of risk, limits are established so that, at all times, in the event of changes in market prices, losses are limited to the pre-set maximums. The established controls are set according to the conditions of the different assets and the importance of the inherent risk of each market. Within this type of risk acquires special relevance the concept of VaR (Value at Risk or maximum potential loss that a portfolio can experience under current market conditions), which is incorporated into risk detection systems. The department of Risks and the Audit Unit are responsible for supervising the adequate compliance with the established limits.

3. Operational risk: To mitigate this risk, the Company has imposed minimum training requirements for employees, in addition to primary controls in the different jobs, in such a way that the control routines are integrated in each task developed. The improvements in the computer systems implemented contribute to establish better controls and manual processes are less and less numerous, reducing human errors.

   The department of Risks and the Audit Unit perform a continuous monitoring and evaluation to detect any materialization of risk derived from possible errors, mainly derived from the intermediation of operations of the clients, verifying the correct functioning of the control system.

4. Liquidity risk: To control this risk and to comply with all the requirements established in the legislation regarding legal coefficients and payment commitments with third parties, the residual maturity dates of the assets and liabilities are reviewed.

The monitoring and control of liquidity risk is performed by the Treasury Department on a daily basis, in coordination with the Financial Department, supervised by the Risks Department of the Renta 4 Group. In any case, the policy of mitigating this risk focuses on the current policy of investing in short-term assets and liquids that may be available in the face of any tension that may materialize.

5. Regulatory risk: The Renta 4 Group has a Regulatory Compliance Unit responsible for the adequacy of the procedures to the regulatory requirements, as well as the monitoring and control of its correct application.
6. Reputational risk: The Renta 4 Group has established a series of regulatory compliance policies, through which a direct follow-up is carried out on the most significant aspects that may cause the materialization of this risk, which are for example:

- Prevention of money laundering.
- Code of conduct in the securities market (Internal Code of Conduct).
- Marketing of products and MIFID regulations.
- Market abuse in intermediation operations in the capital markets.
- Customer complaints.

F. INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms that make up the control and risk management systems in relation to the process of issuing financial information (ICFR) of your entity.

F.1_Entity control environment

Report, indicating its main characteristics of, at least:

F.1.1 What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Board of Directors

The Board of Directors of Renta 4 Banco has the ultimate responsibility for the existence and maintenance of an adequate and effective ICFR that, in accordance with its Regulations, has its supervision delegated to the Audit and Control Committee.

Audit and Control Committee

The Regulation of the Board of Directors of Renta 4 Banco establishes in its article 31 that the basic responsibilities of the Audit and Control Committee, in relation to the information and internal control systems, are as follows:

1. Supervision of the effectiveness and direction of the internal audit services of the Company that ensure the proper functioning of the information and internal control systems, in particular with respect to the preparation processes in integrity and presentation of the regulated financial information regarding the Company and its group, reviewing compliance with the regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of the criteria of accounting, reporting to the Board of Directors, the person responsible for the internal audit function being obliged to present his annual work plan to the Committee and to inform him directly of the incidents that arise in its development, as well as to submit it to each year a report on its activities.
2. Supervise the process of preparing and presenting the regulated financial information and the internal risk management and control systems associated with the relevant risks of the Company so that they are identified (operational, technological, financial, legal or reputational), manage and adequately disclose, establishing the level of risk that the Company considers acceptable, the measures to mitigate the impact of the risks identified, as well as the determination of the control and information systems that will be used to control and manage them, ensuring independence and effectiveness of the internal audit function, proposing the selection, appointment, re-election and dismissal of the person responsible for the internal audit service, as well as the budget of said service, receiving periodic information about its activities and verifying that top management takes into account the conclusions and recommendations of their reports.

3. Review the accounts of the Company, monitor compliance with legal requirements and the correct application of generally accepted accounting principles, as well as report on proposals for the modification of accounting principles and criteria suggested by management.
4. Review and inform the Board of Directors in advance regarding: (i) the financial information that, as a listed company, the Company must periodically make public, ensuring that the intermediate accounts are formulated with the same accounting criteria as the annual ones and, to that end, consider the appropriateness of a limited review from the external auditor of the Company; (ii) the creation or acquisition of interests in purpose entities special or domiciled in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the group to which the Company belongs; (iii) and related operations.
5. Receive from employees, confidentially but not anonymously, and in writing, communications about possible irregularities of potential importance, especially financial and accounting, that may be noticed within the Company or its group companies.
6. Ensure compliance with the internal codes of conduct and the rules of corporate governance, as well as regulations on markets in the sector.
7. Supervise the development of the functions attributed to the area responsible for the prevention of money laundering and know the reports and proposals submitted in this respect.
8. The members of the Audit and Control Committee are appointed taking into account their knowledge and experience in accounting, auditing or risk management, being all of its members external directors, and they are kept adequately informed of all the regulatory changes that are can produce in the aforementioned subjects. Among them, the Board of Directors appoints the President, who is an independent director and who will hold office for a period not exceeding four years, without prejudice to his continuity or re-election as a member of the Committee.

Internal audit.

The Group has an Internal Audit area that is subject to the control and supervision of the Audit and Control Committee. Within the functions developed by the Internal Audit area, among others, are those of:

1. Supervise the compliance and effectiveness of the internal control systems and procedures, as well as assist the organization in the improvement of the same and of the control activities.
2. Ensure the sufficiency, integrity and reliability of financial and management information.
3. Examine the systems established to ensure compliance with the applicable internal and external regulations, evaluating the suitability and effectiveness thereof.
4. For the fulfilment of its objectives it combines the activity of face-to-face audit with that of remote audit. Management committee.

The functions of the Management Committee are the management, control and monitoring of the Bank and the Group; the monitoring, control and evaluation of the business areas; the establishment of the commercial strategy and monitoring of its activity; the implementation of the objectives and the common commercial policy; the evaluation of investments, operations in the stock markets and financing structure; the analysis of prices and proposals for tariffs and intra-group prices; the evolution of the Group's technological needs and proposals for improving the system; the coordination of the Bank with the different areas of the Group; and, finally, carry out the subsidiaries management policies and follow-up of the results.

Regulatory compliance.

The Renta 4 Group has an independent function of Regulatory Compliance that, through appropriate policies and procedures, detects and manages the risk of non-compliance with the obligations in this area, both internal and external, that the organization has. It also informs and advises management and employees, and monitors compliance with internal rules throughout the entire organization. The risk of regulatory non-compliance may have an impact on financial information.

In addition, the Renta 4 Group offers its customers a Customer Service, whose purpose is to know, study and resolve complaints and claims that customers have with respect to operations, contracts or financial services and, in general, with respect to its relations with the different entities that make up the Group Renta 4. This Customer Service Centre supposes an additional control in the detection of possible errors in the financial information after the corresponding analysis of the submitted claims.

Administration and Accounting Area.

The Administration and Accounting area of Renta 4 Banco, is the area responsible for the preparation and direct control over Financial Information, reporting directly to Senior Management and the Board.

In this area, the following functions fall into the process of preparing the financial information:

1. Accounting: responsible for the accounting of the Bank and for verifying compliance with the control procedures on the quality and reliability of the information generated from the different areas of the Group.
2. Consolidation: responsible for the process of consolidation and monitoring of the information of subsidiaries and affiliates.

F.1.2 If there are, especially in relation to the process of preparing financial information, the following elements:

- Departments and/or mechanisms in charge: (i) of design and review of the organizational structure; (ii) of clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) that there are sufficient procedures for its correct dissemination in the entity.

  The design and review of the organizational structure as well as the definition of the lines of responsibility and authority is carried out by the Board of Directors, through the Chief Executive Officer and the Appointments and Remuneration Committee (a body made up of external members of the Board of Directors), with the assistance of the Management Committee.

  The General Manager and the Appointments and Remuneration Committee determine the distribution of tasks and functions, ensuring that there is an adequate distribution of functions as well as coordination systems between the different departments that guarantee the efficiency of operations.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions to the registry of operations and preparation of financial information), body in charge of analysing breaches and proposing corrective actions and sanctions.

  The Renta 4 Group has an Internal Code of Conduct, approved by the Board of Directors, applicable to all employees, agents, directors, managers and representatives of the Group, which develops the principles and values that should govern the Group's performance. In this Internal Code of Conduct, a framework of action is established in case of non-compliance by the affected persons.

  Renta 4 Banco translates this Internal Code of Conduct to all the people affected by it, who acknowledge receipt of their communication and assume personally that they know, understand and accept the RIC as well as all the commitments that it entails.

  The Regulatory Compliance function is the body responsible for monitoring the correct dissemination of the aforementioned Code, as well as for ensuring its correct compliance, communicating to the Audit and Control Committee the breaches or bad practices detected and proposing the corresponding sanctions, which they must be ratified by the corresponding governing body.

- Whistle-blowing channel, which allows communication to the audit committee of irregularities of a financial and accounting nature, in addition to eventual breaches of the code of conduct and irregular activities in the organization, informing if appropriate if this is confidential.

  The Renta 4 Group has a Confidential Complaints Channel, to file or report situations of infringement or risk of criminal infraction.

  Clients, employees or suppliers of the Renta 4 Group may communicate through this channel any allegedly irregular conduct, breach or illegality, committed within the scope of action of the companies that make up the Renta 4 Group that may involve the commission of a crime in the criminal field.

  Likewise, they may send a communication by ordinary mail to the attention of: Dept. of Compliance/Whistleblowing Channel, Paseo de la Habana, 74, 28036 Madrid.

  The Renta 4 Group guarantees the confidentiality of the identity of the complainant, as well as the information obtained, being transmitted exclusively to the people in charge of its investigation and resolution.

- Training programs and periodic updating for the personnel involved in the preparation and review of the financial information, as well as in the evaluation of the ICFR, covering, at least, accounting rules, auditing, internal control and risk management.

  The Group develops training plans for all personnel, including those directly involved in the preparation of financial information.

  These plans include the permanent update before any regulatory change in the activities carried out by the different Group companies, such as knowledge of the International Financial Reporting Standards and the applicable regulations issued by the Bank of Spain, the CNMV and the General Directorate of Insurance.

F.2._Risk assessment of financial information

Report, at least:

F.2.1 What are the main characteristics of the risk identification process, including error or fraud, in terms of:

- Whether the process exists and is documented.

  The Management of Income 4 Bank is responsible for maintaining adequate internal control over the preparation of financial information. This process of internal control over financial reporting is under the supervision of the President of the Board and the Audit and Control Committee in order to provide reasonable assurance about the reliability of the financial information and the preparation of the Group's consolidated financial statements, prepared based on the regulations in force at all times.

  The main risks that arise in the process of preparing the financial information are:

  - Errors due to incorrect application of accounting principles.

  - Fraud in financial information.

  - Deficiency in the breakdown of information.

  In order to mitigate these risks in the preparation of financial information, the Renta 4 Group has virtually automated all the accounting referred to the operations with customers.

  In relation to those processes in which there is a manual component for the preparation of financial information, the associated risks and controls or mitigating factors have been identified, so that they can be evaluated, monitored and concluded for each one of them and for the whole of financial information, reasonably be free of material errors.

  Additionally, a series of reconciliations are carried out to ensure that the accounting information corresponds to the information provided by third parties.

  Supervision of the risk identification process of the financial information is carried out by the Audit and Control Committee within its supervisory and control functions over the financial information.

- If the process covers all the objectives of the financial information, (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), if it is updated and how often.

  This process covers all of the financial information and places special emphasis on the identification of risks of material error based on the complexity of the transactions, quantitative and qualitative importance, complexity of the calculations and application of judgments and estimates.

  This process is updated in accordance with the modification of the degree of exposure to the risks inherent in the activity carried out by the Renta 4 Group.

- The existence of a process of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental entities or special purpose entities.

  The consolidation perimeter of the Renta 4 Group is determined by the Administration and Accounting Area, in accordance with the criteria established in the pertinent regulations.

  The consolidation perimeter is additionally supervised by the internal audit function and by the external auditors.

- If the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

  The process takes into account the main risks incurred by the Renta 4 Group, including operational, technological, financial, legal, reputational, etc.

- Which governing body of the entity supervises the process.

  This process of internal control over financial reporting is under the supervision of the President of the Board and the Audit and Control Committee in order to provide reasonable assurance about the reliability of the financial information and the preparation of the Group's consolidated financial statements, prepared based on the regulations in force at all times.

F.3_Control activities

Report, indicating its main characteristics, if it has at least:

F.3.1 Procedures for the review and authorization of financial information and the description of the ICFR, to be published in the securities markets, indicating their managers, as well as descriptive documentation of the flows of activities and controls (including those related to risk of fraud) of the different types of transactions that may materially affect the financial statements, including the accounting closing procedure and the specific review of the judgments, estimates, valuations and relevant projections.

There are a series of transaction controls that can materially affect the financial statements. These controls are fundamentally based on the following aspects:

- Confirmation of transactions: controls to ensure the integrity and accuracy of registered transactions.
- Controls based on reconciliations of those transactions, positions and significant parameters.
- Assessment: realization of controls of valuation methods, hypotheses and inputs used in the estimation of the fair value of financial instruments.
- Taxation: internal controls to ensure that fiscal calculations are correctly performed and that their balances are adequately recorded in the financial statements, in collaboration with the Group's external tax advice.
- Adjustments based on estimates: controls to ensure that the techniques used to prepare the estimates are based on previously authorized and communicated judgments.
- Controls on consolidation and other financial statement closing processes: Controls on consolidation include, among others, the validation of accounting entries for the elimination of inter- and intra-group transactions and the revision of adjustments after closing.
- Presentation and breakdown of financial statements: final review of the financial statements by the Group's Senior Management, especially in the financial area, with prior controls in the area of Administration and Accounting and Audit Unit.

F.3.2 Policies and procedures for internal control over information systems (among others, on access security, change control, operation thereof, operational continuity and segregation of functions) that support the relevant processes of the entity in relation to the preparation and publication of financial information.

Renta 4 Group maintains different security levels of access to the information systems that support the preparation and publication of financial information, guaranteeing the proper segregation of functions within the accounting process, as well as avoiding any intrusion in this regard.

Associated with the information systems, there is a risk of business continuity, which derives from the possible concurrence of contingencies due to communication failures, power failures, hardware equipment or software programs or other unexpected events, or disasters.

The Renta 4 Group has a business continuity plan, in accordance with the provisions of the MiFID guideline which translates into different coverage plans for the aforementioned risks.

F.3.3 Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

Renta 4 Group does not have any significant activity outsourced that could have a significant impact on the Group's financial statements.

F.4_Information and communication

Report, indicating its main characteristics, if it has at least:

F.4.1 A specific function responsible for defining, keeping updated the accounting policies (area or department of accounting policies) and resolving doubts or conflicts arising from its interpretation, maintaining a fluid communication with those responsible for operations in the organization, as well as a policy manual accountant updated and communicated to the units through which the entity operates.

The responsibility for the proper application of accounting standards in the preparation of financial information rests with the Administration and Accounting Area. Along with the preparation of the accounting information, its functions are as follows:

- Define the Group's Accounting Policies and Procedures.
- Analyse any operation and/or singular transaction for its proper accounting treatment.
- Evaluate the possible impacts before any project of normative change.
- Resolve any query that can be done internally.

The Administration and Accounting area maintains a contact with external auditors before any transaction and/or transaction in which there are doubts about its treatment.

F.4.2 Mechanisms for the capture and preparation of financial information with homogeneous formats, for application and use by all the units of the entity or group, that support the main financial statements and the notes, as well as the information that is detailed on the ICFR.

The main computer systems that intervene in the generation of the financial information used by the Renta 4 Group are centralized and interconnected.

There are procedures and controls that ensure the correct development and maintenance of these systems, and their correct operation, continuity and safety.

In the process of consolidation and preparation of the financial information, the financial statements reported by the group's subsidiaries are used as inputs in the established formats, as well as the rest of the financial information required both for the accounting harmonization process and for the coverage of the information needs established.

F.5_Supervision of system operation

Report, indicating its main characteristics, at least of:

F.5.1 The supervision activities of the ICFR carried out by the audit committee, as well as whether the entity has an internal audit function that has among its competencies the support to the committee in its work of supervision of the internal control system, including the ICFR. Likewise, the scope of the evaluation of the ICFR carried out in the year and the procedure by which the person in charge of executing the evaluation communicates its results will be informed, if the entity has an action plan detailing the eventual corrective measures, and if considered its impact on financial information.

The Audit and Control Committee supervises the proper functioning of the preparation of financial information, through the direct supervision of the internal audit function and the work carried out by the external auditors.

At the same time, the Audit and Control Committee may require the assistance of personnel that integrate the different areas of the Group to gather information related to the existence or not of weaknesses that may have a significant impact on the financial information.

The Group has not established a specific self-assessment procedure. However, the Senior Management of the Group, based on the information obtained from the audit area, both internal and external, and information on inspection procedures of regulatory bodies, carries out an evaluation relative to the effectiveness of the ICFR.

F.5.2 If it has a discussion procedure whereby the auditor of accounts (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to the senior management and the audit committee or administrators of the entity significant weaknesses in internal control identified during the review processes of the annual accounts or those that have been entrusted to them. Likewise, it will inform if it has an action plan that tries to correct or mitigate the observed weaknesses.

The Internal Audit function communicates to the Senior Management and the Audit and Control Committee the significant internal control weaknesses identified in the reviews carried out during the year.

Likewise, the auditor of the Group's accounts has direct access to the Group's Senior Management, holding regular meetings both to obtain information necessary for the development of its work and to communicate the control weaknesses detected in the development of its work. Regarding this last aspect, the external auditors submit a report to the Senior Management every six months and annually, detailing the internal control weaknesses revealed in the development of their work.

In turn, the auditor of accounts informs the Audit and Control Committee of the conclusions of its work of reviewing the Group's Accounts, including any aspect that it considers relevant.

The Internal Audit area periodically monitors the action plans derived from the recommendations issued by the external auditor and informs the Audit and Control Committee of its status, depending on the relevance of the situations, at least annually.

F.6_Other relevant information

No additional aspects to be broken down have been identified.

F.7_Report of the external auditor

Report:

F.7.1 If the ICFR information sent to the markets has been submitted for review by the external auditor, in which case the entity should include the corresponding report as an annex. Otherwise, you should report your reasons.

The Renta 4 Group did not consider it necessary to issue a report from the external auditor on the ICFR, mainly due to the fact that on a semi-annual basis, the external auditors perform either an audit of the consolidated annual accounts or a limited review of the financial statements. consolidated financial statements, within the framework established by the auditing standards, discussing with the Control and Audit Committee any noteworthy aspect or incidence.

G. DEGREE OF FOLLOW UP OF THE RECOMMENDATIONS BY CORPORATE GOVERNANCE

Indicate the degree of monitoring of the company with respect to the recommendations by the Good Governance Code of listed companies.

In the event that any recommendation is not followed or partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have sufficient information to assess the company's behaviour. Explanations of a general nature will not be acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by a single shareholder, or contain other restrictions that make it difficult to take control of the company through the acquisition of its shares in the market.

Complies ✓ Explain

2. When the parent company and a subsidiary company are listed, both define publicly with precision:

a. The respective areas of activity and possible business relationships between them, as well as those of the dependent company listed with the other companies in the group.

b. The mechanisms provided to resolve any conflicts of interest that may arise.

Complies Partially complies Explain **Not Applicable ✓**

3. That during the celebration of the ordinary general meeting, as a complement to the written dissemination of the annual corporate governance report, the President of the board of directors will verbally inform the shareholders, in sufficient detail, of the most relevant aspects of the corporate governance of the company and, in particular:

a. Of the changes that have occurred since the previous ordinary general meeting.

b. Of the specific reasons why, the company does not follow any of the recommendations of the Corporate Governance Code and, if they exist, the alternative rules that apply in that area.

Complies ✓ Partially complies Explain

4. That the company defines and promotes a policy of communication and contacts with shareholders, institutional investors and voting advisors that is fully respectful of the rules against market abuse and provides similar treatment to shareholders who are in the same position.

And that the Company makes public this policy through its website, including information regarding the way in which it has been put into practice and identifying the interlocutors or those responsible for carrying it out.

Complies ✓ Partially complies Explain

5. That the board of directors does not submit to the general meeting a proposal to delegate powers, to issue shares or convertible securities excluding the right of preferential subscription, for an amount exceeding 20% of the capital at the time of delegation.

And when the board of directors approves any issuance of shares or convertible securities excluding the right of pre-emptive subscription, the company immediately publishes on its web page the reports on said exclusion to which commercial legislation refers.

Complies ✓ Partially complies Explain

6. That the listed companies that prepare the reports listed below, whether mandatory or voluntary, publish them on their website in advance of the ordinary general meeting, although their dissemination is not mandatory:

a. Report on the independence of the auditor.

b. Performance reports of the audit and appointment and remuneration commissions.

c. Report of the audit committee on related-party transactions.

d. Report on the corporate social responsibility policy.

Complies ✓ Partially complies Explain

7. That the company transmits, through its website, the holding of general shareholders' meetings.

Complies ✓ Explain

8. That the audit committee ensure that the board of directors seeks to present the accounts to the general meeting of shareholders without limitations or qualifications in the audit report and that, in the exceptional cases in which there are exceptions, both the President of the audit committee as the auditors clearly explain to the shareholders the content and scope of said limitations or qualifications.

Complies ✓ Partially complies Explain

9. That the company makes public on its website, permanently, the requirements and procedures it will accept to accredit the ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of the right to vote.

And that such requirements and procedures favour attendance and the exercise of their rights to shareholders and are applied in a non-discriminatory manner.

Complies ✓ Partially complies Explain

10. That when a legitimated shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or present new proposals for agreement, the company:

a. Immediately disseminate such complementary points and new proposals for agreement.

b. Make public the model of attendance card or form of delegation of vote or vote to distance with the precise modifications so that the new points of the agenda and alternative proposals can be voted according to the same terms that those proposed by the board of directors.

c. Submit all those points or alternative proposals to vote and apply the same voting rules to them as those formulated by the board of directors, including, in particular, presumptions or deductions regarding the direction of the vote.

d. After the general meeting of shareholders, communicate the breakdown of the vote on such complementary points or alternative proposals.

Complies ✓ Partially complies Explain Not Applicable

11. That, in the event that the company plans to pay attendance premiums to the general meeting of shareholders, establish, in advance, a general policy on such premiums and that said policy is stable.

Complies Partially complies Explain **Not Applicable ✓**

12. That the board of directors perform its functions with unity of purpose and independence of judgement, dispense the same treatment to all shareholders who are in the same position and be guided by the social interest, understood as the achievement of a profitable and sustainable business in the long term, that promotes its continuity and the maximization of the economic value of the company.

And in the pursuit of social interest, in addition to respect for laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted good practices and practices, try to reconcile your own social interest with, as appropriate, the legitimate interests of its employees, its suppliers, its customers and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

Complies ✓ Partially complies Explain

13. That the board of directors possesses the precise dimension to achieve an effective and participative operation, which makes it advisable that it has between five and fifteen members.

Complies ✓ Explain

14. That the board of directors approves a policy for the selection of directors that:

a. is specific and verifiable.

b. Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the board of directors.

c. Favours the diversity of knowledge, experiences and gender.

That the result of the previous analysis of the needs of the board of directors be included in the justification report of the appointments committee that is published when convening the general meeting of shareholders to which the ratification, appointment or re-election of each director is submitted.

And that the director selection policy promotes the goal that in 2020 the number of female directors represents at least 30% of the total number of members of the board of directors.

The appointment committee will annually verify compliance with the director selection policy and will be informed of this in the annual corporate governance report.

Complies ✓ Partially complies Explain

15. That the proprietary and independent directors constitute a large majority of the board of directors and that the number of executive directors be the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of the executive directors in the capital of the company.

Complies ✓ Partially complies Explain

16. That the percentage of proprietary directors over the total of non-executive directors is not greater than the proportion between the capital of the company represented by said directors and the rest of the capital.

This criterion may be mitigated:

a. In companies with large capitalization, in which shareholdings that are legally considered significant are scarce.

b. In the case of companies in which there is a plurality of shareholders represented on the board of directors and there are no links between them.

Complies ✓ Explain

17. That the number of independent directors represents at least half of the total number of directors.

That, however, when the company is not highly capitalized or when, even if it is, it has a shareholder or several acting in concert, that controls more than 30% of the share capital, the number of independent directors represents at least one third of the total number of directors.

Complies ✓ Explain

18. That the companies make public through their website, and keep updated, the following information about their directors:

a. Professional and biographical profile.

b. Other boards of directors to which they belong, whether or not they are listed companies, as well as other paid activities that they carry out whatever their nature.

c. Indication of the category of director to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or with whom they have links.

d. Date of their first appointment as a director in the company, as well as of the subsequent re-elections.

e. Company shares, and options on them, of which they are holders.

Complies ✓ Partially complies Explain

19. That in the annual corporate governance report, after verification by the appointments committee, explain the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding is less than 3% of the capital; and the reasons why formal requests for board presence from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed should not be addressed.

Complies ✓ Partially complies Explain Not Applicable

20. That the proprietary directors present their resignation when the shareholder they represent transfers its shareholding in its entirety. And also, do so, in the corresponding number, when said shareholder reduces its shareholding to a level that requires the reduction of the number of its proprietary directors.

Complies ✓ Partially complies Explain Not Applicable

21. That the board of directors does not propose the separation of any independent director before the fulfilment of the statutory period for which he was appointed, except when there is a just cause, appreciated by the board of directors after a report from the appointments committee. In particular, it will be understood that there is just cause when the director moves to new positions or contracts new obligations that prevent him from devoting the time necessary to carry out the duties of the position of director, breach the duties inherent to his position or incur in some of the circumstances that make him lose his status as independent, in accordance with the provisions of the applicable legislation.

Separation of independent directors may also be proposed as a result of public takeover bids, mergers or other similar corporate transactions involving a change in the capital structure of the company, when such changes in the structure of the board of directors are favoured by the criterion of proportionality indicated in recommendation 16.

Complies ✓ Explain

22. That the companies establish rules that oblige the directors to inform and, if applicable, resign in those cases that could harm the credit and reputation of the company and, in particular, oblige them to inform the board of directors of the criminal cases in those that appear as imputed, as well as their subsequent procedural vicissitudes.

And that if a director is prosecuted or is ordered to open a trial for any of the crimes outlined in the corporate legislation, the board of directors will examine the case as soon as possible and, in view of its specific circumstances, decide whether or not the director continues in his position. And that of all this the board of directors' accounts, in a reasoned manner, in the annual corporate governance report.

Complies ✓ Partially complies Explain

23. That all directors clearly express their opposition when they consider that any proposed decision submitted to the board of directors may be contrary to the corporate interest. And, in particular, independent directors and other directors who are not affected by the potential conflict of interest should do so in the case of decisions that could harm shareholders not represented on the board of directors.

And when the board of directors adopts significant or repeated decisions on which the director has made serious reservations, the latter draw the appropriate conclusions and, if he opts to resign, explain the reasons in the letter referred to in the following recommendation.

This recommendation also reaches the secretary of the board of directors, even if he does not have the status of a director.

Complies ✓ Partially complies Explain Not Applicable

24. When, by resignation or for another reason, a director leaves office before the end of his term, explain the reasons in a letter sent to all members of the board of directors. And that, notwithstanding that said termination is communicated as a relevant event, the reason for the termination is reported in the annual corporate governance report.

Complies ✓ Partially complies Explain Not Applicable

25. That the appointments committee ensures that non-executive directors have sufficient time available for the proper performance of their duties.

And that the regulations of the board establish the maximum number of board of directors of which its directors can be a part.

Complies **Partially complies** ✓ Explain

Although the Regulations of the Board of the Company do not contain any mention of the maximum number of boards of directors that can be part of it, this is defined in the regulations that apply to the Company due to its status as a credit institution. Therefore, it is clear that the principle guiding the recommendation, that is, that the directors devote sufficient time for the effective performance of their duties and to know the business of the Company and the governing rules that govern it, is not left unprotected., and that the purpose of the same is complied with despite not following the recommendation in full, being the directors aware of the limitations established by the regulations in this regard.

26. That the board of directors meet with the necessary frequency to effectively perform its functions and, at least, eight times a year, following the schedule of dates and matters established at the beginning of the year, each director being able to individually propose other points of order of the day initially not foreseen.

Complies ✓ Partially complies Explain

27. That the absences of the directors are reduced to the indispensable cases and are quantified in the annual corporate governance report. And that, when they should occur, representation is granted with instructions.

Complies ✓ Partially complies Explain

28. That when the directors or the secretary express concern about any proposal or,

in the case of the directors, about the progress of the company and such concerns are not resolved in the board of directors, at the request of the person who said them, a record is left of them in the minutes.

Complies ✓ Partially complies Explain Not Applicable

29. That the company establishes the appropriate channels so that the directors can obtain the necessary advice for the fulfilment of their duties, including, if required by the circumstances, external advice charged to the company.

Complies ✓ Partially complies Explain

30. That, regardless of the knowledge required of directors for the exercise of their duties, companies also offer directors refresher programs when the circumstances warrant.

Complies ✓ Explain Not Applicable

31. That the agenda of the sessions clearly indicate those points on which the board of directors must adopt a decision or agreement so that the directors can study or collect, in advance, the information required for its adoption.

When, exceptionally, for reasons of urgency, the President wishes to submit decisions or resolutions that do not appear on the agenda to the approval of the board of directors, the prior and express consent of the majority of the present directors must be obtained, and due record of it shall be left in the minutes.

Complies ✓ Partially complies Explain

32. That the directors are periodically informed of the movements in the shareholding and of the opinion that the significant shareholders, investors and rating agencies have about the company and its group.

Complies ✓ Partially complies Explain

33. That the President, as the person in charge of the efficient functioning of the board of directors, besides exercising the functions legally and statutorily attributed, prepares and submits to the board of directors a schedule of dates and matters to be discussed; organize and coordinate the periodic evaluation of the board, as well as, where appropriate, the first executive of the company; be responsible for the direction of the board and the effectiveness of its operation; ensure that sufficient discussion time is devoted to strategic issues, and agree and review the knowledge updating programs for each director, when circumstances warrant.

Complies ✓ Partially complies Explain

34. That when there is a coordinating director, the articles of association or the regulations of the board of directors, in addition to the powers that correspond to him legally, assign him the following: preside over the board of directors in the absence of the President and vice presidents, if any; echo the concerns of non-executive directors; maintain contacts with investors and shareholders to know their points of view in order to form an opinion on their concerns, in particular, in relation to the corporate governance of the company; and coordinate the President's succession plan.

Complies ✓ Partially complies Explain Not Applicable

35. That the secretary of the board of directors ensure in a special way that in its actions and decisions the board of directors takes into account the recommendations on good governance contained in this Code of good governance that are applicable to the Company.

Complies ✓ Explain

36. That the board of directors in plenary evaluate once a year and adopt, where appropriate, an action plan that corrects the deficiencies detected regarding:

a. The quality and efficiency of the operation of the board of directors.

b. The operation and composition of its committees.

c. The diversity in the composition and powers of the board of directors.

d. The performance of the President of the board of directors and the chief executive of the company.

e. The performance and contribution of each director, paying special attention to those responsible for the different board committees.

In order to carry out the evaluation of the different commissions, it will be based on the report that they submit to the board of directors, and for that of the latter, from the one that the appointment committee elevates.

Every three years, the board of directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the appointments committee.

The business relationships that the consultant or any company of its group maintains with the company or any company of its group must be broken down in the annual corporate governance report.

The process and the areas evaluated will be described in the annual corporate governance report.

Complies ✓ Partially complies Explain

37. When there is an executive committee, the structure of participation of the different categories of directors is similar to that of the board of directors itself and its secretary is the latter.

Complies Partially complies Explain **Not Applicable** ✓

38. That the board of directors is always aware of the matters dealt with and of the decisions adopted by the executive committee and that all the members of the board of directors receive a copy of the minutes of the meetings of the executive committee.

Complies ✓ Partially complies Explain Not Applicable

39. That the members of the audit committee, and especially its President, be appointed taking into account their knowledge and experience in accounting, auditing or risk management, and that the majority of these members be independent directors.

Complies ✓ Partially complies Explain

40. That under the supervision of the audit committee, a unit is available that assumes the function of internal audit that ensures the proper functioning of the information and internal control systems and functionally depends on the non-executive President of the board or the audit committee.

Complies ✓ Partially complies Explain

41. That the person in charge of the unit that assumes the internal audit function presents the annual work plan to the audit committee, reports directly on the incidents that arise in its development and submits an activity report at the end of each year.

Complies ✓ Partially complies Explain Not Applicable

42. That, in addition to those provided by law, the following functions correspond to the audit committee:

1. In relation to the information and internal control systems:

a. Supervise the preparation process and the integrity of the financial information relative to the company and, where applicable, the group, reviewing compliance with the regulatory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the accounting criteria.

b. Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, re-election and removal of the person responsible for the internal audit service; propose the budget for that service; approve the orientation and its work plans, making sure that its activity is focused mainly on the relevant risks of the Company; receive periodic information about their activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c. Establish and supervise a mechanism that allows employees to communicate, confidentially and, if possible and considered appropriate, anonymously, irregularities of potential importance, especially financial and accounting, that they notice within the company.

2. Regarding the external auditor:

a. In case of resignation of the external auditor, examine the circumstances that may have motivated it.

b. Ensure that the remuneration of the external auditor for their work does not compromise their quality or independence.

c. Supervise that the company reports the change of auditor as a relevant event to the CNMV and accompanies it with a statement about the possible existence of disagreements with the outgoing auditor and, if they existed, their content.

d. Ensure that the external auditor holds an annual meeting with the full board of directors to inform him of the work done and the evolution of the accounting and risk situation of the company.

e. Ensure that the company and the external auditor respect the regulations in force regarding the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, the other rules on the independence of auditors.

Complies ✓ Partially complies Explain

43. That the audit committee can summon any employee or manager of the company, and even order that they appear without the presence of any other manager.

Complies ✓ Partially complies Explain

44. That the audit committee be informed about the operations of structural and corporate modifications that the company plans to carry out for its analysis and prior report to the board of directors on its economic conditions and its accounting impact and, especially, where applicable, on the equation of proposed exchange.

Complies ✓ Partially complies Explain Not Applicable

45. That the risk control and management policy identify at least:

a. The different types of risk, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational) to which company faces, including financial or economic liabilities, contingent liabilities and liabilities. other off-balance risks.

b. The determination of the level of risk that society considers acceptable.

c. The measures planned to mitigate the impact of the risks identified, should they materialize.

d. The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance-sheet risks.

Complies ✓ Partially complies Explain

46. That under the direct supervision of the audit committee or, as the case may be, of a specialized committee of the board of directors, there is an internal function of control and risk management exercised by a unit or internal department of the company that has expressly attributed the following functions:

a. Ensure the proper functioning of risk control and management systems and, in particular, that all important risks affecting the company are identified, managed and quantified adequately.

b. Actively participate in the development of the risk strategy and in important decisions about its management.

c. Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the board of directors.

Complies ✓ Partially complies Explain

47. That the members of the Appointments and Remuneration Committee - or of the Appointments Committee and the Remuneration Committee, if they are separated - be appointed so that they have the knowledge, skills and experience appropriate to the functions they are called upon to perform and that the majority of these members are independent directors.

Complies ✓ Partially complies Explain

48. That the companies of high capitalization have a separate committee of appointments and committee of remunerations.

Complies Explain **Not Applicable** ✓

49. That the appointments committee consults the President of the board of directors and the chief executive of the company, especially when dealing with matters relating to executive directors.

And that any director may request from the appointments committee to take into consideration, in case he finds them suitable in his opinion, potential candidates to fill vacancies of director.

Complies ✓ Partially complies Explain

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, the following correspond to it:

a. Propose to the board of directors the basic conditions of the contracts of senior managers.

b. Check the observance of the remuneration policy established by the company.

c. Periodically review the remuneration policy applied to directors and senior managers, including the remuneration systems with shares and their application, as well as ensuring that their individual remuneration is proportionate to that paid to other directors and senior managers of the company.

d. Ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the commission.

e. Verify information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on directors' remuneration.

Complies ✓ Partially complies Explain

51. That the remuneration committee consults the President and the chief executive of the company, especially when dealing with matters relating to executive directors and senior managers.

Complies ✓ Partially complies Explain

52. That the rules for the composition and functioning of the supervision and control commissions appear in the regulations of the board of directors and that they are consistent with those applicable to the legally binding commissions according to the previous recommendations, including:

a. That they are composed exclusively of non-executive directors, with a majority of independent directors.

b. That its Presidents be independent directors.

c. That the board of directors appoint the members of these committees taking into account the knowledge, skills and experience of the directors and the duties of each committee, deliberate on their proposals and reports; and that it render accounts, in the first plenary meeting of the board of directors after its meetings, of its activity and that they respond of the work carried out.

d. That the committees may seek external advice, when they deem it necessary for the performance of their duties.

e. That minutes are drawn up from their meetings, which will be made available to all the directors.

Complies ✓ Partially complies Explain Not Applicable

53. That the supervision of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy be attributed to one or be distributed among several committees of the board of directors that may be the audit committee, the appointments, the corporate social responsibility committee, if any, or a specialized committee that the board of directors, exercising its powers of self-organization, decides to create for that purpose, to which the following minimum functions are specifically attributed:

a. Supervision of compliance with the internal codes of conduct and the rules of corporate governance of the company.

b. Supervision of the communication strategy and relationship with shareholders and investors, including small and medium shareholders.

c. Periodic evaluation of the adequacy of the corporate governance system of the company, in order that it fulfils its mission to promote the social interest and take into account, as appropriate, the legitimate interests of the other interest groups.

d. The review of the corporate responsibility policy of the company, ensuring that it is aimed at the creation of value.

e. The monitoring of the strategy and practices of corporate social responsibility and the evaluation of its degree of compliance.

f. The supervision and evaluation of the relationship processes with the different interest groups.

g. The evaluation of everything related to the non-financial risks of the company -including operational, technological, legal, social, environmental, political and reputational risks.

h. The coordination of the process of reporting non-financial information and diversity, in accordance with applicable regulations and international reference standards.

Complies ✓ Partially complies Explain

54. That the corporate social responsibility policy includes the principles or commitments that the company assumes voluntarily in its relationship with the different stakeholders and identifies at least:

a. The objectives of the corporate social responsibility policy and the development of support instruments.

b. The corporate strategy related to sustainability, the environment and social issues.

c. The concrete practices in matters related to: shareholders, employees, customers, suppliers, social issues, environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal behaviour.

d. The methods or systems for monitoring the results of the application of the specific practices indicated in the previous letter, the associated risks and their management.

e. The mechanisms of supervision of non-financial risk, ethics and business conduct.

f. The channels of communication, participation and dialogue with stakeholders.

g. Responsible communication practices that avoid information manipulation and protect integrity and honour.

Complies ✓ Partially complies Explain

55. That the company reports, in a separate document or in the management report, on matters related to corporate social responsibility, using some of the internationally accepted methodologies.

Complies ✓ Partially complies Explain

56. That the remuneration of the directors be necessary to attract and retain the directors of the desired profile and to reward the dedication, qualification and responsibility that the position requires, but not so high as to compromise the independent criteria of the directors not executives.

Complies ✓ Explain

57. That the variable remuneration linked to the performance of the company and personal performance be limited to the executive directors, as well as the remuneration through the delivery of shares, options or rights over shares or instruments referenced to the value of the share and the long-term savings systems term such as pension plans, retirement systems or other social welfare systems.

The delivery of shares may be contemplated as remuneration for non-executive directors when it is conditioned to keep them until they cease to be directors. The foregoing shall not apply to the actions that the director needs to transfer, in its case, to satisfy the costs related to its acquisition.

Complies ✓ Partially complies Explain

58. That in case of variable remuneration, the remuneration policies incorporate the limits and the precise technical cautions to ensure that such remunerations are related to the professional performance of their beneficiaries and do not derive only from the general evolution of the markets or the sector of activity of the company or other similar circumstances.

And, in particular, that the variable components of remuneration:

a. They are linked to performance criteria that are predetermined and measurable and that said criteria consider the risk assumed to obtain a result.

b. Promote the sustainability of the company and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the rules and internal procedures of the company and its policies for the control and management of risks.

c. They are configured on the basis of a balance between the fulfilment of short, medium and long-term objectives, which allow remunerating the performance for a continuous performance during a period of time sufficient to appreciate its contribution to the sustainable creation of value, so that the elements of measurement of that performance do not turn only around specific, occasional or extraordinary events.

Complies ✓ Partially complies Explain Not Applicable

59. That the payment of a relevant part of the variable components of the remuneration is deferred for a minimum period of time sufficient to verify that the previously established performance conditions have been met.

Complies ✓ Partially complies Explain Not Applicable

60. That the remuneration related to the results of the company take into account any qualifications stated in the external auditor's report and reduce said results.

Complies ✓ Partially complies Explain Not Applicable

61. That a significant percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to their value.

Complies ✓ Partially complies Explain Not Applicable

62. Once the shares or options or rights over shares corresponding to the remuneration systems have been attributed, the directors cannot transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration, nor can they exercise the options or rights until after the expiration of a term of, at least, three years from its attribution.

The foregoing shall not apply to the actions that the director needs to transfer, in its case, to satisfy the costs related to its acquisition.

Complies ✓ Partially complies Explain Not Applicable

63. That the contractual agreements include a clause that allows the company to claim the reimbursement of the variable components of the remuneration when the payment has not been adjusted to the performance conditions or when they have been paid based on data whose inaccuracy is subsequently accredited.

Complies Partially complies **Explain ✓** Not Applicable

No other mechanisms are foreseen in this respect than those included in the applicable mercantile legislation.

64. That the payments for resolution of the contract do not exceed an established amount equivalent to two years of the total annual remuneration and that they are not paid until the company has been able to verify that the director has complied with the previously established performance criteria.

Complies **Partially complies ✓** Explain Not Applicable

The indemnities for resolution of the contracts include the payment for an amount equivalent to the accrued and perfected portion of the annual variable remuneration, as the case may be, and in respect of the deferred part, the entire amount of the deferred payment, and, in the event of resignations., the accrued and perfected part of the annual variable remuneration, as applicable, in accordance with the regulations, up to the date of termination of the employment relationship.

H. OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect regarding corporate governance in the company or in the group entities that has not been included in the rest of the sections of this report, but which must be included to gather more complete and reasoned information about the structure and government practices in the entity or your group, briefly describe them.

2. Within this section, you can also include any other information, clarification or nuance related to the previous sections of the report insofar as they are relevant and not repetitive.

Specifically, it will be indicated if the company is subject to legislation other than Spanish legislation in matters of corporate governance and, where appropriate, include the information that is required to be provided and is different from that required in this report.

3. The company may also indicate if it has voluntarily adhered to other codes of ethical principles or good practices, international, sectoral or otherwise. Where appropriate, the code in question and the date of accession will be identified.

D.2. Given that the IT application that generates the Annual Corporate Governance Report demands the existence of identity with the informed shareholders from section A.2., the transactions made between Renta 4 Banco, S.A. and the shareholders whose ownership is equal or greater to 3% have being collected.

Nonetheless, considering that in accordance with the accounting regulations applicable to Renta 4 Banco, S.A., and in relation to the related party transactions, it is necessary to include in the annual financial statements the information relating thereto between the company and the shareholders whose ownership is equal or greater than 1%. To increase the transparency the transactions made between Renta 4 Banco, S.A., and its shareholders whose ownership is equal or greater than 1%, or made with related third parties, have being included as annex.

D.5. The total amount in section D.5. corresponds to the transactions made between the company and the shareholders whose ownership is equal or greater than 1%, or with related third parties.

This annual report on corporate governance has been approved by the Board of Directors of the company, in its session dated 03/13/2018.

Indicate if there were any directors who voted against or abstained in relation to the approval of this Report.

Sí **No** ✓

NAME OR COMPANY NAME OF THE MAIN SIGNIFICANT SHAREHOLDER	NAME OR COMPANY NAME OF THE ENTITY OF ITS GROUP	NATURE OF THE RELATIONSHIP	TYPE OF OPERATION	AMOUNT
MOBEL LINEA S.L.	MOBEL LINEA S.L.	CONTRACTUAL	SERVICE PROVISION	1
SURIKOMI S.A.	SURIKOMI S.A.	CONTRACTUAL	INTEREST PAID	1
MATILDE FERNENDEZ DE MIGUEL	MATILDE FERNANDEZ DE MIGUEL	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	106
MATILDE ESTADES SECO	MATILDE ESTADES SECO	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	291
ARBARIN SICAV S.A.	ARBARIN SICAV S.A.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	163
JUAN CARLOS URETA ESTADES	JUAN CARLOS URETA ESTADES	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	3
FUNDACIÓN GONZALEZ ENCISO	FUNDACIÓN GONZALEZ ENCISO	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	133
SURIKOMI S.A.	SURIKOMI S.A.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	622
CRISTINA GONZALEZ-ENCISO FERNANDEZ	CRISTINA GONZALEZ-ENCISO FERNANDEZ	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	9

NAME OR COMPANY NAME OF THE MAIN SIGNIFICANT SHAREHOLDER	NAME OR COMPANY NAME OF THE ENTITY OF ITS GROUP	NATURE OF THE RELATIONSHIP	TYPE OF OPERATION	AMOUNT
SANTIAGO GONZALEZ-ENCISO FERNANDEZ	SANTIAGO GONZALEZ-ENCISO FERNANDEZ	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	9
MATILDE URETA ESTADES	MATILDE URETA ESTADES	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	1
IGNACIO GONZALEZ-ENCISO FERNANDEZ	IGNACIO GONZALEZ-ENCISO FERNANDEZ	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	9
MATILDE GONZALEZ-ENCISO FERNANDEZ	MATILDE GONZALEZ-ENCISO FERNANDEZ	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	9
IGE-6 S.L.	IGE-6 S.L.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	77
PILAR MURO NAVARRO	PILAR MURO NAVARRI	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	124
MARIA GONZALEZ-ENCISO FERNANDEZ	MARIA GONZALEZ-ENCISO FERNANDEZ	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	9
INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA S.L.	INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA S.L.	CONTRACTUAL	INTEREST PAID	206
INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA S.L.	INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA S.L.	CONTRACTUAL	SERVICE PROVISION	88
INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA S.L.	INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA S.L.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	698
SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	CONTRACTUAL	INTEREST PAID	8
CONTRATAS Y SERVICIOS EXTREMEÑOS S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS S.A.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	601
SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	CONTRACTUAL	FINANCE AGREEMENTS: LOANS	1500
MATILDE URETA ESTADES	MATILDE URETA ESTADES	CONTRACTUAL	OTHER	3
CONTRATAS Y SERVICIOS EXTREMEÑOS S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS S.A.		OTRAS	109
MOBEL LINEA S.L.	MOBEL LINEA S.L.	CONTRACTUAL	OTHER	387
SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	CONTRACTUAL	FINANCE AGREEMENT: LOANS	500

NAME OR COMPANY NAME OF THE MAIN SIGNIFICANT SHAREHOLDER	NAME OR COMPANY NAME OF THE ENTITY OF ITS GROUP	NATURE OF THE RELATIONSHIP	TYPE OF OPERATION	AMOUNT
SURIKOMI S.A.	SURIKOMI S.A.	CONTRACTUAL	OTHER	358
MOBEL LINEA S.L.	MOBEL LINEA S.L.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	276
MATILDE ESTADES SECO	MATILDE ESTADES SECO	CONTRACTUAL	OTHER	15
INES ASUNCION URETA ESTADES	INES ASUNCION URETA ESTADES	CONTRACTUAL	OTHER	1
JUAN CARLOS URETA ESTADES	JUAN CARLOS URETA ESTADES	CONTRACTUAL	OTHER	8
QUALIFIED INVESTOR SICAV	QUALIFIED INVESTOR SICAV	CONTRACTUAL	OTHER	646
HELP INVERSIONES SICAV S.A.	HELP INVERSIONES SICAV S.A.	CONTRACTUAL	OTHER	314
KURSAAL 2000 SICAV S.A.	KURSAAL 2000 SICAV S.A.	CONTRACTUAL	OTHER	542
KURSAAL 2000 SICAV S.A.	KURSAAL 2000 SICAV S.A.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	13
HELP INVERSIONES SICAV S.A.	HELP INVERSIONES SICAV S.A.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	14
INDUMENTA PUERI S.L.	INDUMENTA PUERI S.L.	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	627
BANK OF AMERICA CORPORATION	BANK OF AMERICA CORPORATION	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	226
CARTERA DE DIRECTIVOS 2011	CARTERA DE DIRECTIVOS 2011	CONTRACTUAL	INTEREST PAID	27
CARTERA DE DIRECTIVOS 2011	CARTERA DE DIRECTIVOS 2011	CONTRACTUAL	SERVICE PROVISION	44
HELP INVERSIONES SICAV S.A.	HELP INVERSIONES SICAV S.A.	CONTRACTUAL	SERVICE RECEIPT	9
HELP INVERSIONES SICAV S.A.	HELP INVERSIONES SICAV S.A.	CONTRACTUAL	SERVICE PROVISION	46
KURSAAL 2000 SICAV S.A.	KURSAAL 2000 SICAV S.A.	CONTRACTUAL	SERVICE PROVISION	43
QUALIFIED INVESTOR SICAV	QUALIFIED INVESTOR SICAV	CONTRACTUAL	SERVICE PROVISION	55
SURIKOMI S.A.	SURIKOMI S.A.	CONTRACTUAL	SERVICE PROVISION	15
INES ASUNCION URETA ESTADES	INES ASUNCION URETA ESTADES	CORPORATE	DIVIDENDS AND OTHER PROFITS DISTRIBUTED	1
CARTERA DE DIRECTIVOS 2011	CARTERA DE DIRECTIVOS 2011	CONTRACTUAL	OTHER	407
SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	SOCIEDAD VASCO MADRILEÑA DE INVERSIONES S.L.	CONTRACTUAL	OTHER	90
				8107

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Annual report on remuneration of directors of listed public limited companies

Annual report on remuneration of directors of listed public limited companies

Final date of the reference year 31/12/2017

Identifying data of the issuer

C.I.F. A- 82473018
Company name:
RENTA 4 BANCO, S.A.
Paseo de la Habana, 74
28036 Madrid

A REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS

A.1 Explain the remuneration policy of the Company. This section will include information on:

- Principles and general foundations of the remuneration policy.
- Most significant changes made in the remuneration policy with respect to that applied during the previous year, as well as the modifications made during the year to the conditions for exercising options already granted.
- Criteria used and composition of groups of comparable companies whose remuneration policies have been examined to establish the company's remuneration policy.
- Relative importance of the variable remuneration concepts with respect to the fixed remuneration concepts and the criteria followed to determine the different components of the remuneration package of the directors (remuneration mix).

Explain the remuneration policy

The remuneration policy for directors (the "**Remuneration Policy**") of Renta 4 Banco, S.A. (the "**Company**" or "**Renta 4**") is intended to align the interests of the shareholders with those of the Company, seeking a prudent management of the activity and minimizing the risks inherent to it, as well as gratifying the work of the Company's personnel in achieving said purpose. All this to contribute to the Company being able to fulfil its strategic objectives within the framework in which it carries out its activity.

In accordance with the provisions of article 24 of the Regulations of the Board of Directors of Renta 4, the latter has sought to ensure that the remuneration is guided by the market conditions of comparable credit institutions by reason of their size, ensuring that the remuneration is adjusted to criteria of moderation and adequacy with the results of the Company.

In this sense, the Remuneration Policy seeks to establish a remuneration scheme appropriate to the dedication and responsibility assumed by the people to whom it is applicable, in order to, on the one hand, attract, retain and motivate the most outstanding professionals, and for another, to help the Company to meet its strategic objectives within the framework in which it carries out its activity, all in accordance with the provisions of Royal Decree 771/2011, Law 10/2014 of June 26 and the Royal Decree 84/2015 of February 13, by which Law 10/2014 is developed, in relation to the policy of remuneration of credit institutions, Law 31/2014 of December 3, which modifies the Capital Companies Law in matters of Corporate Governance in relation to the remuneration policy of listed companies, as well as Circular 4/2011 and Circular 2/2016, of February 2, both of Banco de España.

In virtue of the foregoing, the Remuneration Policy is based among others on the following principles:

a. The Remuneration Policy applies to executive and non-executive members of the Renta 4 Board of Directors, senior executives, as well as to those categories of employees of the Company whose professional activities have a significant impact on the risk profile of the same and those that exercise control functions, as well as those categories of employees of the Company that receive a global remuneration that includes it in the same scale of remuneration as that of senior managers and employees who assume risks , whose professional activities have a significant impact on its risk profile.

b. The Remuneration Policy is compatible with an adequate and effective risk management, always promoting said management, without offering, as a consequence, incentives for a risk assumption that exceeds the level of risk tolerated by the Company.

c. The Remuneration Policy is compatible with the corporate strategy, the objectives, values and interests of the Company in the long term, being subject to review on an annual basis, the Board proposing, where appropriate, the modifications it deems appropriate.

d. The remuneration paid by the Company in accordance with these principles is adjusted to criteria of moderation and adaptation to the Group's results, and favours sound and effective risk management, avoiding conflicts of interest.

e. Likewise, the remuneration establishes an adequate balance between the fixed and variable components and takes into account the responsibility and degree of commitment that the role played by each individual entail, as well as all types of current and future risks.

f. The variable components of remuneration are sufficiently flexible to allow their modulation to the extent that it is possible to completely eliminate the variable remuneration.

g. Evaluates the results in order to calculate the variable components of the remuneration or funds to pay for these components, an adjustment is made for all types of current and future risks, and the cost of capital and the necessary liquidity are taken into account.

h. Variable remuneration is only paid if it is sustainable according to the situation of the Company, and if it is justified based on the results of the same and the business unit and the employee in question, the Company may, for these purposes, retain all or part of it. However, in relation to the personnel that exercise control functions, the remuneration of the same is not subject to the results of the business areas that they control.

   This evaluation is part of a multi-year framework ensuring that the evaluation process is based on long-term results and that the effective payment of the variable components is spread over the period taken into account by the Remuneration Policy.

i. Payments for early termination of an agreement are based on the results obtained over time, established in such a way that they do not reward bad results.

j. The pension policy is compatible with the company's strategy, objectives and values and the long-term interests of the Company.

k. The possible regime of rights in matters of widowhood, orphanhood and death that is established, is adjusted to the market and to that established in the applicable regulations.

There have been no significant changes in the Remuneration Policy with respect to that applied during the previous year, which are indicated in Subsection A.4., except for the non-inclusion of the Delivery Plan for Stock Options approved in the Annual Meeting on April the 28th 2017 ("POA 2017").

Finally, in relation to the relative importance of the variable remuneration concepts with respect to the fixed ones, the principles on which the Remuneration Policy is based reflect that it will establish an adequate balance between the fixed and variable components, always taking into consideration the responsibility and degree of commitment that carries the role that each individual is called to perform, as well as all types of current and future risks, an aspect that is included in it. In this regard, currently the executive directors of the Company receive variable remuneration based on the performance of their duties, as indicated in section A.4 below.

A.2 Information on the preparatory work and the decision-making process that has been followed to determine the remuneration policy and the role played, where appropriate, by the Remuneration Committee and other control bodies in shaping the policy of remunerations. This information will include, where appropriate, the mandate and composition of the Remuneration Committee and the identity of the external advisors whose services have been used to define the remuneration policy. Likewise, the nature of the directors who, if applicable, have intervened in the definition of the remuneration policy will be expressed.

Explain the process to determine the remuneration policy

Within the framework of the provisions of the Corporate Articles of Association, the Regulations of the Board of Directors of the Company reserve to this body the power to adopt the decisions to be proposed to the General Meeting regarding the remuneration of the directors. In accordance with the best practices of corporate governance, the Board of Directors of the Company has constituted, for the best performance of its functions, different Committees that assist it in those matters that correspond to matters of its competence. Among these, the Appointments and Remuneration Committee (the "**CNR**") is the body that advises and informs the Board of Directors regarding the issues, among others, of a remunerative nature attributed to it in the Regulations of the Board, ensuring compliance with the remuneration policy established by the General Shareholders' Meeting of the Board of Directors of the Company and proposing, where appropriate, the modifications it deems appropriate. That is why it will be the Board of Directors who, in the exercise of their duties, approves, at the proposal of the CNR, the Remuneration Policy for the current year, submitting it to the General Meeting of the Company for approval.

The Appointments and Remuneration Committee, pursuant to the provisions of Article 32 of the Regulations of the Board of Directors, is currently composed of 3 members appointed by the Board of Directors, Mr. Eduardo Trueba Cortes and Ms. Sarah Harmon, as independent directors and Mr. Pedro Ángel Navarro Martínez as another external director.

This Committee meets as often as it is necessary for the performance of its duties, convened by its President or, as the case may be, by the President of the Board, at least once a quarter, having met during the year 2017 on 4 occasions to deal with issues related to their competences.

Without prejudice to other tasks assigned to it by the Board, the CNR has the following powers in relation to matters of a retributive nature:

- To watch over the observance of the remuneration policy established by the Company; and in particular, periodically review and propose to the Board of Directors the remuneration policy for directors, senior executives, executive commissions, executive directors and, where applicable, those categories of employees who, for the functions they perform, are included in the remuneration policy by virtue of the applicable regulations, the application thereof, including the remuneration systems with shares and their application, as well as ensuring that their individual compensation is proportional to that paid to directors and senior managers;
- propose to the Board of Directors the individual remuneration and the terms and conditions of the contracts of the executive directors and the basic conditions of the contracts of the senior executives, all in accordance with the Remuneration Policy approved by the General Meeting;
- To see the transparency of the remuneration and the observance of the remuneration policy established by the Company. In this regard, the CNR will propose, where appropriate, the corresponding amendments to the Remuneration Policy to the Board of Directors.

The Regulations of the Board of Directors, both with regard to the CNR itself and to the directors in general, provide that all of them (the Committee or the members of the Board, as the case may be) may request external advice in matters they consider necessary (art. 29.2 of the Regulations of the Board).

The Corporate Governance standards of the Company have been configured in such a way that the proposals that are submitted to the Board of Directors for consideration in terms of remuneration have their origin in the CNR, which analyses them beforehand, counting on the internal services of the Company and of external experts when necessary. In addition, all decisions regarding remuneration that affect the directors have been submitted (or will be submitted) for the approval of the General Shareholders' Meeting of the Company.

All of which ensures an adequate decision-making process in the area of remuneration.

A.3 Indicate the amount and nature of the fixed components, with breakdown, where applicable, of the remuneration for the performance of functions of the senior management of the executive directors, of the additional remuneration as President or member of a committee of the Board, of the allowances for participation in the board and its commissions or other fixed remuneration as a director, as well as an estimate of the annual fixed remuneration to which they give rise. Identify other benefits that are not paid in cash and the fundamental parameters for which they are granted.

Explain the fixed components of the remuneration

The Company has drawn up a remuneration system that differentiates the executive directors from the rest of the directors. In this sense, the nature and amount of the fixed components of the directors' remuneration are explained below:

a) Fixed remuneration of the non-executive directors:

The directors will receive an annual fixed remuneration in line with market standards for the performance of their duties as members of the Board of Directors, taking into account the functions and responsibilities exercised by each of the directors within the Board itself or its Committees.

The amount of remuneration that the Company may pay to all of its directors for such items shall not exceed the amount set for this purpose by the General Meeting.

In this sense, the remuneration of the directors will consist of a fixed annual amount for the performance of their duties as members of the Board of Directors, which amounts to 2018 the maximum global amount of 622,176 euros, at the rate of 60,000 gross euros for each one of the non-executive directors who are natural persons and 71,088 euros gross for each one of the non-executive directors, legal persons. However, if the number of non-executive directors is increased by more than the current ten members, the aforementioned maximum amount may be increased by each new non-executive member of the board of directors in the corresponding fixed amount (60,000 euros or 71,088 euros) in consideration of their status as a natural person or person, up to a maximum of the remuneration of all non-executive directors of 884,352 €.

The executive directors will not receive any remuneration for their status as directors of the Company, their remuneration being only that received for their executive functions.

b) Fixed remuneration of executive directors:

The fixed remuneration of the executive directors takes into account their level of responsibility, ensuring that it is competitive with that applied in equivalent functions in other competing entities. Thus, for its determination and possible updates, the CNR takes into account the specific characteristics of each position, assigned functions, the level of responsibility, degree of commitment assumed and dedication required, in order to establish compensations that are appropriate and competitive in the market.

The only executive directors whose appointment as directors is associated with their executive functions are:

- President with executive functions: Mr. Juan Carlos Ureta Domingo.
- CEO: Mr. Juan Luis López García.
- Director and General Manager: Mr. Jesús Sánchez-Quiñones González.
- Regional Manager and Director: Mr. Santiago González Enciso.

The remuneration of the executive directors for the 2018 financial year, based on their responsibility, functions attributed and degree of commitment assumed, as regards fixed remuneration, will be as follows:

i. iPresident: The retribution of Mr. Juan Carlos Ureta Domingo as President of the Company will have a fixed annual remuneration consisting of 300,000 gross euros, which will be paid in 12 monthly instalments, all for the same amount.

ii. iThe CEO: The CEO of the Company, Mr. Juan Luis López García, will have established an annual fixed remuneration of 275,000 gross euros.

iii. iThe Director and General Manager: The General Manager of the Company, Mr. Jesús Sánchez-Quiñones González, will have established an annual fixed remuneration of 275,000 gross euros.

iv. Regional Manager: Mr. Santiago González Enciso will have established an annual fixed remuneration of 75,000 gross euros. In relation to the estimation of the annual fixed remuneration, given that the amounts indicated are fixed and will not depend on any objective or variable aspect, there is no estimate in this regard, said amounts being the amounts in the form of fixed remuneration, which each of them they will receive during the year 2018 for their positions.

Finally, in relation to the benefits that are not paid in cash and their fundamental parameters, see section A. 10 below.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the compensation plans of which the directors are beneficiaries, their scope, their approval date, date of implementation, period of validity as well as their main characteristics. In the case of share option plans and other financial instruments, the general characteristics of the plan will include information on the conditions of exercise of said options or financial instruments for each plan.
- Indicate any remuneration for participation in benefits or premiums, and the reason why they were granted.
- Explain the fundamental parameters and basis of any annual premium system (bonus).
- The types of directors (executive directors, external proprietary directors, independent external directors or other external directors) who are beneficiaries of remuneration systems or plans that include variable remuneration.
- The basis of these variable remuneration systems or plans, the performance evaluation criteria chosen, as well as the evaluation components and methods to determine whether or not those evaluation criteria have been met and an estimate of the absolute amount of the variable remuneration to which would give rise to the current compensation plan, depending on the degree of compliance with the hypotheses or objectives taken as a reference.
- Where applicable, information will be provided on the periods of deferral or deferment of payment that have been established and/or the periods of retention of shares or other financial instruments, if they exist.

Explain the variable components of the remuneration systems

In response to the responsibility, functions attributed and degree of commitment assumed by the Renta 4 directors, the variable remuneration thereof is structured as follows:

A) REMUNERATION OF THE NON-EXECUTIVE DIRECTORS

Non-executive directors do not currently have a Variable Remuneration Plan.

B) REMUNERATION OF THE PRESIDENT FOR HIS EXECUTIVE FUNCTIONS

The President in 2018 will receive an Annual Variable Remuneration ("RVA") that cannot exceed, in any case, 100% of the Annual Fixed Remuneration ("RFA") and will be determined by the corresponding amount that may be accrued in accordance with the degree of fulfilment of the annual objectives linked to the Net Profit of the Group ("BN"), which will be set by the Board of Directors ("CA"), in response to the responsibilities and functions of the position, as well as any others that the CA may specifically assign to the President.

The OA will be calculated based on the BN and for the year 2018, they have been established according to the following scale:

- BN lower 14 MM € = 0% RFA
- BN 14 lower x greater 15 MM € = 10 % RFA
- BN 15 lower x greater 16 MM € = 15 % RFA
- BN 16 lower x greater 17 MM € = 35 % RFA
- BN 17 lower x greater 18 MM € = 55 % RFA
- BN 18 lower x greater 19 MM € = 65 % RFA
- BN 19 lower x greater 20 MM € = 85 % RFA
- BN greater € 20 million = 100% RFA

The RVA will be received as long as the levels of defaulting or "bankruptcy" of the Renta 4 Group during the year are less than 5% of the Net Equity ("PN") at the end of the year and when said levels do not occur as a result of actions of the Company, in which the levels and limits of risk allowed and established by the European Banking Authority (EBA) or any other competent body are exceeded, due to defects in the control systems of the Renta 4 Group, as well as for any other cause attributable to the lack of action or malpractice of the Company.

C) REMUNERATION OF THE CEO AND THE GENERAL MANAGER

The CEO, Mr. Juan Luis López García and the Director and General Manager, Mr. Jesús Sánchez-Quiñones González will receive an RVA that cannot exceed, in any case, 100% of RFA will be determined by the corresponding amount that may be accrued in accordance with the degree of fulfilment of the annual objectives linked to the Net Profit of the Group ("BN"), which will be set by the CA

The OA will be calculated based on the BN and for the year 2018, they have been established according to the following scale:

- BN lower 14 MM € = 0% RFA
- BN 14 lower x greater 15 MM € = 10 % RFA
- BN 15 lower x greater 16 MM € = 15 % RFA
- BN 16 lower x greater 17 MM € = 35 % RFA
- BN 17 lower x greater 18 MM € = 55 % RFA
- BN 18 lower x greater 19 MM € = 65 % RFA
- BN 19 lower x greater 20 MM € = 85 % RFA
- BN greater € 20 million = 100% RFA

The RVA will be received as long as the levels of defaulting or "bankruptcy" of the Renta 4 Group during the year are less than 5% of the NP at the end of the year, and when said levels do not occur as a result of the Company's actions, in those that exceed the levels and limits of risk allowed and established by EBA or any other competent body to do so, due to defects in the control systems of the Renta 4 Group, as well as for any other cause attributable to the lack of action or malpractice of the Company.

D) VARIABLE RETRIBUTION OF DIRECTOR WHO IS ATTENDING THE POSITION OF REGIONAL MANAGER

The Regional Manager will receive an RVA that cannot exceed, in any case, 100% of its RFA and will be determined by the corresponding amount that may be accrued in accordance with the degree of fulfilment of the annual objectives linked to the Net Profit of the Group ("BN"), which will be set by the CA.

The OA will be calculated based on the BN and for the year 2018, they have been established according to the following scale:

- BN lower 14 MM € = 0% RFA
- BN 14 lower x greater 15 MM € = 10 % RFA
- BN 15 lower x greater 16 MM € = 15 % RFA
- BN 16 lower x greater 17 MM € = 35 % RFA
- BN 17 lower x greater 18 MM € = 55 % RFA
- BN 18 lower x greater 19 MM € = 65 % RFA
- BN 19 lower x greater 20 MM € = 85 % RFA
- BN greater € 20 million = 100% RFA

The RVA will be received as long as the levels of defaulting or "bankruptcy" of the Renta 4 Group during the year are less than 5% of the PN at the end of the year, and when said levels do not occur as a result of the Company's actions, in those that exceed the levels and limits of risk allowed and established by EBA or any other competent body to do so, due to defects in the control systems of the Renta 4 Group, as well as for any other cause attributable to the lack of action or malpractice of the Company.

In relation to the amounts corresponding to the amount accrued in accordance with the fulfilment of some Annual Objectives ("OA") linked to the Group's Net Profit, which will be set by the CA of the President, CEO, General Manager and Regional Manager, 60% of the amount that corresponds to receive each one will be paid within the maximum period of 15 days after the evaluation, and in any case, before the end of the month of March of the calendar year following the corresponding year in which it has accrued. The remaining 40% will be subject to a deferral period of 3 years, with an accrual and payment being refined at a maximum of 13% in the first year of deferral, a maximum of 13% in the second year of deferral and a maximum of 14% the third year of deferral. The corresponding payment must be made before the end of the corresponding March month of the following calendar year of each of the years in which the deferral occurred. For the improvement of the accrual and payment of 40% of the deferred RVA, the Board, at the proposal of the CNR, will perform an evaluation at the end of each year of the deferral period, based on maintaining the profitability of the results of Renta 4 Group, according to the circumstances of the sector during the evaluated period and will be adapted to the circumstances related to the activity of Renta 4, to the risks assumed by it and to the activity of each of these Executive Directors, and provided that the evaluation carried out on each one concludes that its performance has been correct and aligned with the objectives of the Entity.

The payment of the RV, both 60% and 40% deferred, will be made 50% in cash and the other 50% in shares. In order to calculate the number of accrued shares to be delivered, the average market value of the share during the last 20 business days of the corresponding year will be taken into account, with the shares being non-transferable for a period of 12 months from delivery.

In relation to the total amount of the RV obtained as a result of the application of the RV system, depending on the degree of compliance with the BN and objectives set for the President, CEO, General Manager and Regional Manager, you cannot assume that the BN of the Group is below € 14MM for 2018. Otherwise, the Total Amount of the RV must be adjusted proportionally until the BN of 2018 is at least € 14MM€.

Likewise, and in relation to the estimation of the absolute amount of the variable remunerations to which the current system would give rise, depending on the degree of compliance with the hypotheses or objectives taken as reference, the Company considers that it could be specified in the following maximum amounts:

- President with executive functions: Mr. Juan Carlos Ureta Domingo would perceive at most 300,000 € gross.
- CEO, Mr. Juan Luis López García would perceive at most 275,000 € gross and the General Manager, Mr. Jesús
- Sánchez-Quiñones González 275,000 € gross.

A.5 **Explain the main characteristics of long-term savings systems, including reti-**

rement and any other survival benefit, partially or totally financed by the company, whether internally or externally endowed, with an estimate of their amount or equivalent annual cost , indicating the type of plan, if it is a defined contribution or benefit, the conditions of consolidation of economic rights in favour of the directors and their compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the director.

Indicate also the contributions in favour of the director to defined contribution pension plans; or the increase in the consolidated rights of the director, in the case of contributions to defined benefit plans.

Explain long-term savings systems

The Company has not assumed any obligation regarding pensions, retirement or similar with non-executive directors.

In relation to executive directors, since 2007 the Company has been covering the contingencies of retirement, incapacity for work, death, severe dependence or great dependence by means of the constitution of defined contribution employment plan plans with the coverage and consolidation in accordance with the regulations on Pension Plans, which are currently being contributed 600 euros per year for each one of them and compatible with the indemnities included in points A.6 and A.7. The contributions made during the year 2017, as well as the accumulated amounts are collected in point D.1.a) iii)

A.6 Indicate any compensation agreed or paid in the event of termination of the duties as director.

Explain the compensations

The non-executive directors of the Company do not have contractually recognized the right to receive any compensation in the event of resignation or termination.

In relation to the executive directors, Renta 4 has established indemnities in the event of termination, unfair dismissal or termination of the employment relationship for reasons unrelated to the Director. In this sense, said indemnities are articulated for executive directors in the following manner and compatible with the long-term savings plans in section A.5:

- President: In the event of termination due to reasons beyond the control of the President, due to his or her resignation or non-re-election as a member of the Board of Directors (CA) by the General Meeting or due to his or her non-re-election as President of the CA, he will be entitled to receive compensation equivalent to the legal compensation foreseen for the unfair dismissal of the common labour regime.
- CEO: In the event of termination due to his status as CEO, due to causes beyond his control; for his dismissal or non-re-election as a member of the Board by the General Meeting or for his dismissal or non-re-election as CEO in the CA, he will be entitled to receive an indemnity equivalent to the legal compensation foreseen for the unfair dismissal of the common labour regime, for the period in which he has rendered his services as CEO. In case of dismissal declared inadmissible, the CEO will be entitled to receive compensation equivalent to the legal compensation foreseen for unfair dismissal under the common labour regime.
- CEO: the compensation equivalent to the legal compensation foreseen for the unfair dismissal of the common labour regime, in case of unfair dismissal.
- Regional Manager: he has not signed any agreement regarding compensation or special armouring.

On the other hand, in addition to the compensations contemplated, and in relation to the variable remuneration indicated in section A.4 above, the executive directors will have the following rights:

The President, in case the CA agrees to cease as President, or the General Meeting agrees to terminate the same as a Director, will be entitled to receive the accrued and perfected portion of the RVA as appropriate, and with respect to the deferred part, will lose all right to receive any amount for this concept. However, in the event of termination of his/her position due to (i) permanent disability or severe disability, (ii) death, (iii) retirement, (iv) early retirement, or (v) early retirement, the President shall be entitled to receive the accrued and perfected portion of the annual variable remuneration (RVA), as the case may be, and with respect to the deferred portion, the entire amount of deferred payment shall be deemed accrued and perfected.

For the executive directors holding the positions of CEO and Director and General Manager, the CA has established that they will be entitled to receive the accrued and perfected part of the RVA, as applicable, and in respect of the deferred part, it will be understood as accrued and perfected the entire amount of deferred payment, in the cases of: (i) business withdrawal; (ii) dismissal declared inadmissible by the Courts or recognized as inadmissible by the Company; (iii) dismissal declared null by the Courts; (iv) resolution of the employment relationship requested by the CEO under the provisions of article 10.3 of Royal Decree 1382/1985, of August 1, which regulates the special employment relationship of senior management personnel or the resolution of the employment relationship requested by the worker, in the case of the General Manager under the provisions of article 50 of the Workers' Statute; (v) disability; (vi) death; (vii) retirement; (viii) early retirement; (ix) early retirement or (x) mutual agreement to suspend the relationship, provided that the evaluation concludes that the performance of the CEO or Director and General Manager has been correct and aligned with the objectives of the Entity.

However, in the case of (i) voluntary resignation or resignation; (ii) withdrawal of the CEO or the General Manager; (iii) voluntary leave and/or forced leave; or (iv) dismissal declared by the Courts, the CEO and the Director and General Manager shall be entitled to receive the accrued and perfected portion of the RVA, as applicable, losing any right to receive any amount for the deferred payment part.

Finally, regarding the executive director and Regional Manager, the CA has established that the latter will be entitled to receive the accrued and perfected portion of the annual variable remuneration, as applicable, and in respect of the deferred part, the entire accrued and perfected portion will be understood of the amount of deferred payment, in the cases of: (i) dismissal declared inadmissible by the Courts or recognized as inadmissible by the Company; (ii) dismissal declared null by the Courts; (iii) resolution of the employment relationship requested by the employee under the provisions of article 50 of the Workers' Statute; (iv) change of professional category; (vi) disability; (vii) death; (viii) retirement; (ix) early retirement; (x) anticipated retirement; or (xi) mutual agreement to suspend the relationship, provided that the evaluation carried out concludes that the performance of the CEO or Director and General Manager has been correct and aligned with the objectives of the Entity.

However, in the case of (i) voluntary resignation or resignation; (ii) voluntary leave and/or forced leave; or (iii) dismissal declared by the Courts, will be entitled to receive the accrued and perfected part of the (RVA), as applicable, losing any right to receive any amount for the part of deferred payment.

A.7 Indicate the conditions that must be respected in the contracts of those who exercise senior management functions as executive directors. Among others, it will be informed about the duration, the limits to the compensation amounts, the permanency clauses, the periods of notice, as well as the payment as a substitution of the aforementioned period of notice, and any other clauses related to hiring bonuses, as well as indemnities or shields for early termination or termination of the contractual relationship between the company and the executive director. Include, among others, the covenants or agreements of non-competition, exclusivity, permanence or loyalty and non-post-contractual competition.

Explain the conditions of the contracts of the executive directors

The Regulations of the Board reserve to this body the power to adopt decisions on the conditions that must be respected in the contracts of the executive directors. In addition, the CNR has among its functions to review and propose to the CA the remuneration policy for directors and senior executives and, if applicable, for those categories of employees who, for the functions they perform, are included in the remuneration policy by virtue of the applicable regulations, the individual remuneration and the terms and conditions of the contracts of the executive directors and the basic conditions of the contracts of the senior executives, all in accordance with the remuneration policy approved by the General Meeting.

In the contracts signed with each of the executive directors, their respective remuneration, rights and compensations for economic content are determined, which include those concepts included in the Company's Articles of Association and which are described in this Report. In this sense, the relevant conditions of the contracts of Mr. Juan Carlos Ureta Domingo (as President), Mr. Juan Luis López García (CEO), Mr. Jesús Sánchez-Quiñones González (Director and General Manager), and Mr. Santiago González Enciso (as Regional Manager and Director):

a) Duration: Indefinite.

b) Limits to the compensation amounts: Below are the limitations on the amount of compensation for each of the executive directors:

- President: You have the right to receive compensation equivalent to the legal compensation provided for unfair dismissal from the common labour regime, in the cases provided for in section A.6 above. In this sense, the maximum limit of the amount of such compensation would amount, in the year 2018, to the amount of 1,485 thousand of euros.
- CEO: You have the right to receive compensation equivalent to the legal compensation provided for unfair dismissal from the common labour regime, in the cases provided for in section A.6 above. In this sense, the maximum limit of the amount of such compensation would amount, in the year 2018, to the amount of 837 thousand of euros.
- General Manager: You have the right to receive compensation equivalent to the legal compensation provided for unfair dismissal from the common labour regime, in the cases provided for in section A.6 above. By 2018, the maximum limit of the amount of such compensation would amount to the amount of 1,161 thousand of euros.
- Regional Manager: he would receive the legal compensation foreseen for unfair dismissal from the common labour regime. In this sense, such compensation would amount, in the year 2018, to the amount of 288 thousand of euros.

c) Notice periods: Those established in the Collective Agreement applicable for that purpose.

d) Agreements or agreements of non-competition, exclusivity, permanence or loyalty and post-contractual non-competition: In the contracts signed with each of the executive directors, a statement is made by both parties stating that the positions they hold in the Company are full-time, with full dedication to the Company. Likewise, in said contracts (clause on the object) said exclusivity is highlighted. There are no specific agreements in the aforementioned agreements regarding non-competition, permanence or loyalty and no post-contractual competition.

Regarding these issues, the Regulations of the CA, in its article 16, establishes that no director may engage, on his own behalf or on behalf of another, to the same, analogous or complementary type of activity that constitutes the corporate purpose of the Company, unless expressly authorized by the same, by agreement of the General Meeting, for which purpose they must make the communication indicated in the aforementioned Regulation. The director must consult the CNR before accepting any management position or in the management body of another company or entity.

As regards possible conflicts of interest, Article 20 of the Regulations of the Board of Directors establishes that the directors must notify the CA of any situation of conflict, direct or indirect, that they may have with the interest of the Company. The affected director will abstain from intervening in the agreements or decisions related to the operation to which the conflict refers. Likewise, the directors must communicate the direct or indirect participation that, both they and the related persons referred to in the Law of Capital Companies, had in the capital of a company with the same, analogous or complementary type of activity to which it constitutes the corporate purpose, and they will also communicate the positions or functions that they exercise.

In addition, the Regulations of the Board establish in article 9 that the directors will have to respect at all times the regime of incompatibilities legally established at each moment.

A.8 Explain any supplementary remuneration accrued to directors as consideration for services rendered other than those inherent to their position.

Explain the supplementary remuneration

The directors of the Company have not earned any remuneration for this concept

A.9 Indicate any compensation in the form of advanced payment, loans and guarantees granted, indicating the interest rate, its essential characteristics and the amounts eventually returned, as well as the obligations assumed on their behalf as collateral.

Explain the advanced payments, loans and guarantees granted

The Company has granted credit policies in favour of the following directors:

- Mr. Francisco García Molina has been granted a loan of 200 thousand euros, having disposed of 196 thousand euros and with a repayment term of 3 years, which ends on July 8, 2018.
- Mr. Eduardo Trueba Cortés has been granted a loan of 150 thousand euros, not having had any amount during the year 2017 and with a repayment period of 3 years ending on November 28, 2018.
- Mr. Pedro Ángel Navarro Martínez has been granted a loan in the amount of 1000 thousand euros, of which he has drawn 653 thousand euros, granted on November 13, 2017 and whose repayment term ends on November 12, 2019.
- And on the other hand, the company Sociedad Vasco Madrileña de Inversiones, S.L., of which it is the majority shareholder Mr. Juan Carlos Ureta Domingo, has been granted a loan in the amount of 2,000 thousand, having amortized 500 thousand euros in the year, with a provision of 1,500 thousand and an amortization period of 3 years, which is expected to expire on March 12, 2018.

In relation to the interest rate, other essential characteristics and the obligations assumed on behalf of them as collateral, it will be as indicated in section D.1. iv) below.

A.10 Explain the main characteristics of remuneration in kind.

Explain the remunerations in kind

The Company has contracted a group liability insurance policy that covers all responsibility for any order for acts and behaviour of the executive directors (President, CEO, General Manager and Regional Manager) of the Company as a result of the performance of the activities own functions.

A.11 Indicate the remuneration accrued by the director by virtue of the payments made by the listed company to a third entity in which the director provides services, when said payments are intended to remunerate the latter's services in the company.

Explain the remuneration accrued by the director by virtue of the payments made by the listed company to a third entity in which the director provides services

The directors of the Company have not earned any remuneration for this concept.

A.12 Any other remuneration concept different from the foregoing, whatever its nature or the group entity that satisfies it, especially when it is considered a related operation or its issuance distorts the true image of the total remuneration accrued by the director.

Explain the other remuneration concepts

The directors of the Company have not earned any remuneration for this concept

A.13 Explain the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and interests, which will include, where appropriate, a reference to: measures foreseen to ensure that remuneration policy addresses the long-term performance of the company, measures that establish an adequate balance between the fixed and variable components of remuneration, measures adopted in relation to those categories of personnel whose professional activities have a material impact on the entity's risk profile, formulas or recovery clauses in order to claim the return of the variable components of the compensation based on the results when those components have been paid based on data whose inaccuracy was later demonstrated manifestly and measures planned to avoid conflicts of interest, where appropriate.

Explain the actions taken to reduce the risks

In relation to the measures envisaged to ensure that the long-term results of the Company are met in the Remuneration Policy, the objective criteria on the evolution of the Company's results to determine variable remuneration of directors.

On the other hand, the Company, in its Remuneration Policy, adopts an adequate balance between the fixed and variable components of the compensation, inasmuch as, as indicated in section A.4 above, variable remuneration is conceived in terms of to the achievement of objective criteria established by the Board and linked to the objective results of the Company.

Likewise, and with regard to the measures adopted regarding those categories of personnel whose professional activities have a material impact on the Company's risk profile, the Company adopts the same measures that in this regard operate for the executive directors and are included in the Subsection A.4 above, being, above all, those relating to establishing variable remuneration in response to objectives linked to the net profit of the Company and the level of defaulting of the Renta 4 Group.

Finally, in relation to the formulas or clauses of recovery to be able to claim the return of the variable components of the remuneration, it is foreseen that in the event that the evaluations are concluded that there has been a poor performance, the Company will be able to reduce the remuneration deferred variable and / or recover from the variable remuneration already paid and paid, up to a maximum of 100%, in both cases. These evaluations will analyse the subsequent evolution according to the criteria (indicated in Section A.4 above), which contributed to achieving the objectives, comparing it with the evaluation of the initial performance and will be approved by the Board of Directors after the end of the year to which said variable remuneration refers.

B REMUNERATION POLICY FOR FUTURE YEARS

Repealed.

C GLOBAL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE CLOSED YEAR

C.1 Explain in summary the main characteristics of the remuneration structure and concepts of the remuneration policy applied during the year in question, which gives details of the individual remuneration accrued by each of the directors that are reflected in section D of this report, as well as a summary of the decisions taken by the council for the application of these concepts.

Explain the remuneration structure and concepts of the remuneration policy applied during the year

I. Remuneration Policy applied during the year 2017

The Board of Directors, at its meeting held on March 15, 2017, at the proposal of the CNR, agreed, at the ninth point of the Agenda, to approve the Remuneration Policy for the year 2017 and, in turn, submit it to its approval by the General Shareholders' Meeting, which approved the same at the Ordinary General Meeting of April 28, 2017, based on the responsibility, functions attributed and degree of commitment assumed by the Renta 4 directors.

In this sense, the remuneration received by the directors in accordance with said Remuneration Policy for the year 2017 has been:

A. FIXED RETRIBUTION

Non-executive directors have received a fixed annual amount for the performance of their duties as members of the Board of Directors, which amounts to 60,000 euros for each director who is a natural persons and 71,088 euros for each of the legal entity directors.

Mr. Juan Carlos Ureta Domingo, President has received a fixed annual remuneration consisting of 300,000 euros gross, Mr. Juan Luis López García, CEO and Mr. Jesús Sánchez-Quiñones González, Director and General Manager, received a fixed annual remuneration in the year 2017 consisting of 260,000 gross euros for each one of them and the Regional Manager, Mr. Santiago González Enciso a fixed annual remuneration of 69,000 euros gross.

B. VARIABLE RETRIBUTION

1. Remuneration of non-executive directors

The 2017 Remuneration Policy establishes that non-executive Directors do not have a Variable Remuneration Plan.

2. Remuneration of Mr. Juan Carlos Ureta Domingo, President.

The 2017 Remuneration Policy establishes that Mr. Juan Carlos Ureta Domingo will receive an Annual Variable Remuneration ("RVA"), consisting of up to a maximum of 100% of the Annual Fixed Remuneration ("RFA"). The Annual Variable Remuneration will consist of:

a. An amount corresponding to the amount accrued in accordance with the fulfilment of the Annual Objectives linked to the Group's Net Profit, (hereinafter, the "Annual Objectives on Benefits") to be determined by the Board of Directors, in to the responsibilities and functions of the position, as well as any others that the Board of Directors could specifically assign to the President.

   In addition, the RVA will be received as long as the levels of defaulting or "loss" of the Renta 4 Group during the year are less than 5% of the Net Equity at the end of the year, and when said levels do not occur as a result of the Company's actions, in which the permitted levels and limits of risk are exceeded and established by EBA (European Banking Authority) or any other competent body to do so, due to defects in the control systems of the Renta 4 Group, as well as for any other cause attributable to the lack of action or malpractice of the Company.

   The annual objectives are calculated based on the Net Income of Grupo 4 obtained ("BN") according to the following:

   - Net profit: x lower 12 million euros = 0% of the Annual Fixed Remuneration.
   - Net profit: 12 lower x greater 13 million euros = 32% of the Annual Fixed Remuneration.
   - Net profit: 13 lower x greater 14 million euros = 34.7% of the Annual Fixed Remuneration.
   - Net profit: 14 lower x greater 15 million euros = 37.3% of the Annual Fixed Remuneration.
   - Net profit: 15 lower x greater 16 million euros = 40% of the Annual Fixed Remuneration.
   - Net profit: 16 lower x greater 17 million euros = 60% of the Annual Fixed Remuneration.
   - Net profit: 17 lower x greater 18 million euros = 80% of the Annual Fixed Remuneration.
   - Net profit: x greater 18 million euros = 100% of the Annual Fixed Remuneration.

b. A 3-year Stock Option Plan, consisting in the delivery to executive directors, managers and/or employees of a maximum total of 614,538 stock options, in annual deliveries equivalent to one third of the maximum total, that is, 204,846 options, which will allow the Beneficiaries to acquire Renta 4 shares at a price of 5.75 euros per share, all in accordance with the resolution adopted by the General Meeting of April 28, 2017 The Board of Directors will implement the development of the Stock Option Plan, determining, also, each year and at the proposal of the Appointments and Remuneration Committee, the specific Beneficiaries and the number of options that will be delivered to each one of them.

3. Remuneration of the CEO and the Director General Manager.

The 2017 Remuneration Policy establishes that the CEO, D. Juan Luis López García and the Director and General Manager, Mr. Jesús Sánchez-Quiñones González will receive an Annual Variable Remuneration ("RVA"), consisting of up to a maximum of 100% of the Annual Fixed Remuneration ("RFA"). The amount of the same shall be accrued in accordance with the fulfilment of the annual objectives set by the Board, according to the responsibilities and functions of the position or to those assigned.

a. An amount corresponding to the amount accrued in accordance with the fulfilment of the Annual Objectives linked to the Group's Net Profit, (hereinafter, the "Annual Objectives on Benefits") to be determined by the Board of Directors, in to the responsibilities and functions of the position, as well as any others that the Board of Directors could specifically assign to the CEO and the Director General Manager.

   In addition, the RVA will be received as long as the levels of defaulting or "loss" of the Renta 4 Group during the year are less than 5% of the Net Equity at the end of the year, and when said levels do not occur as a result of the Company's actions, in which the permitted levels and limits of risk are exceeded and established by EBA (European Banking Authority) or any other competent body to do so, due to defects in the control systems of the Renta 4 Group, as well as for any other cause attributable to the lack of action or malpractice of the Company.

   The annual objectives are calculated based on the Net Income of Grupo 4 obtained ("BN") according to the following:

   - Net profit: x lower 12 million euros = 0% of the Annual Fixed Remuneration.
   - Net profit: 12 lower x greater 13 million euros = 32% of the Annual Fixed Remuneration.
   - Net profit: 13 lower x greater 14 million euros = 34.7% of the Annual Fixed Remuneration.

- Net profit: 14 lower x greater 15 million euros = 37.3% of the Annual Fixed Remuneration.
- Net profit: 15 lower x greater 16 million euros = 40% of the Annual Fixed Remuneration.
- Net profit: 16 lower x greater 17 million euros = 60% of the Annual Fixed Remuneration.
- Net profit: 17 lower x greater 18 million euros = 80% of the Annual Fixed Remuneration.
- Net profit: x greater 18 million euros = 100% of the Annual Fixed Remuneration.

b. A 3-year Stock Option Plan, consisting in the delivery to executive directors, managers and/or employees of a maximum total of 614,538 stock options, in annual deliveries equivalent to one third of the maximum total, that is, 204,846 options, which will allow the Beneficiaries to acquire Renta 4 shares at a price of 5.75 euros per share, all in accordance with the resolution adopted by the General Meeting of April 28, 2017. The Board of Directors will implement the development of the Stock Option Plan, determining, also, each year and at the proposal of the Appointments and Remuneration Committee, the specific Beneficiaries and the number of options that will be delivered to each one of them.

4. Variable remuneration of the Regional Manager director

The Regional Manager will receive an Annual Variable Remuneration (“RVA”), consisting of up to a maximum of 100% of the Annual Fixed Remuneration (“RFA”).

a. An amount corresponding to the amount accrued in accordance with the fulfilment of the Annual Objectives linked to the Group’s Net Profit, (hereinafter, the “Annual Objectives on Benefits”) to be determined by the Board of Directors, in attention to the responsibilities and functions of the position, as well as any others that the Board of Directors could specifically assign to the Regional Manager Director.

In addition, the RVA will be received as long as the levels of defaulting or “loss” of the Renta 4 Group during the year are less than 5% of the Net Equity at the end of the year, and when said levels do not occur as a result of the Company’s actions, in which the permitted levels and limits of risk are exceeded and established by EBA (European Banking Authority) or any other competent body to do so, due to defects in the control systems of the Renta 4 Group, as well as for any other cause attributable to the lack of action or malpractice of the Company.

The annual objectives are calculated based on the Net Income of Grupo 4 obtained (“BN”) according to the following:

- Net profit: x lower 12 million euros = 0% of the Annual Fixed Remuneration.
- Net profit: 12 lower x greater 13 million euros = 32% of the Annual Fixed Remuneration.
- Net profit: 13 lower x greater 14 million euros = 34.7% of the Annual Fixed Remuneration.
- Net profit: 14 lower x greater 15 million euros = 37.3% of the Annual Fixed Remuneration.
- Net profit: 15 lower x greater 16 million euros = 40% of the Annual Fixed Remuneration.
- Net profit: 16 lower x greater 17 million euros = 60% of the Annual Fixed Remuneration.
- Net profit: 17 lower x greater 18 million euros = 80% of the Annual Fixed Remuneration.
- Net profit: x greater 18 million euros = 100% of the Annual Fixed Remuneration.

b. A 3-year Stock Option Plan, consisting in the delivery to executive directors, managers and/or employees of a maximum total of 614,538 stock options, in annual deliveries equivalent to one third of the maximum total, that is, 204,846 options, which will allow the Beneficiaries to acquire Renta 4 shares at a price of 5.75 euros per share, all in accordance with the resolution adopted by the General Meeting of April 28, 2017.

The Annual Variable Remuneration (“RVA”) has been calculated according to the provisions of the 2017 Remuneration Policy, which establishes that executive directors will receive an RVA with a maximum limit of 100% of the FRG, based on of the degree of achievement of the annual objectives, which are calculated based on the Net Profit and the defaulting level of the Renta 4 Group.

In relation to the variable remuneration of the Executive President, CEO, General Director and the Regional Manager, 60% of the amount that has been received will be paid within the maximum period of 15 days following the evaluation, and in any case, prior to the end of March 2018 (the calendar year following the year in which it was accrued). The remaining 40% will be subject to a deferral period of 3 years, with an accrual and payment being refined at a maximum of 13% in the first year of deferral, a maximum of 13% in the second year of deferral and a maximum of 14% the third year of deferral. The corresponding payment must be made before the end of the month of March of the following calendar year of each of the years in which the deferral occurred. For the improvement of the accrual and payment of 40% of the deferred Annual Variable Remuneration, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, will perform an evaluation at the end of each year of the deferral period, based on the maintenance of the profitability of the results of the Renta 4 Group, taking into account the circumstances of the sector during the evaluated period.

The payment of the Variable Remuneration, both 60% and 40% deferred, will be made 50% in cash and the other 50% remaining in shares. In order to calculate the number of accrued shares to be delivered, the average market value of the share during the last 20 business days of the corresponding year will be taken into account, with the shares being non-transferable for a period of 12 months from delivery.

For this reason, as the BN of the Group in 2017 has been of 16,281 MM € and the level of defaulting has been less than 5%, the degree of achievement of the annual objectives set in the 2017 Remuneration Policy, stable that each of the executive directors are entitled to receive a Total Annual Variable Remuneration (“RVA”) of 60% of the Fixed Remuneration (RF) corresponding to each one of them, being the amount of the global RVA of the Executive Directors corresponding to the year 2017 of a total amount of 533,400 €. Specifically, the total RVA resulting for the year 2017 amounts to 180,000 euros for the President, 156,000 euros correspond to the CEO, 156,000 euros for the General Manager and for the Regional Manager the amount amounts to 41,400 euros.

In relation to the deferral of said RVA, 60% of the resulting amount will be paid during the first quarter of 2018 and the remaining 40% will be deferred in the following 3 years; 2019, 2020 and 2021. The payment of the Variable Remuneration, both 60% and 40% deferred, will be made 50% in cash and the other 50% in shares.

Therefore, during the first quarter of 2018, the Entity will pay the Executive Directors 60% of the Total Annual Remuneration for the year 2017, being 50% in cash and the other 50% in shares. Specifically, the President will receive 108,000 euros (54,000 in cash and 54,000 in shares), the CEO 93,600 euros (46,800 in cash and 46,800 in shares), the General Manager 93,600 euros (46,800 in cash and 46,800 in shares) and the Regional Manager 24,840 euros (12,420 in cash and 12,420 in shares).

The remaining amounts corresponding to 40% deferred, will be paid in the following 3 years (2019, 2020 and 2021), as established for this in the Remuneration Policy.

In relation to the *3-year Stock Option Plan 2017*, approved by the General Meeting of April 28, 2017, it has not being developed by the CA and, therefore, no options have been delivered to any of the Beneficiaries during the year 2017.

Finally, in relation to the RVA for the year 2014, whose 60% was paid during the first quarter of 2015, deferring the remaining 40% in the following 3 years, the Board proposed by the CNR, during the first quarter of 2018 , has carried out the evaluation of the performance of the President, the CEO and the Director and General Manager, based on maintaining the profitability of the Renta 4 Group results, taking into account the circumstances of the sector during the evaluated period, with a positive outcome in the evaluation for all of them. For this reason, during the first quarter of 2018, the Entity will pay the President, the CEO and the Director and General Manager the 14% outstanding RVA corresponding to the year 2014, being 50% in cash and the other 50% in shares, with no outstanding amount of the 2014 RVA.

Specifically, each of them during the 2016 and 2017 exercises received 13,333 euros each year, half, 6,667 euros was in cash and the other half in shares and in the same way during 2018 the amount of 13,334, the 50 will be collected % in cash and the other half in shares. There is no outstanding amount of the 2014 RVA payment.

II. Summary of the decisions taken by the Board for the application of these concepts:

The Board of Directors proceeded, at the proposal of the CNR, to review and approve the corresponding Remuneration Policy in its session of March 15th 2017. Likewise, it approved the Annual Remuneration Report for Directors in that same session.

Equally, and attending to the evolution of the activity and the business volume of the company, the CA have arranged the variable remuneration of the Executive Directors for the year 2017 according to the Remuneration Policy in the session celebrated on February 27th 2018.

D. DETAIL OF THE INDIVIDUAL REMUNERATION ARISING FROM EACH OF THE DIRECTORS

Name	Typology	Accrual period year 2017
JUAN CARLOS URETA DOMINGO	Executive	From 01/01/2017 to 12/31/2017
SANTIAGO GONZALEZ ENCISO	Executive	From 01/01/2017 to 12/31/2017
PEDRO FERRERAS DIEZ	Other external	From 01/01/2017 to 12/31/2017
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	Propietary	From 01/01/2017 to 12/31/2017
FRANCISCO DE ASIS GARCIA MOLINA	Independent	From 01/01/2017 to 12/31/2017
SARAH MARIE HARMON	Independent	From 01/01/2017 to 12/31/2017
MUTUALIDAD DE LA ABOGACIA	Propietary	From 01/01/2017 to 12/31/2017
PEDRO ANGEL NAVARRO MARTINEZ	Other external	From 01/01/2017 to 12/31/2017
JOSE RAMON RUBIO LAPORTA	Independent	From 01/01/2017 to 12/31/2017
EDUARDO TRUEBA CORTES	Independent	From 01/01/2017 to 12/31/2017
JUAN LUIS LOPEZ GARCIA	Executive	From 01/01/2017 to 12/31/2017
JESUS SANCHEZ-QUIÑONES GONZALEZ	Executive	From 01/01/2017 to 12/31/2017
INES JUSTE BELLOSILLO	Independent	From 05/31/2017 to 12/31/2017
EDUARDO CHACON LOPEZ	Propietary	From 04/28/2017 to 12/31/2017

D.1 Complete the following tables regarding the individual remuneration of each of the directors (including compensation for the exercise of executive functions) accrued during the year.

a) Remuneration accrued in the company that is the subject of this report:

i) Cash compensation (in thousands of €)

Name	Salaries	Fixed remuneration	Subsistence allowance	Variable retribution short term	Variable retribution long-term	Compensation for belonging to Board commissions	Compensations	Other concepts	Total year 2017	Total year 2016
EDUARDO CHACON LOPEZ	0	35	0	0	0	0	0	0	35	
PEDRO FERRERAS DIEZ	0	60	0	0	0	0	0	0	60	60
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	0	71	0	0	0	0	0	0	71	71
FRANCISCO DE ASIS GARCIA MOLINA	0	60	0	0	0	0	0	0	60	60
SARAH MARIE HARMON	0	60	0	0	0	0	0	0	60	35
INES JUSTE BELLOSILLO	0	35	0	0	0	0	0	0	35	
MUTUALIDAD DE LA ABOGACIA	0	71	0	0	0	0	0	0	71	71
PEDRO ANGEL NAVARRO MARTINEZ	0	60	0	0	0	0	0	0	60	60
JOSE RAMON RUBIO LAPORTA	0	60	0	0	0	0	0	0	60	60
EDUARDO TRUEBA CORTES	0	60	0	0	0	0	0	0	60	60
SANTIAGO GONZALEZ ENCISO	0	69	0	0	0	0	0	0	69	69
JUAN LUIS LOPEZ GARCIA	0	261	0	7	0	0	0	0	268	260
JESUS SANCHEZ-QUIÑONES GONZALEZ	0	261	0	7	0	0	0	0	268	260
JUAN CARLOS URETA DOMINGO	0	300	0	7	0	0	0	0	307	300

ii) Share-based compensation systems

JESUS SANCHEZ-QUIÑONES GONZALEZ
Variable Remuneration Actions (Remuneration Plan 2014) Deferred Payment

Date of Implementation	Ownership of options at the beginning of the fiscal year 2017				Options assigned during the year 2017			
	No. Options	Affected shares	Price exer. (€)	Period of exercise	No. Options	Affected shares	Price exer. (€)	Period of exercise
03/25/2014	0	0	13.00	2 following years (2017-2018)	0	0	0.00	0

Terms: 0

Shares delivered during the year 2017			Options exercised in the year 2017				Op. expired and not exercised	Options at the end of year 2017			
No. of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross profit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Period of exercise
1,174	5.67	7	0.00	0	0	0	0	0	0	6.00	1 pending year (2018)

Other year requirements: The number of shares delivered in 17 is the payment of 1/3 of RV deferred shares of the Plan 14-RV total deferred in shares 20 thousand, delivered in 1/3 in each of the 3 years following the accrual (16-17-18)

JUAN CARLOS URETA DOMINGO
Variable Remuneration Shares (Remuneration Plan 2014) Deferred Payment

Date of Implementation	Ownership of options at the beginning of the fiscal year 2017				Options assigned during the year 2017			
	No. Options	Affected shares	Price exer. (€)	Period of exercise	No. Options	Affected shares	Price exer. (€)	Period of exercise
03/25/2014	0	0	13.00	2 following years (2017-2018)	0	0	0.00	0

Terms: 0

Shares delivered during the year 2017			Options exercised in the year 2017				Op. expired and not exercised	Options at the end of year 2017			
No. of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross profit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Period of exercise
1,174	5,67	7	0.00	0	0	0	0	0	0	6.00	1 pending year (2018)

Other year requirements: The number of shares delivered in 17 is the payment of 1/3 of RV deferred shares of the Plan 14-RV total deferred in shares 20 thousand, delivered in 1/3 in each of the 3 years following the accrual (16-17-18)

JUAN LUIS LOPEZ GARCIA
Variable Remuneration Shares (Remuneration Plan 2014) Deferred Payment

Date of Implementation	Ownership of options at the beginning of the fiscal year 2017				Options assigned during the year 2017			
	No. Options	Affected shares	Price exer. (€)	Period of exercise	No. Options	Affected shares	Price exer. (€)	Period of exercise
03/25/2014	0	0	13.00	2 following years (2017-2018)	0	0	0.00	0

Terms: 0

Shares delivered during the year 2017			Options exercised in the year 2017				Op. expired and not exercised	Options at the end of year 2017			
No. of Shares	Price	Amount	Price exer. (€)	No. Options	Affected shares	Gross profit (m€)	No. Options	No. Options	Affected shares	Price exer. (€)	Period of exercise
1,174	5.67	7	0.00	0	0	0	0	0	0	6.00	Next year (2018)

Other year requirements: The number of shares delivered in 17 is the payment of 1/3 of RV deferred shares of the Plan 14-RV total deferred in shares 20 thousand, delivered in 1/3 in each of the 3 years following the accrual (16-17-18)

iii) Long-term savings systems

	Contribution of the fiscal year by the company (thousands €)		Amount of accumulated funds (thousands €)	
Name	Year 2017	Year 2016	Year 2017	Year 2016
JUAN CARLOS URETA DOMINGO	1	1	13	11
SANTIAGO GONZALEZ ENCISO	1	1	10	8
JESUS SANCHEZ-QUIÑONES GONZALEZ	1	1	14	12
JUAN LUIS LOPEZ GARCIA	1	1	13	11

iv) Other benefits (in thousands of €)

JUAN CARLOS URETA DOMINGO
Remuneration in the form of advances, loans granted

Operation interest rate	Essential characteristics of the operation	Amounts eventually returned
1.75	Loan with collateral guarantees granted to VASCO MADRILEÑA DE INVERSIONES (majority shareholder Mr. Ureta). Euribor 3m plus 1.75. Policy with collateral guarantees of 2000 thousand euros. Duration from 3/13/15 to 03/12/18	500 thousand euros have been returned over the year 2018

Life insurance premiums		Guarantees constituted by the company in favour of the directors	
Year 2017	Year 2016	Year 2017	Year 2016
0	0	None	None

EDUARDO TRUEBA CORTES
Remuneration in the form of advances, loans granted

Operation interest rate	Essential characteristics of the operation	Amounts eventually returned
1.75	Loan of 150 thousand euros, not having had any amount during the year 2017. Type Euribor 12m plus 1.75 Duration 3 years. Duration until 11/28/2018	Ninguno

Life insurance premiums		Guarantees constituted by the company in favour of the directors	
Year 2017	Year 2016	Year 2017	Year 2016
0	0	None	None

PEDRO ANGEL NAVARRO MARTINEZ
Remuneration in the form of advances, loans granted

Operation interest rate	Essential characteristics of the operation	Amounts eventually returned
1.75	Loan amounting to 1000 thousand euros, of which a provision of 653 thousand euros. Euribor 1 year plus 1.75. Repayment period ends on November 12, 2019	None

Life insurance premiums		Guarantees constituted by the company in favour of the directors	
Year 2017	Year 2016	Year 2017	Year 2016
0	0	None	None

FRANCISCO DE ASIS GARCIA MOLINA
Remuneration in the form of advances, loans granted

Operation interest rate	Essential characteristics of the operation	Amounts eventually returned
1.75	Loan with collateral guarantees of 200 thousand euros. Euribor 1 year plus 1.75. Amount set aside 196 thousand euros. Duration 3 years. From 07/9/15 to 07/8/18	None

Life insurance premiums		Guarantees constituted by the company in favour of the directors	
Year 2017	Year 2016	Year 2017	Year 2016
0	0	None	None

b) Remuneration accrued by the directors of the company due to their membership of boards of directors in other group companies:

i) Cash compensation (in thousands of €)

Name	Salaries	Fixed remuneration	Subsistence allowance	Variable retribution short term	Variable retribution long-term	Compensation for belonging to Board commissions	Compensations	Other concepts	Total year 2017	Total year 2016
EDUARDO TRUEBA CORTES	0	0	0	0	0	0	0	0	0	0
EDUARDO CHACON LOPEZ	0	0	0	0	0	0	0	0	0	0
FRANCISCO DE ASIS GARCIA MOLINA	0	0	0	0	0	0	0	0	0	0
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	0	0	0	0	0	0	0	0	0	0
INES JUSTE BELLOSILLO	0	0	0	0	0	0	0	0	0	0
JESUS SANCHEZ-QUIÑONES GONZALEZ	0	0	0	0	0	0	0	0	0	0
JOSE RAMON RUBIO LAPORTA	0	0	0	0	0	0	0	0	0	0
JUAN CARLOS URETA DOMINGO	0	0	0	0	0	0	0	0	0	0
JUAN LUIS LOPEZ GARCIA	0	0	0	0	0	0	0	0	0	0
MUTUALIDAD DE LA ABOGACIA	0	0	0	0	0	0	0	0	0	0
PEDRO FERRERAS DIEZ	0	0	0	0	0	0	0	0	0	0
PEDRO ANGEL NAVARRO MARTINEZ	0	0	0	0	0	0	0	0	0	0
SANTIAGO GONZALEZ ENCISO	0	0	0	0	0	0	0	0	0	0
SARAH MARIE HARMON	0	0	0	0	0	0	0	0	0	0

ii) Share-based compensation systems

iii) Long-term savings systems

c) Summary of remuneration (in thousands of €):

The amounts corresponding to all the remuneration items included in this report that have been accrued by the director in thousands of euros must be included in the summary.

In the case of long-term Savings Systems, the contributions or endowments made to this type of system will be included:

Name	Total retribution accrued by the company				Retribution accrued in the companies of the group				Totals		
	Total Retribution in Cash	Amount of the shares granted	Gross Benefit of exercised options	Total year 2017 company	Total Retribution in cash	Amount of the shares delivered	Gross Benefit of exercised options	Total year 2017 Group	Total year	Total ejercicio 2016	Aportación al sistemas de ahorro durante el ejercicio
EDUARDO CHACON LOPEZ	35	0	0	35	0	0	0	0	35	0	0
PEDRO FERRERAS DIEZ	60	0	0	60	0	0	0	0	60	60	0
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	71	0	0	71	0	0	0	0	71	71	0
FRANCISCO DE ASIS GARCIA MOLINA	60	0	0	60	0	0	0	0	60	60	0
SARAH MARIE HARMON	60	0	0	60	0	0	0	0	60	35	0
INES JUSTE BELLOSILLO	35	0	0	35	0	0	0	0	35	0	0
MUTUALIDAD DE LA ABOGACIA	71	0	0	71	0	0	0	0	71	71	0
PEDRO ANGEL NAVARRO MARTINEZ	60	0	0	60	0	0	0	0	60	60	0
JOSE RAMON RUBIO LAPORTA	60	0	0	60	0	0	0	0	60	60	0
EDUARDO TRUEBA CORTES	60	0	0	60	0	0	0	0	60	60	0
JUAN LUIS LOPEZ GARCIA	268	7	0	275	0	0	0	0	275	274	1
JESUS SANCHEZ-QUIÑONES GONZALEZ	268	7	0	275	0	0	0	0	275	274	1
JUAN CARLOS URETA DOMINGO	307	7	0	314	0	0	0	0	314	314	1
SANTIAGO GONZALEZ ENCISO	69	0	0	69	0	0	0	0	69	69	1
TOTAL	**1.484**	**21**	**0**	**1.505**	**0**	**0**	**0**	**0**	**1.505**	**1.408**	**4**

D.2 Report on the relationship between the remuneration obtained by the directors and the results or other measures of performance of the entity, explaining, where appropriate, how the changes in the company's performance have been able to influence the variation in remuneration of the directors.

In view of the Compensation Policy of the Company's directors for the year 2017 indicated in section C.1 above, the remuneration is linked to the results obtained by the Company. In this sense, and taking into account what is indicated in this section, certain variable remuneration is conditional upon compliance with the indicators also included in that section C.1 above

D.3 Report of the result of the consultative vote of the general meeting to the annual report on remunerations of the previous year, indicating the number of negative votes that may have been issued:

	Number	% of the total
Votes cast	28,268,267	69.46%

	Number	% of the total
Negative votes	0	0.00%
Votes in favour	28,268,267	69.46%
Abstentions	0	0.00%

E. OTHER INFORMATION OF INTEREST

If there is any relevant aspect regarding the remuneration of directors that has not been included in the rest of the sections of this report, but which must be included in order to collect more complete and reasoned information on the remuneration structure and practices of the company in question regarding its directors, briefly describe them.

The directors of the Company have not earned any remuneration other than that indicated in Section A of this report, without prejudice to the amounts indicated in section D.3 of the Annual Corporate Governance Report regarding related-party transactions between directors' entities and the Company itself.

On the other hand, the figures stated in sections D.1.a.i, D.1.a.ii, and D.1.C refer to the amount subscribed and paid in 2017 to all the directors, not being accrued any variable remuneration different from the described in section C during year 2017. In this sense, it must be pointed out that the variable remuneration subscribed in 2017 by the Executive Directors Mr. Juan Carlos Ureta Domingo, Mr. Juan Luis López García, and Mr. Jesús Sánchez-Quiñones González correspond to the variable remuneration accrued in the year 2014, whose 40% was deferred in thirds in the 3 following years (2016, 2017, and 2018). In particular, the total RV deferred and paid in 2017 amounts to 42 thousand euros, where 21 thousand were subscribed in cash and 21 thousand in shares, corresponding 7 thousand euros in cash and 7 thousand euros in shares to Mr. Juan Carlos Ureta Domingo. The same quantities as to Mr. Juan Luis López García and Mr. Jesús Sánchez-Quiñones González.

This annual report on remunerations has been approved by the Board of Directors of the company, in its session dated 03/13/2018.

Indicate if there were any directors who voted against or abstained in relation to the approval of this Report.

Yes **No** ✓

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Annual Report 2017

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