AnnualReport2018

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Letter from the chairman

Dear shareholders:

Throughout the course of the year, key areas of the evolution of our business alluded to at last year's Annual General Meeting have materialised. A process likely to continue over the next few years leading to a significant shift in the environment in which Renta 4 Banco will be operating. These changes will require much foresight and the ability to continually adapt.

The common denominator to all these changes is a world in which investment continues to increase giving rise to a growing, sustained demand for specialised investment services, for families and companies alike. A less positive consequence, however, is that those changes require an enormous transformation effort on the part of financial entities, which have to assume important costs, with little possibility of immediate returns.

Starting with the expansion in financial markets, investment today has become a massive phenomenon. Millions of people, of all types, wish to invest. Some with modest savings, others with substantial wealth, others equipped with professional investment knowledge, others with no prior experience in the field. Successive technological innovations, from on line platforms to new models of management based on artificial intelligence, have paved the way for this constant expansion in investment by offering products suited to each type of investor and making access to them easier. As well, low interest rates in recent years, the likelihood that such levels will persist for some time, coupled with regulations that oblige banks to reduce their balance sheets, have also contributed to the growth of markets for financial assets and the number of people investing in them.

There has been a three-pronged response to this massive arrival of new investors. On the one hand, the regulatory response has been to increase the formal protection for investors, focussed mainly on small investors. In this respect, the most significant, though not the only regulation introduced has been the European MiFID II Directive which came into effect in Spain last year.

Secondly, the investment services industry has adapted to the new scale of the market, by implementing technology to cope with the spectacular growth in demand for investment services. Initially, in the first decade of the new millennium, the arrival of on line platforms made it possible for the financial industry to process millions of transactions in real time and also allowed savers, even modest savers, to invest in any market in the world, in real time as well. This would have been impossible without the Internet. Today, a decade later, the response of the industry to the arrival en masse of investors wishing to have their portfolios managed has been the appearance of now familiar passive investment formulae, indexed funds, and the fledgling but irreversible development of automatic or semi-automatic programmes to carry out the active management of portfolios.

The third response to this significant popularisation of investment is less evident, but no less real – coming in the form of economic policies designed to temper (in so far as that is possible) the often chaotic movements of prices on asset markets. The so-called non-conventional monetary policies pursued by the Fed and the main Central Banks during these last years are a clear indication of the desire to avoid anything that smacks of collapse or extreme instability in asset markets now that their movements directly or indirectly affect broader segments of the population.

These three underlying factors were very present throughout 2018, affecting our activity, calling, as I pointed out earlier, for adaptation on our part.

First of all, on the regulatory side, the enforcement of MiFID II and other directives of all types, such as PSD2, (data protection), has had a clear and simple consequence for Renta 4 Banco and other entities: more costs and lower margins. More costs because they are, in the main, very rigid regulations whose implementation requires certain protocols and the means to provide them; and lower margins because they imply lower commissions.

Secondly, with regard to technological innovation, passive investment, in the form of ETFs and Indexed Funds, has become more important, often, paradoxically, as a mechanism for the active management of small, average and substantial assets. Techniques for the management of automatized and semi-automatized portfolios, where ETFs or indexed Funds are usually a key underlying investment, have also become more important. All these forms of passive and/or robotized management imply further erosion of margins.

Finally, with regard to monetary policies, throughout 2018 and in what we have seen of 2019 thus far, low interest rates (interest rates have in fact been negative in the Euro zone) and abundant liquidity, perhaps even excessive liquidity, have continued to prevail in the markets. The attempt on the part of the US Fed to normalise interest rates and reduce liquidity in the system ended abruptly in January 2019, resulting in interest rates rising far less than forecast by the Fed only a few months earlier. The ECB has not even attempted to raise interest rates. It has, for the moment, announced that negative nominal rates will remain at their present level for some time. In both cases, the reason for taking this step backwards has been the deceleration of the global economy apparent in the second half of 2018, which led to recession fears - in the world's main economy, the USA,

Abnormally low interest rates (in the Euro zone they were actually negative) prevent financial entities from managing their balance sheets and customer asset portfolios in a normal fashion, especially, but not solely, conservative profiles. They also seriously jeopardise the financial margin, and, logically, reduce margins in fixed interest markets, in all of its variants.

As I said, the impact of all of this was very visible throughout 2018, especially in the second half of the year and called for us to take tactical as well as strategic decisions. We have continued to take such decisions in 2019. I shall give further details anon.

At this moment, I would like to stress - and this allows me to enter into the analysis of the accounts and the activity our business in 2018 - that I believe we have squarely met the challenges of 2018 and we will continue to do so in coming years:

Starting with 2018, the main figures are the following:

+ R4 own client assets amounted to 11.127 million euros, a growth of 2.6% versus 2017
+ Assets under management amounted to 9.329 million euros, a slight decrease of 2.9%. In both cases, the figure is impacted by the lower asset values as a result of the general fall in the markets.
+ The financial margin rose 8.9%, to 3.3 million euros.
+ Net commissions, including exchange rate differences, reached 74.0 million euros, +8.0% growth versus the same period the previous year.
+ This growth only partially compensated for the fall in Gains on Financial Assets, which fell to 2.6 million euros from 7.7 million euros the previous year. This was due to the situation of the market and new accounting regulations regarding the valuation of portfolio assets.
+ Operating income, excluding extraordinary results, fell 3.5% versus 2017, to 22.0 million euros.

These figures have allowed us to maintain a healthy profit level, albeit slightly lower than in 2017, and once again enable us to offer a dividend of 0.30 euros per share for 2018.

Net profits for the group after tax were 16.1 million euros versus 16.5 million in 2017, a fall of 2.5%. This leaves us with a "CET1 Fully Loaded" capital ratio of 18.03% at the end of 2018, which comfortably exceeds regulatory solvency requirements, and an 18.07% Return on Equity, a return on capital invested that is way above the sector average.

Whilst a company's ultimate goal is always profit growth, it is also my firm belief that there are periods in the life of the company, even more so in the life of companies as special as banks, when the important thing is not earning more profits than the previous year, but maintaining a positive trend of results, in order to prepare the company, the Bank, for the future. If this is always the case, it is even more so in times of profound change such as those we are living at present.

For that reason, I should like to look beyond the numbers and discuss the transformational paths undertaken in 2018 to which I will now refer. Undertakings that adapted our business to the new environment whilst maintaining its essence.

As I pointed out last year, Renta 4 Banco's expertise in investment, the integration of every channel key to customer relations (digital, face-to-face, investment management and commercial) all based on the same structure and platform, are, together with "aligned" corporate governance, the essential characteristics of Renta 4 Banco and will continue to be so. They are our distinguishing features, which make us strong.

Our model must continue to evolve, around those pillars, and we must prepare the Bank for an important leap, similar to the ones that took place between 2004 and 2007 and 2014 and 2018. In those two periods, incomes from commissions doubled thanks to decisions taken in the years prior to both. Decisions that bore fruit a few years later.

The launch of the on line trading platform towards the end of 1999 and the reshaping of it in the subsequent years, paved the way for the spectacular take-off in commissions from intermediation between 2004 and 2007. And the transformation into a Bank in 2011 along with the complete change to a combination of a digital and face-to-face model allowed us to change to a different model: that of a Bank that manages wealth and savings. With that change, we were able to attract so many client assets that in the ensuing years, between 2014 and 2018, not only did total commissions once again double since client assets multiplied several times over. The profile and mix of our activity also changed, because asset management commissions clearly exceeded intermediation commissions.

Today, once again, in order for the model to continue to evolve, certain decisions have to be taken and that is being done on several fronts:

+ Digitalisation of traditional investment services, products and solutions, which implies designing and conceiving in "digital terms" what we propose to savers and investors. It is no longer simply the distribution channel; that was the challenge of the last decade, though it will still evolve significantly in the future. It is now more about the product itself being "digital" and interactive, a personalized product that can be modelled, something easily adaptable, from an initial format necessarily based, for regulatory reasons, on model profiles or proposals. Thinking "digital" is going to allow us to adapt the services we offer to our very diverse cluster of savers and investors and greatly facilitate the commercial work of our agent network, so crucial to our model. Differences with the investment sector notwithstanding, let us draw a parallel with the way in which we get music or audio-visual contents these days, through companies such as Spotify or Netflix. This will allow us to better grasp how we would like our financial services and investment solutions for savings and wealth to be offered in the future.

+ Reinforcement of "Corporate Finance" activity, so that what it now represents in terms of total commissions (less than 10%) can gradually evolve towards 20% of total commissions generated. This facet of Renta 4 services, aimed at companies and focused mainly on the "middle market" (medium sized companies), was started five years ago and has managed in that time to acquire a life of its own. In that time, the team has earned a reputation in the market for seriousness and good execution. As a result, Renta 4 Banco is a leader in this field today, with over 50% of market share, in Socimis. It has also made us an important player on the MAB (AIM), and a much sought after entity for services such as valuation of companies and fairness of opinion in corporate processes. We have also become an increasingly significant agent for the placement of private equity and venture capital.

+ This is linked to another area of activity where there is scope for development. Based on know-how garnered in the corporate finance unit, we are working to improve the structuring and placement of emissions of all types of assets, public and private, with the aim of becoming a real "investment bank" with a focus on the "middle market". Here, "digital assets" - or "tokenization" - are, I think, going in the not too distant future to account for a very significant increase in this type of activity in spite of what might be viewed to date as a somewhat tricky beginning.

+ Further, in keeping with the above, within our Company we have activated the license, which we already possessed, that allows us to be a manager of Venture Capital Companies and Venture Capital Funds and have hired a team to set up the private equity Company, including investment in newly created companies, so called "venture capital".

+ We have also taken a 30% stake in Kobus Partners, a company specialised in the renewable energy sector and other infrastructure investments, with a management team that is both young and experienced and who fully share our culture, values, entrepreneurial outlook and spirit of innovation.

+ The medium-term objective is to establish ourselves in the management of "alternative assets", which includes private equity in the broader sense, as well as direct financing formulae which by-pass the traditional lenders (direct lending) and the many types of assets linked in some way or other to real estate investment. Achieving this is an important goal, given that many of the top international consulting firms seem to believe that in less than a decade this type of alternative asset will account for at least 40% of the income of the investment sector.

+ Finally, the consolidation of our operations in Chile, Peru and Colombia is another challenge for us in 2019 and beyond. For many reasons, the Andes region offers the best prospects for institutional stability as well as economic dynamism in the region. For that reason we decided to make it the first port of call as we ventured abroad. Our businesses there still have a negative impact on the profit and loss account, but we have now managed to establish operations there and are a recognized brand, with business alliances with top companies, such as Grupo Falabella in Chile, and are gradually securing a customer base that already has a turnover in excess of one million Euros, with the potential to earn a profit even though it might take some years.

Our goal, in short, is to develop our company model whilst maintaining our essence – which defines us and sets us apart. The idea is to take advantage of the digital platform we have and, above all, draw upon the vast knowledge garnered over more than three decades of specialized activity in investment and the services that revolve around them. To make the most of that knowledge and that technology (which is already at our disposal at no extra cost) as competitive advantages that enable us to enter other asset categories such as the previously cited "alternative assets", and ultimately have a firm footing in markets where we see attractive potential, such as Chile, Peru and Colombia.

I should like to dwell once again on the initial idea. We are in a world in which, for many reasons, investment will continue to increase and where, consequently, whether it be for families or companies, investment growth will be sustained. Today, many financial and non-financial entities want to enter the world of investment services. Our advantage at Renta 4 Banco is that we have been very active in that world in a specialized way since we came into being thirty three years ago. We have lived through all its transformations over these last three decades.

We have a business model that is strong and differentiated, values and a corporate culture that have allowed us to grow profitably, offering quality service to our customers. We have, as well, if I may humbly say so myself, very clear ideas with regard to how the challenges facing the sector today are to be met.

Relatively low short-term returns, as was the case last year and in the first quarter of this year, (published a few days ago) do not, in the broader scheme of things amount to much. What is crucial is to do things well, with our sights firmly set on the next few years, without sacrificing future growth by taking a short term view of these quarterly results, though we must, as well, strive to maintain results that allow us to offer suitable dividends to shareholders.

I shall now move on to Corporate Social Responsibility. Our major concern is, as always, the creation and maintenance of employment. In this respect, our staff grew 6.5% last year to an average of 495 people. Secondly, through Fundación Renta 4, we have continued to support many programmes, mainly linked to the education of the disabled and people without resources. We continue to support programmes with Foundations such as A.G.H, Entreculturas, Recover, Agua de Coco, Pablo Horstmann and the Granadown Association. We have become involved in new projects in addition to these, which were proposed and decided upon by our employees via open vote.

I should like to end, as I do every year, by once again saying that none of the above would be possible without the trust placed in us by our clients and shareholders, and the work of a team of very qualified professionals, fully devoted to customers, and who stand out for their professional and technological excellence. My last words are therefore words of thanks to our customers and shareholders for their trust. And words of thanks as well to all the people who work at Renta 4 Banco. For their talent, dedication and effort.

D. Juan Carlos Ureta Domingo

Chairman

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Consolidated financial statements and Consolidated management report For financial year 2018

1.1 Consolidated Balance Sheets

Renta 4 Banco S.A. and Subsidiaries
Consolidated Balance Sheets at 31 December 2018 and 31 December 2017

Thousands of Euros

Assets	Score	2018 IFRS 9	2017 (*) IAS 39
Cash, cash balances with central banks and other demand deposits	**8**	**427,868**	**398,333**
Financial assets held for trading	**9**	**28,766**	**2,232**
Derivatives		475	853
Equity instruments		28,291	97
Debt securities		-	1,282
Memorandum item: Loaned or given as collateral with the right to sell or pledge		-	-
Financial assets designated at fair value with changes in other comprehensive income	**10**	**718,020**	**598,393**
Equity instruments		5.443	20.109
Debt securities		712.577	578.284
Memorandum item: Loaned or given as collateral with the right to sell or pledge		409.335	370.376
Financial assets at amortised cost	**11**	**108.853**	**162.423**
Debt securities		-	-
Loans and advances		108.853	162.423
Central banks		-	40.000
Credit institutions		26.618	38.636
Clientele		82.235	83.787
Memorandum item: Loaned or given as collateral with the right to sell or pledge		-	-
Investments in joint ventures and associates	**12**	**-**	**-**
Jointly controlled companies		-	-
Associates	-		-

Thousands of Euros

Assets	Score	2018 IFRS 9	2017 (*) IAS 39
Tangible assets	**13**	**40.951**	**40.255**
Tangible assets -		37.257	36.432
For own use		37.257	36.432
Transferred under an operating lease		-	-
Real estate investment		3.694	3.823
Of which: transferred under an operating lease		3.694	*3.823*
Memorandum item: acquired under a finance lease		-	-
Intangible assets	**14**	**18.292**	**17.576**
Goodwill		15.291	15.291
Other intangible assets		3.001	2.285
Tax assets	**20**	**2.571**	**1.818**
Current tax assets		1.551	631
Deferred tax assets		1.020	1.187
Other assets	**15**	**948**	**508**
Insurance contracts linked to pensions		-	-
Stocks		-	-
Rest of the assets		948	508
TOTAL ASSETS		**1.346.269**	**1.221.538**

(*) Figures in the consolidated financial statements under IAS 39, which are presented solely and exclusively for comparison purposes (see note 2.2.).

Thousands of Euros

Liabilities	Score	2018 IFRS 9	2017 (*) IAS 39
Financial liabilities held for trading	**9**	**-**	**213**
Derivatives		-	213
Short positions		-	-
Debt securities issued		-	-
Other financial liabilities		-	-
Financial liabilities at amortised cost	**16**	**1.240.172**	**1.116.247**
Deposits		1.132.424	960.801
Central banks		9.849	9.951
Credit institutions		19.754	17.909
Clientele		1.102.821	932.941
Debt securities issued		-	-
Other financial liabilities		107.748	155.446
Memorandum item: Subordinated liabilities		-	-
Provisions	**17**	**463**	**628**
Pensions and other post-employment defined benefit obligations		-	-
Other long-term employee compensations		-	-
Outstanding tax litigation and procedural issues		458	628
Commitments and guarantees granted		5	-
Remaining provisions		-	-
Tax liabilities	**20**	**4.836**	**4.677**
Current tax liabilities		3.365	2.996
Deferred tax liabilities		1.471	1.681
Share capital repayable on demand		-	-
Other liabilities	**15**	**3.797**	**4.771**
Of which: Social work fund (only savings banks and credit cooperatives)		-	-
TOTAL LIABILITIES		**1.249.268**	**1.126.536**

(*) Figures in the consolidated financial statements under IAS 39, which are presented solely and exclusively for comparison purposes (see note 2.2.).

Thousands of Euros

Net worth	Score	2018 IFRS 9	2017 (*) IAS 39
Equity	**18**	**96.329**	**93.479**
Capital		18.312	18.312
Paid-up capital		18.312	18.312
Required unpaid capital		-	-
Memorandum item: Capital not required		-	-
Share premium		8.496	8.496
Other reserves		63.111	58.919
Accumulated reserves or losses on investments in joint ventures and associates		-	-
Others		63.111	58.919
(-) Treasury shares		(763)	(643)
Profit attributable to the owners of the parent company		16.095	16.513
(-) Interim dividends		(8.922)	(8.118)
Accumulated other comprehensive income		**(13)**	**873**
Items that will not be reclassified to profit and losses		(1.189)	(963)
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income		(1.189)	(963)
Other valuation adjustments		-	-
Elements that can be reclassified to profit and losses		1.176	1.836
Currency Conversion		(1.021)	(380)
Changes in fair value of debt securities measured at fair value with changes in other comprehensive income		2.197	2.216
Minority interest (non-controlling ownership interests)		**685**	**650**
Accumulated other comprehensive income		(93)	(61)
Other elements		778	711
TOTAL EQUITY		**97.001**	**95.002**
TOTAL EQUITY AND LIABILITIES		**1.346.269**	**1.221.538**
MEMORANDUM ITEM			
Guarantees granted	19	608	368
Contingent commitments granted	19	18.353	8.117
		18.961	**8.485**

(*) Cifras de las Cuentas Anuales consolidadas, bajo la NIC 39, que se presentan, única y exclusivamente, a efectos comparativos (ver nota 2.2.).

1.2 Consolidated Income Statement

Renta 4 Banco, S.A., and Subsidiaries
Consolidated Income Statements for the years ended 31 December 2018 and 31 December 2017

Thousands of Euros

	Score	2018 IFRS 9	2017 (*) IAS 39
Interest income	**22 a)**	4.636	3.737
(Interest expense)	**22 a)**	(1.330)	(700)
(A) INTEREST MARGIN		**3.306**	**3.037**
Dividend income		368	371
Commission income	**22 b)**	140.679	137.245
(Commission expenses)	**22 b)**	(71.502)	(71.753)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**22 a)**	328	785
Gains or (-) losses on financial assets and liabilities held for trading, net	**22 a)**	2.284	6.980
Exchange differences [profit or (-) loss], net	**22 h)**	4.789	2.998
Other operating income	**22 c)**	262	453
(Other operating expenses)	**22 c)**	(2.513)	(2.869)
Of which: Obligatory allocations to social work funds (only savings banks and credit cooperatives)		-	-
(B) GROSS MARGIN		**78.001**	**77.247**
(Administrative expenses)		(51.199)	(49.352)
(Personnel Expenses)	**22 d)**	(31.637)	(31.168)
(Other administrative expenses)	**22 e)**	(19.562)	(18.184)
(Amortisation)	**13 y 14**	(5.234)	(4.978)

Thousands of Euros

	Score	2018 IFRS 9	2017 (*) IAS 39
(Provisions or (-) reversal of provisions)	**17**	(413)	(128)
(Impairment or reversal of impairment and gains or losses from changes in cash flows of financial assets not measured at fair value through profit or loss and net gains or losses from changes in fair value)	**22 f)**	860	20
(Financial assets at fair value through changes in other comprehensive income)		(65)	1
(Financial assets at amortised cost)		925	19
(C) OPERATING INCOME		**22.015**	**22.809**
Gains or (-) losses on derecognition of non-financial assets and ownership interests, net		-	720
Of which: Investments in subsidiaries, joint ventures and associates		-	720
(D) PRE-TAX PROFITS OR (-) LOSSES FROM CONTINUING OPERATIONS		**22.015**	**23.529**
(Expenses or (-) income from taxes on profits from continuing operations)		(6.254)	(7.248)
(E) GAINS OR (-) LOSSES AFTER TAX FROM CONTINUING OPERATIONS		**15.761**	**16.281**
Gains or (-) losses after tax from discontinued operations		-	-
F) PROFIT OR (-) LOSS		**15.761**	**16.281**
Attributable to minority interests (non-controlling interests)		(334)	(232)
Attributable to the owners of the parent company		16.095	16.513
EARNINGS PER SHARE			
Basic		0,40	0,41
Diluted		0,40	0,41

(*) Figures in the consolidated financial statements under IAS 39, which are presented solely and exclusively for comparison purposes (see note 2.2.).

1.3

Consolidated Statements of Total Recognised Gains and Losses

Renta 4 Banco, S.A. and Subsidiaries
Consolidated Statements of Total Recognised Gains and Losses for the years ended 31 December 2018 and 31 December 2017

Total comprehensive profit or loss for the financial year

14.633.000 €

Thousands of Euros

	2018 IFRS 9	2017 (*) IAS 39
Profit for the financial year	**15.761**	**16.281**
Other comprehensive income	**(1.128)**	**431**
Items that will not be reclassified to profit and losses	**(436)**	-
Changes in the fair value of equity instruments measured at fair value with changes in comprehensive income	(623)	-
Other valuation adjustments	-	-
Income tax relating to items that will not be reclassified	187	-
Elements that can be reclassified to profit and losses	**(692)**	**431**
Currency Conversion	(673)	(445)
Foreign exchange profits or (-) losses recognised in equity	(673)	(445)
Financial assets designated at fair value with changes in other comprehensive income	(27)	1.243
Profits or (-) losses in value recognised in equity	301	2.027
Transferred to profit and losses	(328)	(784)
Income tax relating to items that can be reclassified to profit or loss	8	(367)
Total comprehensive profit or loss for the financial year	**14.633**	**16.712**
Attributable to minority interests (non-controlling interests)	(366)	(293)
Attributable to the owners of the parent company	14.999	17.005

(*) Figures in the consolidated financial statements under IAS 39, which are presented solely and exclusively for comparison purposes (see note 2.2.).

1.4 Consolidated Statements of Changes in Shareholders' Equity

Renta 4 Banco, S.A. and Subsidiaries

Total consolidated statement of changes in equity for financial year ended 31 December 2018

Thousands of Euros

											Minority ownership interest		
	Capital	Share premium	Equity instruments issued other than capital	Other equity instruments	Retained gains	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to the owners of the parent company	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other elements	Total
Opening balance at 12/31/2017	**18.312**	**8.496**	**-**	**-**	**-**	**-**	**58.919**	**(643)**	**16.513**	**(8.118)**	**873**	**(61)**	**711**	**95.002**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(210)	-	-	-	210	-	-	-
Opening balance	**18.312**	**8.496**	**-**	**-**	**-**	**-**	**58.709**	**(643)**	**16.513**	**(8.118)**	**1.083**	**(61)**	**711**	**95.002**
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**4.402**	**(120)**	**(16.513)**	**(804)**	**-**	**-**	**401**	**(12.634)**
Issuance of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial year or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or compensation to partners) (Note 18.g)	-	-	-	-	-	-	(4.059)	-	-	(8.922)	-	-	-	(12.981)
Purchase of treasury shares (Note 18.f)	-	-	-	-	-	-	-	(434)	-	-	-	-	-	(434)
Sale or cancellation of treasury shares	-	-	-	-	-	-	66	314	-	-	-	-	-	380
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	-	-	8.395	-	(16.513)	8.118	-	-	-	-
Increase or (-) decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity (Note 18.l)	-	-	-	-	-	-	-	-	-	-	-	-	401	401
Of which: Discretionary allocation to social works and funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overall profit or losses for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.095**	**-**	**(1.096)**	**(32)**	**(334)**	**14.633**
Closing balance at 12/31/2018	**18.312**	**8.496**	**-**	**-**	**-**	**-**	**63.111**	**(763)**	**16.095**	**(8.922)**	**(13)**	**(93)**	**778**	**97.001**

Renta 4 Banco, S.A. and Subsidiaries

Total consolidated statement of changes in equity for financial year ended 31 December 2017 (*)

Thousands of Euros

												Minority ownership interest		
	Capital	Share premium	Equity instruments issued other than capital	Other equity instruments	Retained gains	Revaluation reserves	Other reserves	(-) Treasury shares	Profit attributable to the owners of the parent company	(-) Interim dividends	Accumulated other comprehensive income	Accumulated other comprehensive income	Other elements	Total
Opening balance at 12/31/2016	**18.312**	**8.496**	-	-	-	-	**54.782**	**(370)**	**12.127**	**(4.165)**	**381**	-	**943**	**90.506**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial year or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or compensation to partners) (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 liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	-	-	7.962	-	(12.127)	4.165	-	-	-	-
Increase or (-) decrease in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity (Note 18.l)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: Discretionary allocation to social works and funds (only savings banks and credit cooperatives)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overall profit or losses for the financial year	-	-	-	-	-	-	-	-	**16.513**	-	**492**	**(61)**	**(232)**	**16.712**
Closing balance at 12/31/2017	**18.312**	**8.496**	-	-	-	-	**58.919**	**(643)**	**16.513**	**(8.118)**	**873**	**(61)**	**711**	**95.002**

(*) Figures in the consolidated financial statements under IAS 39, which are presented solely and exclusively for comparison purposes (see note 2.2.).

1.5 Consolidated cash flow statements

Renta 4 Banco, S.A. and Subsidiaries

Consolidated cash flow statements for the years ended 31 December 2018 and 31 December 2017

Thousands of Euros

	Score	2018 IFRS 9	2017 (*) IAS 39
CASH FLOWS FROM OPERATING ACTIVITIES		**51.080**	**47.389**
Profit for the financial year		**15.761**	**16.281**
Adjustments to obtain cash flows from operating activities		**8.825**	**11.223**
Amortization	13 and 14	5.234	4.978
Other adjustments		3.591	6.245
Net increase/decrease in operating assets		**(90.904)**	**(23.716)**
Financial assets held for trading		(12.497)	5.147
Financial assets at fair value with changes in other comprehensive income		(131.938)	(29.068)
Financial assets at amortised cost		54.724	71
Other operating assets		(1.193)	134
Net increase/decrease in operating liabilities		**122.887**	**49.618**
Financial liabilities held for trading		(213)	(3.992)
Financial liabilities designated at fair value through profit or loss		-	-
Financial liabilities at amortised cost		123.925	53.386
Other operating liabilities		(825)	224
Collections/payments from taxes on profits		**(5.489)**	**(6.017)**
CASH FLOWS FROM INVESTING ACTIVITIES)		**(6.646)**	**(3.746)**
Payment		**(6.646)**	**(4.752)**
Tangible assets	13	(4.642)	(3.543)
Intangible assets	14	(2.004)	(1.209)
Collections		**-**	**1.006**
Shares		-	1.006

Thousands of Euros

	Score	2018 IFRS 9	2017 (*) IAS 39
CASH FLOWS FROM FINANCING ACTIVITIES		**(13.997)**	**(42.567)**
Payment		**(14.745)**	**(42.938)**
Dividends	2.10 and 18.h	(12.981)	(11.943)
Acquisition of equity instruments	18.f	(434)	(273)
Other payments related to financing activities		(1.330)	(30.722)
Collections		**748**	**371**
Disposal of equity instruments		380	-
Other collections related to financing activities		368	371
EFFECT OF EXCHANGE RATE CHANGES		**(673)**	**(445)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**29.764**	**631**
Cash or cash equivalents at beginning of year	**8**	**398.104**	**397.473**
Cash and cash equivalents at end of year	**8**	**427.868**	**398.104**
MEMORANDUM ITEM			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**8**	**427.868**	**398.104**
Cash		100	101
Cash equivalents at central banks		19.952	18.191
Other financial assets		407.816	379.812
Less: Bank overdrafts repayable on demand		-	-

(*) Figures in the consolidated financial statements under IAS 39, which are presented solely and exclusively for comparison purposes (see note 2.2.).

2 Consolidated Management report Financial year ended on 31 December, 2018

2.1 General Information

Renta 4 Banco, S.A. (hereinafter, “the Bank” or “the Parent Company”) is the entity resulting from the merger by absorption, which took place on 30 March 2011, of Renta 4 Servicios de Inversión S.A., (absorbing entity) and Renta 4 Banco, S.A. (absorbed entity), the latter previously known as Banco Alicantino de Comercio, S.A., the change of name of the latter having been registered on the Mercantile Registry on 8 June 2011

In addition, during the merger process, the absorbing company's bylaws were amended, changing its trade name from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A. and extending its corporate purpose to include banking activities, as well as the investment and ancillary services of investment service companies. The Parent Company is registered on the Mercantile Registry and on the Special Registry of Credit Entities of the Bank of Spain under code 0083.

On December 19, 2011, the Directorate General of the Treasury and Financial Policy under the Ministry of Economy and Finance approved the partial splitting off of branches of activity of Renta 4, S.A., Sociedad de Valores in favor of Renta 4 Banco, S.A.

By virtue of this split, Renta 4, S.A., Sociedad de Valores transferred to Renta 4 Banco, S.A. all of its equity assigned to certain branches of activity of the company split off, which constitute “an economic unit”, and which was transferred en bloc by universal succession to Renta 4 Banco, S.A., acquiring this company as the beneficiary of the split, by universal succession, all of the assets and liabilities, rights and obligations composing the split off equity and liabilities.

The balance sheet of the company Renta 4, S.A., Sociedad de Valores was considered to be the balance sheet of the division closed on 31 December, 2010. All transactions carried out by the split off equity of Renta 4, S.A., Sociedad de Valores are considered to have been carried out for accounting purposes on behalf of Renta Banco, S.A., as of 1 January 2011.

As a result of the split, Renta 4, S.A., Sociedad de Valores, transferred net assets to Renta 4 Banco, S.A. amounting to 13,630 thousand euros, representing 48.418% of the total equity of Renta 4, S.A., Sociedad de Valores prior to the split. Therefore, Renta 4, S.A., Sociedad de Valores reduced its capital by the necessary amount, amounting to 2,944,826.61 euros, through the redemption of shares number 1,047,869 to 2,031,485, both inclusive.

The corporate purpose of the Parent Company consists of the activities of credit institutions in general, including the provision of investment services, as well as the acquisition, holding, enjoyment, administration and disposal of all classes of negotiable securities, and in particular those determined in section 175 of the Commercial Code and other legislation in force relating to the activity of such entities. It also includes the provision of all types of services and advice, whether economic, financial, fiscal, stock market, organizational, mechanizational or otherwise, and the carrying out of company valuation studies, as well as the placement and negotiation of the values of all classes of movable and immovable goods belonging to third parties.

The activity or activities constituting the corporate purpose may be carried out by the Company totally or partially, indirectly, through the ownership of shares or ownership interest in companies with an identical or similar corporate purpose.

The Parent Company has its registered office in Madrid, Paseo de la Habana 74. By agreement of the Administrative Body, this may be moved within the same municipality where it is established. In the same way, offices, agencies or delegations that the development of the social activity makes necessary or convenient may be created, removed or moved, both in national territory and abroad. Annex V includes the balance sheet, the income statement, the statement of total recognised gains and losses, and the statement of total changes in equity and cash flow of the Parent Company on 31 December 2018 and 2017.

The Parent Company is the head of an economic and consolidable group of credit institutions (“the Group”). The activities of subsidiaries and associates are included in Annex II.

The activities carried on by the Group's most representative companies are regulated by Royal Legislative Decree 4/2015 of 23 October, which approves the revised text of the Values Market Law, by Law 47/2007 of 19 December and by Royal Decree 217/2008 of 15 February, as well as the various Circulars from the National Values Market Commission which implement it. Likewise, the management activity of collective investment institutions is regulated by Law 35/2003, of 4 November, and its subsequent amendments, and by Royal Decree 1082/2012, of 13 July, applicable as of 21 July 2012, and its subsequent amendments, approving the General Regulation for the Implementation of Law 35/2003, of 4 November, which replaces, through its repeal, Royal Decree 1309/2005, of 4 November. In addition, pension fund management activity is regulated by Royal Decree 1/2002, of 29 November, approving the Consolidated Text of the Law regulating Pension Plans, implemented by Royal Decree 304/2004, of 20 February, approving the General Pension Plans and Funds Regulations and subsequent amendments thereto.

As a credit entity, Renta 4 Banco, S.A. is subject to certain legal regulations that regulate, among others, aspects such as:

a) Coefficient of Minimum Reserves

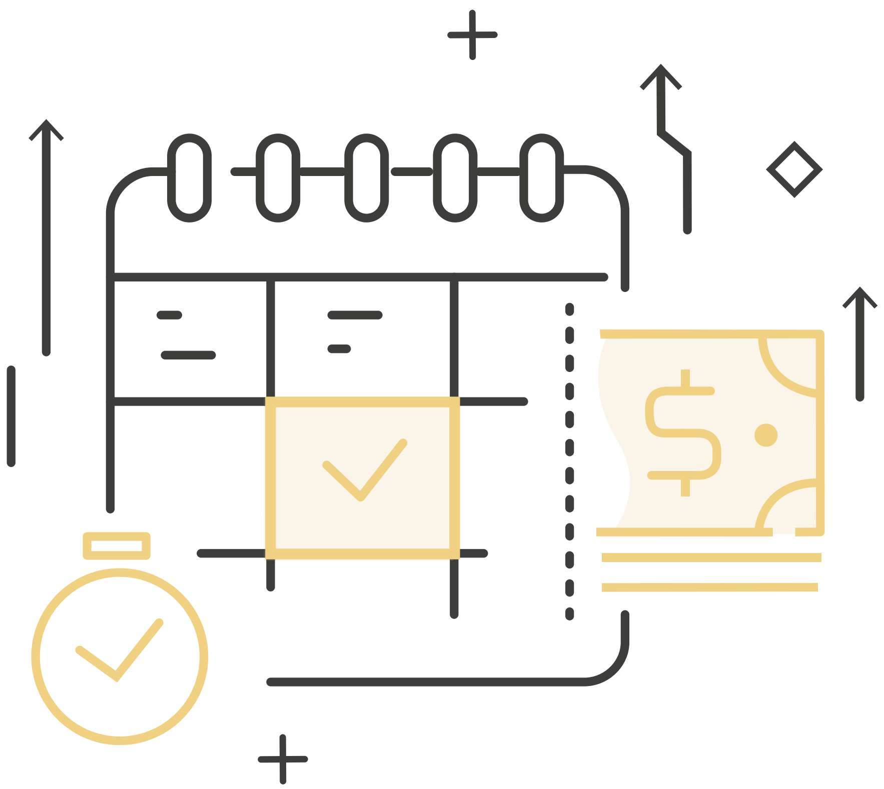
Maintenance of a minimum percentage of funds deposited with a national central bank of a country participating in the single currency (euro) to hedge the ratio of minimum reserves. On 31 December, 2018 and 2017, Renta 4 Banco, S.A. complied with the minimum requirements.

b) Own Resources

Maintenance of a minimum level of own resources. The regulations establish, in summary, the obligation to maintain sufficient own resources to cover the requirements for the risks contracted. On 31 December 2018 and 2017, the Group and the Parent Company complied with the minimum requirements in this respect.

c) Liquidity ratio

Section 412 of General Regulation (EU) No



575/2013 of 26 June 2013 on prudential requirements for credit entities and investment companies (hereinafter CRR) requires compliance with the liquidity requirement, as developed in Delegated General Regulation (EU) 2015/61. This requirement is applicable to credit institutions at the individual level (Section 6.4 of the RRC) and at the consolidated level of the matrix(Section 11.3 of the RRC) from 1 October 2015.

It has been adopted according to the following timetable:

- 60% of the liquidity hedge requirement from 1 October 2015.
- 70% from 1 January 2016.
- 80% from 1 January 2017.
- 100% from 1 January 2018.

The liquidity ratio on 31 December 2018 and 2017 presented by the Parent Company at individual and Group level is over 100%, which has been due since 1 January 2018.

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

Represents an additional guarantee to that provided by the Bank's own resources to its creditors, the purpose of which is to guarantee up to 100,000 euros of customer deposits in accordance with the provisions of current regulation.

On 1 June 2016, Bank of Spain Circular 5/2016 of 27 May 2016 was published on the calculation method so that the contributions of member institutions to the Deposit Guarantee Fund for Credit Institutions (FGD) are proportional to their risk profile, which will be used by the FGD Management Committee in determining the amount of each entity's annual contributions to the deposit guarantee sub-fund, taking into consideration indicators of capital, liquidity and financing, asset quality, business model, management model and potential losses for the FGD.

On December 2, 2015, the Management Committee of the FGD determined the annual contribution to be made, on the one hand, to the Deposit Guarantee Fund at 1.6 per thousand of the calculation basis and, on the other hand, 5 per cent of the 2 per thousand to the Values Guarantee Fund.

At the date of preparation of these consolidated financial statements, the Management Committee of the FGD had not yet communicated the annual contribution to be made by the Bank for the values guarantee sub-fund (the amount estimated by the entity amounts to 518 thousand euros in the 2018 financial year). The amount reported with regard to the Deposit Guarantee Sub-fund amounted to 731 thousand euros. This amount increased by 21 thousand euros corresponding to the adjustment of the 2017 financial year expenses and was recognised under "Other Operating Expenses" in the accompanying income statement. (See Note 22-c).

e) Annual contribution to the Single Resolution Fund

The National Resolution Fund (FRN, managed by the FROB) was set up during the financial year of 2015 and will be financed by annual contributions from credit entities and investment service companies until it reaches at least 1% of amount of the guaranteed deposits of all entities by 31 December 2024 at the latest. This fund was mutualized with the other funds of the euro zone member countries in the Single Resolution Fund (SRF) in January 2016.

On 7 November 2015 Royal Decree 1012/2015 of 6 November implementing Law 11/2015 of 18 June on the recovery and resolution of credit institutions and investment service companies and amending Royal Decree 2606/1996 of 20 December on deposit guarantee funds from credit institutions was published in the Official State Bulletin (BOE).

In relation to the first of the aspects developed, the Royal Decree establishes that the FROB will determine annually the annual contributions of the institutions to the NRF, adjusting these contributions to the risk profile of the Group.

On 1 January 2016, Regulation 806/2014 of the European Parliament and of the Council, of 15 July 2014, came into force, by virtue of which the Single Board of Resolution replaces the National Resolution Authorities, assuming the competence over the administration of the SRF as well as the calculation of the contributions to be made by the institutions, applying the calculation methodology specified in Delegated Regulation 2015/63 of the Commission of 21 October 2014, in accordance with the uniform conditions of application set forth in the Council Implementation Regulation 2015/81 of 19 December 2014.

On 12 April 2018, the Group made a contribution to the SRF amounting to 295,000 thousand euros (243,000 thousand euros in 2017) together with the associated fees amounting to 11,000 thousand euros (6,000 thousand euros in 2017). These amounts were recorded under caption "Other Operating Expenses" in the accompanying consolidated income statement. (See Note 22.c).

Since 29 September 2007, Renta 4 Banco, S.A. has held all the shares making up its capital admitted to trading on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. They are also included in the Spanish Stock Exchange Interconnection System.

2.2 Basis of presentation

a) Presentation basis of consolidated financial statements

The Group's consolidated financial statements for 2018 (hereinafter the "financial statements") were prepared by the Parent Company's Directors at the Board of Directors meeting held on 11 March 2019. It is expected that these consolidated financial statements will be approved by the Shareholders' General Meeting without any changes. The 2017 consolidated financial statements of Renta 4, Banco S.A. and its Subsidiaries were prepared by its Directors on 13 March 2018 and approved by the shareholders at their General Meeting held on 27 April 2018.

In accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of a Member State of the European Union and whose securities are listed on a regulated market of one of the Member States of the European Union must present their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards adopted by the European Union and previously adopted by the European Union ("EU-IFRS").

In this regard, the Group's consolidated financial statements for 2018 are presented in accordance with International Financial Reporting Standards adopted by the European Union and taking into consideration the provisions of the Bank of Spain´s Circular 4/2017 and its subsequent amendments, which constitute the development and adaptation to the Spanish credit institution sector of the International Financial Reporting Standards approved by the European Union. No mandatory accounting principles or valuation criteria which have a significant effect on these consolidated financial statements have ceased to be applied when preparing them.

On December 6, 2017, Bank of Spain's Circular 4/2017 of 27 November was published, amending Circular 4/2004 of 22 December, for credit institutions, on public and reserved financial information standards and model financial statements.

The Group's consolidated financial statements for 2018 were prepared taking into account all the mandatory accounting policies and standards and valuation criteria that have a material effect thereon, so that they accurately present the Group's equity and consolidated financial position at 31 December 2018, and also the consolidated results of its operations and consolidated cash flows for the year then ended.

Note 4 summarizes the most significant accounting policies and principles, and valuation criteria applied in preparing the Group's consolidated financial statements for 2018. Note 2.9 below summarizes the main changes in accounting policies in 2018.

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

b) Comparison of information

In accordance with mercantile legislation, the Parent Company's Directors present, for comparison purposes, with each of the items in the consolidated balance sheet, in the consolidated income statement, in the consolidated statement of total recognised gains and losses, in the consolidated statement of total changes in equity, in the consolidated cash flow statement and in the consolidated report, in addition to the figures for 2018, those for the previous year.

The consolidated financial statements for the year ended 31 December 2018 have been prepared considering the adaptation of the content of the public financial information to the preparation criteria, terminology, definitions and formats of the statements known as FINREP, which are established on a mandatory basis for the consolidated financial information prepared applying the International Financial Reporting Standards adopted by the European Union, in Commission Implementing Regulation (EU) 680/214 of 16 April, in accordance with Regulation (EU) 575/2013 of the European Parliament and of the Council.

From 1 January 2018, IFRS 9 replaces IAS 39 and includes amendments to the requirements for the classification and valuation of financial assets and liabilities, impairment of financial assets and hedge accounting (see Note 2.9.a). The effects of the first application of IFRS 9 are presented in Annex I.

In addition, the Bank of Spain's Circular 4/2017 for credit institutions on public and reserved financial reporting standards and model financial statements came into force on 1 January 2018. The purpose of this Circular is to adapt the accounting system of Spanish credit institutions to the changes in the European accounting system arising from the adoption of two new International Financial Reporting Standards (IFRS), specifically "IFRS 15 - Revenue from contracts with customers" and "IFRS 9 - Financial instruments".

For this reason, certain information referring to financial year 2017 has been restated based on the new nomenclature in order to present it homogeneously with financial year 2018.

The information contained in the consolidated financial statements for 2017 is presented only as a comparison with the information relating to 2018 and, therefore, does not constitute the Group's consolidated financial statements for 2017.

c) Use of judgements and estimates in the preparation of the consolidated financial statements

The information included in the consolidated financial statements is the responsibility of the Parent Company's Directors.

In preparing certain information included in these financial statements, the Directors used judgements and estimates based on assumptions that affect the application of accounting principles and criteria and the amounts of assets, liabilities, income, expenses and commitments recorded therein. The most significant estimates used in the preparation of these financial statements relate to:

- Losses due to impairment on financial assets (see note 4.h).
- Impairment losses and the useful lives of tangible assets (see note 4.j).
- The consolidation goodwill impairment tests (see note 4.i).

The valuation of goodwill requires estimates to be made in order to determine its fair value for the purpose of assessing a possible impairment. To determine this fair value, the Parent Company's Directors estimate the expected future cash flows of the cash-generating unit of which it forms part and use an appropriate discount rate to calculate the present value of these cash flows. Future cash flows depend on meeting budgets for the next five years, while discount rates depend on the interest rate and risk premium associated with each cash-generating unit. Note 4(i) and 14(a) analyse the assumptions used to calculate the value in use of cash-generating units and include an analysis of sensitivity to changes in assumptions.

- The valuation of equity instruments in share delivery plans for managers and employees (see note 4.p).
- The fair value of certain financial assets not listed on official secondary markets (see note 6).
- Measurement of the financial risks to which the Group is exposed in the course of its business (see note 5).

The estimates and assumptions used are based on historical experience and other factors that have been considered the most reasonable ones at the present time and are reviewed periodically. If, as a result of these revisions or future events, there is a change in these estimates, the effect is recognised in the consolidated income statement for that period and subsequent periods in accordance with IAS 8.

d) Ownership interest in credit institutions

At 31 December 2018 and 2017, the Group did not have an ownership interest in the capital of other domestic or foreign credit institutions.

e) Consolidation methods

The Group classifies its ownership interest in subsidiaries or associates in accordance with the following criteria:

- Subsidiaries are defined as institutions over which the Group has control. An institutions controls an investee when it is exposed to, or entitled to, variable returns because of its involvement in the investee and has the ability to influence those returns through the power it exercises over the investee.

  In order to be considered subsidiaries, the following must be valid:

  a) Power: An investor has power over an investee when the former has rights in force that give it the capacity to direct the relevant activities, i.e. those that significantly affect the returns of the investee;

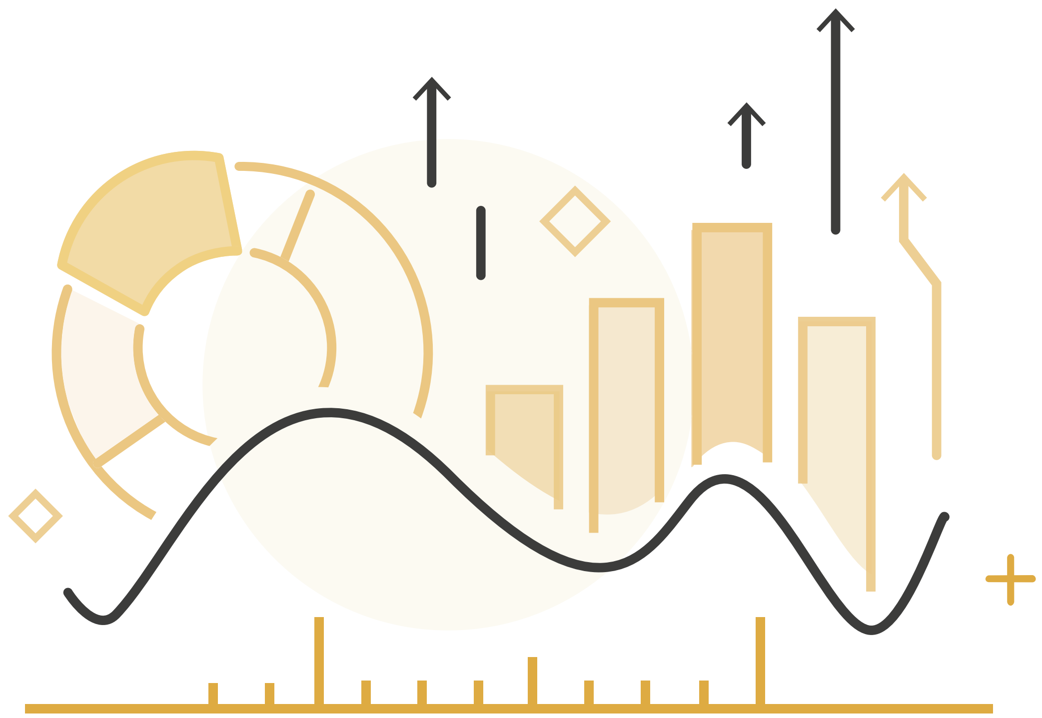
  b) Returns: An investor is exposed to, or is entitled to, variable returns for his/her involvement in the investee when the returns obtained by the investor for such involvement may vary depending on the economic evolution of the investee. Investor returns can be only positive, only negative or both positive and negative at the same time.

  c) Power to return ratio: An investor controls an investee if the investor not only has power over the investee and is exposed to, or is entitled to, variable returns for his/her involvement in the investee, but also has the capacity to use his/her power to influence on the returns he/she obtains from that involvement in the investee.

Subsidiaries have fully consolidated by means of the global integration method, consisting in the inclusion in the Group's balance sheet of all the rights and obligations composing the equity of these subsidiaries and in the income statement of all the income and expenses used to determine their profit or loss for the year.

Likewise, the Group ceases to be consolidated once it loses control. When this situation arises, the consolidated financial statements include the results from the part of the year in which the Group maintained control over the same.

- Associates are companies over which the Group has the capacity to exercise significant influence, due to the presence in their governing bodies, the effective capacity to influence in their strategic and operational policies and the existence of significant transactions. Associates have consolidated by using the equity method, whereby the carrying amount of the investment is replaced by the amount corresponding to the percentage of the associate's equity.



f) Minority interests

The value of the minority shareholders' interest in the equity and in the results of the consolidated subsidiaries is presented under "Minority Interests" in the consolidated balance sheets and under "Profit for the Year - Attributable to Minority Interests" in the consolidated income statements and the consolidated statements of total recognised gains and losses, respectively.

In the case of acquisitions of interest from external partners, the difference between the price paid and the amount recorded is recorded in equity attributable to the Parent Company.

g) Valuation homogenization

The necessary valuation homogenization adjustments have been made in order to adapt the valuation criteria of the subsidiaries to those of the Parent Company.

h) Elimination of internal transactions

The various reciprocal balances from internal transactions in loans, dividends, purchase and sale of goods and provision of services have been eliminated.

i) Regulatory changes

The accounting principles and policies and valuation methods applied in preparing the accompanying consolidated financial statements do not differ significantly from those detailed in Note 2 to the Consolidated Financial Statements for 2017, except mainly for the application of IFRS 9, which came into force on 1 January 2018.

(a) Standards and interpretations of most recent application approved by the European Union

In 2018 the following amendments to IFRSs and their interpretations (hereinafter "IFRIC") came into force, the effects of which have been included in these consolidated financial statements of Grupo Renta 4:

IFRS 9: "Financial Instruments"

IFRS 9 replaces IAS 39 and includes requirements for the classification and valuation of financial assets and financial liabilities (see Note 4.f) and impairment of financial assets (see Notes 4.h).

IFRS 15 - "Revenue from customer contracts"

IFRS 15 sets out the principles that an institution shall apply to account for income and cash flows from contracts for the sale of goods or services to its customers.

Under this new standard, institutions will recognise revenue from a contract with customers when they have met their obligations to transfer goods or perform services to their customers, as contractually agreed, and a good or service is considered to have been transferred when the customer obtains control over it. With respect to the amount to be recognised, it is the amount that reflects the payment to which you are expected to be entitled for the goods or services transferred.

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

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

Amended IFRS 4 - "Insurance contracts"

The amendments to IFRS 4 address the accounting consequences of applying IFRS 9 earlier than the future standard on insurance contracts by introducing two optional solutions:

- Deferral or temporary exemption approach, which allows institutions whose principal activities are related to the insurance activity to defer application of IFRS 9 and continue to apply IAS 39 until 2021.
- Overlap approach, which allows any institution that issues insurance contracts to record under equity, rather than under the income statement, the additional accounting volatility arising from the application of IFRS 9 compared with IAS 39 prior to the application of the future standard on insurance contracts.

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

IFRS 2 - "Classification and valuation of transactions involving share-based payments"

The amendments made to IFRS 2 establish the requirements to be applied in three aspects:

- In measuring the fair value of a cash-settled share-based payment, vesting conditions other than market conditions shall only be taken into account to adjust the number of shares to be included in the transaction amount.
- When, in a transaction that would be classified as an equity instrument-settled share-based payment, an institution retains a number of equity instruments that equals the monetary value of the legal obligation to withhold taxes, the transaction as a whole is classified as an equity instrument-settled share-based payment.
- When a cash-settled share-based payment becomes classified as an equity instrument-settled share-based payment, the modification is accounted for by derecognizing the original liability and recognizing under equity the fair value of the equity instruments granted and for which goods or services have been received on the modification date; the differences are recognised immediately under the income statement.

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

Annual "Improvements to IFRS" project (2014-2016 cycle) - Minor amendments to IFRS 1 and IAS 28

The annual IFRS 2014-2016 improvement project introduces minor amendments and clarifications to IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures, which will be applicable to financial years beginning on or after 1 January 2018, although early application is permitted for amendments to IAS 28.

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

IFRIC 22 Interpretation - "Foreign currency transactions and advance consideration"

The interpretation refers to how to determine the date of the transaction and, therefore, the exchange rate to be used to translate the related asset, expense or income on the initial recognition under circumstances in which a non-monetary prepayment asset or non-monetary deferred income liability arising from the advance payment or collection of the compensation has previously been recognised, and states that the transaction date is the date on which the institution initially recognises the non-monetary asset or non-monetary liability.

If there are several advance payments or collections, the institution determines a transaction date for each advance payment or collection of the compensation.

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

Amendments to IAS 40 - "Investment Property"

The amendments provide that an institution shall transfer a property to or from investment properties only when there is a change in the use of the property supported by evidence that the change has occurred. A change of use is considered to occur when the property meets, or no longer meets, the definition of investment property.

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

(b) Standards and interpretations not in force at 31 December 2018

At the date of preparation of these consolidated financial statements, new International Financial Reporting Standards and interpretations thereof had been published which were not mandatory at 31 December 2018. Although, in some cases, the IASB permits the application of the amendments prior to their entry into force, the Grupo Renta 4 did not apply them early.

Amended IFRS 9 - Characteristics of Early Cancellation with Negative Offset

The amendments to IFRS 9 allow institutions to value certain prepayable financial assets with negative offset at amortised cost or at fair value with changes in accumulated other comprehensive income if a specific condition is met, rather than doing it at fair value with changes in profit or loss. The condition is that the financial asset meets the requirements to consider that it has contractual cash flows that are only principal and interest payments except for that early repayment option.

The amendments are effective for annual periods beginning on or after 1 January 2019, although early application is permitted.

Amended IFRS 10 – "Consolidated financial statements" and amended IAS 28

The amendments to IFRS 10 and IAS 28 provide that when an institution sells or contributes assets that constitute a business (including its consolidated subsidiaries) to an associate or joint venture of the institution, the institution shall recognise the gain or loss on the transaction in its entirety. However, when the assets it sells or contributes do not constitute a business, it should recognise the gain or loss only to the extent of the interests in the associate or joint venture of other investors not related to the institution.

These amendments shall be applied for financial years beginning on or after their effective date, yet to be determined, although early application is permitted.

IFRS 16 - "Leases"

This standard shall be applied for financial years beginning on or after 1 January 2019, although early application is permitted if IFRS 15 is also applied.

On 13 January 2016, the IASB issued IFRS 16 which, for annual periods beginning on or after 1 January 2019, supersedes IAS 17 "Leases". The new standard introduces a single accounting model for the lessee and requires the lessee to recognise the assets and liabilities of all lease contracts. The only exceptions are short-term contracts and those whose underlying is of low value. The lessee must recognise in the asset a right of use that represents its right to use the leased asset, and a lease liability that represents its obligation to make the lease payments.

With respect to lessor accounting, IFRS 16 substantially maintains the accounting requirements of IAS 17. Consequently, the lessor continues to classify its leases as either operating leases or finance leases and accounts for each of those two types of lease contract differently.

In 2017 and 2018, the Group carried out a project to implement IFRS 16 with the participation of all the affected areas. The standard will mainly affect the accounting for the Group's operating leases.

With respect to the estimated impact on the Consolidated Financial Statements at the transition date, the Group has opted to apply the modified retrospective method which consists of recognising lease liabilities for an amount equivalent to the present value of the future payments committed at 1 January 2019. With respect to the asset, it was decided to recognise assets for right of use for an amount equal to the lease liabilities. As a result of this approach, the Group expects to recognise assets for right of use and lease liabilities amounting to approximately 20,756 thousand euros. The impact in terms of the Group's capital amounts to 300 thousand euros.

The actual impacts of the adoption of the standard on January 1, 2019 may change because:

- The Group has not completed all tests.
- The new accounting policies, methodologies and parameters may be subject to modification until the Group presents its first financial statements that include the definitive impact at the date of initial application.

IFRS 17 - Insurance contracts

IFRS 17 sets out the principles that an entity should apply in accounting 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 assumptions in their estimates.

An entity divides contracts into groups and recognises and measures groups of insurance contracts for the total of:

- fulfilment cash flows, which comprise the estimation of future cash flows, an adjustment to reflect the time value of money and the financial risk associated with future cash flows, and a risk adjustment for non-financial risk.
- The contractual service margin, which represents unearned profit.

The amounts recognised in the income statement shall be broken down into income from insurance activity, expenses on the provision of insurance services and insurance financing income or expenses. The income from insurance activity and the expenses of the insurance service provision shall exclude any investment component. Income from insurance activity shall be recognised during the period in which the entity provides insurance hedge and shall be allocated to accounting periods in proportion to the value of the provision of insurance hedge provided by the insurer during the period.

This standard shall be applied for annual periods beginning on or after 1 January 2021.

IFRIC 23 - Uncertainty about Income Tax Treatment

The Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty about the treatment of income taxes.

If the entity believes that the tax authority is likely to accept an uncertain tax treatment, the interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates in a manner consistent with the tax treatment used or intended to be used in its income tax return.

If the entity believes that the tax authority is unlikely to accept an uncertain tax treatment, the interpretation requires the entity to use the most probable amount or expected value (sum of possible amounts, weighted by their probability) to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The method used shall be the method that the entity expects to provide the best prediction of the resolution of the uncertainty.

The interpretation shall be applied for annual periods beginning on or after 1 January 2019, although early application is permitted.

From the analysis carried out, it is not estimated that the application of the standard will have an impact.

Modified IAS 28 - Long-term Interests in an Associate or Joint Venture

The amendments to IAS 28 clarify that an entity is required to apply IFRS 9 to financial instruments that are long-term interests in an associate or joint venture that are, in essence, part of the net investment in the associate or joint venture but are not accounted for using the equity method.

The amendments shall be applied for annual periods beginning on or after 1 January 2019, although early application is permitted.

Annual improvement project 2015/2017

The annual IFRS 2015-2017 improvement project introduces minor amendments and clarifications to IFRS 3 - Business Combinations, IFRS 11 - Joint Agreements, IAS 12 - Income Tax and IAS 23 - Loan costs which will be applicable for annual periods beginning on or after 1 January 2019, although early application is permitted.

Modified IAS 19 - Modification, Reduction or Liquidation of a Plan

Minor amendments are made to IAS 19 on accounting for Employee Profits in Defined Provision Plans where there is a modification, reduction or liquidation of the plan during the period. In such cases, the entity must use updated actuarial assumptions to determine the current service cost and net interest from the date of modification, liquidation or settlement of the plan.

The amendments shall be applied for annual periods beginning on or after 1 January 2019, although early application is permitted

IFRS 3 Modified - Definition of business

The amendment clarifies the difference between acquisition of a business or acquisition of a group of assets for accounting purposes. To determine whether a transaction is the acquisition of a business, an entity must evaluate and conclude that the following two conditions are met:

- The fair value of the assets acquired is not concentrated on a single asset or group of similar assets.
- the set of activities and assets acquired includes, as a minimum, an input and a substantive process that together contribute to the ability to create products.

This standard shall be applied for annual periods beginning on or after 1 January 2020, although early application is permitted

Amended IAS 1 and IAS 8 - Definition of Materiality

The amendments clarify the definition of Materiality in the preparation of financial statements by aligning the definition in the Framework, IAS 1 and IAS 8 (which before the amendment contained similar but not identical definitions). The new definition of materiality is as follows: 'information is material if its omission, misstatement or obscuring can reasonably be expected to influence decisions made by the principal users of the general-purpose financial statements of a specific entity based on those financial statements'.

This standard shall be applied for annual periods beginning on or after 1 January 2020, although early application is permitted.

j) Distribution of profit

The allotment of results for 2018 and 2017 is made in accordance with the proposals for their allotment included in the financial statements of the respective Group companies prepared in accordance with accounting principles generally accepted in the countries in which they are located.

The proposed allotment of profit for financial year 2018 (determined in accordance with accounting principles and criteria generally accepted in Spain) of the Parent Company, formulated by the directors and pending of approval by the shareholders at the Annual General Meeting, is as follows, as well as the allotment of profit for financial year 2017 of the Parent Company which was approved by the General Shareholders' Meeting held on 27 April 2018.

Thousands of Euros

	2018	2017
Reserves	2.239	4.168
Interim dividend (Note 18-g)	8.922	8.118
Final interim dividends (Note 18-g)	3.246	4.059
Total distributed	14.407	16.345

2.3 Group and associated companies

The subsidiaries and associates of Renta 4 Banco, S.A. at 31 December 2018 and 2017 are detailed in Annex II. On the other hand, the information relating to the accounting for associates in the consolidation process is reflected in Note 12.

The individual annual financial statements of the Group companies used in the consolidation process for 2018 and 2017 were those at 31 December 2018 and 2017, respectively.

In 2018, the changes in "Group companies" were as follows:

- On 16 May 2018 the capital increase carried out in the Peruvian subsidiary Renta 4 Sociedad Agente de Bolsa, S.A. amounting to 1,912 thousand nuevos soles, equivalent to 500 thousand euros was formalized. The subscription of this increase does not imply any change in the shareholding.
- On 24 April 2018, the capital increase carried out in the subsidiary Renta 4 Global Fiduciaria amounting to 2,000,000 thousand Colombian pesos, equivalent to 570 thousand euros, was formalized. The subscription to Renta 4 Banco, S.A. amounted to 1,388,580 thousand Colombian pesos, corresponding to 396 thousand euros.
- On 17 August 2018, the capital increase carried out in the subsidiary Renta 4 Global Fiduciaria amounting to 2,500,000 thousand Colombian pesos, equivalent to 741 thousand euros was formalized. The subscription to Renta 4 Banco, S.A. amounted to 1,735,710 thousand Colombian pesos, corresponding to 514 thousand euros.

In 2018, there were no changes in "associated companies".

In 2017, the changes in "group companies" were as follows:

- The subsidiary Renta 4 Guipúzcoa, S.A. was dissolved and liquidated on 20 January 2017. The amount established for the liquidation corresponded to the net carrying amount of the ownership interest (1,798 thousand euros) and a negative impact of 4 thousand euros was recognised in the Parent Company's 2017 income statement.
- On 7 June 2017 the capital increase carried out in the Peruvian subsidiary Renta 4 Sociedad Agente de Bolsa, S.A. amounting to 1,773 thousand nuevos soles, equivalent to 500 thousand euros was formalized. The subscription of this increase did not imply any change in the shareholding.
- On 22 June 2017, the capital increase carried out in the subsidiary Renta 4 Chile S.P.A. amounting to 2,995,080 thousand Chilean pesos, equivalent to 3,983 thousand euros, was formalized. This increase was fully subscribed and paid up by Renta 4 Banco, S.A.
- On 22 June 2017 the capital increase carried out in the subsidiary Inversiones Renta 4 Chile Limitada amounting to 2,096,894 thousand Chilean pesos, equivalent to 2,789 thousand euros, was formalized. The subscription of this increase did not imply any change in the shareholding.
- On 22 June 2017 the capital increase carried out in the subsidiary Renta 4 Corredores de Bolsa S.A. amounting to 2,995,283 thousand Chilean pesos, equivalent to 3,984 thousand euros, was formalized. The subscription of this increase did not imply any change in the shareholding.

During 2017, the changes in "associated companies" were as follows:

- On 9 February 2017, the Parent Company and Hanson Asset Management Ltd. signed an agreement to terminate their business relationships and sell their ownership interest in this investee for 700 thousand GBP (822 thousand euros). The profit or loss recognised in the consolidated income statement as a result of this sale amounted to 782 thousand euros and was recognised under "Gains or (-) losses on derecognition in accounts of non-financial assets and ownership interests, net".
- On 22 March 2017, the Parent Company formalized the sale of the investee W4I Investment Advisory limited for 156 thousand GBP (approximately 180 thousand euros). The profit or loss recognised in the 2017 consolidated income statement as a result of this sale amounted to a loss of 66 thousand euros and was recognised under "Gains or (-) losses on derecognition in accounts of non-financial assets and ownership interests, net".

A breakdown of the subsidiaries and associates of Renta 4 Banco, S.A. at 31 December 2018 and 2017 is included in Annex II to these consolidated financial statements.

2.4 Accounting principles and valuation criteria applied

The following accounting policies and principles, and valuation criteria were applied in preparing the Group's consolidated annual financial statements for 2018:

a) Going concern principle

The information contained in these annual financial statements has been prepared considering that the Group's management will continue in the future and, therefore, the accounting standards have not been applied for determining the value of the equity for the purposes of their total or partial transfer, nor for a hypothetical liquidation, since the directors consider that the Group's activity will continue normally.

b) Accrual principle

These consolidated annual financial statements, except for cash flow statements, were prepared on the basis of the actual flow of goods and services, regardless of when they were paid or collected.

c) Offsetting of balances

Only balances receivable and payable arising from transactions that, contractually or as required by law, provide for the possibility of offsetting are offset against each other and, accordingly, are presented in the consolidated balance sheet at their net amount and it is also the intention to settle them at their net amount or to realize the asset and pay off the liability simultaneously. For these purposes, the presentation in accordance with EU-IFRSs in these consolidated annual financial statements of the financial assets subject to valuation adjustments for depreciation or impairment, net of these items, is not considered as an "offsetting of balances".

d) Transactions in foreign currency

For the purposes of these consolidated annual financial statements, the functional and presentation currency is deemed to be the euro, and foreign currency is defined as any currency other than the euro.

At initial recognition, balances receivable and payable in foreign currencies were translated to euros using the spot exchange rate. Thereafter, the following rules apply for the conversion into euros of balances denominated in foreign currencies:

- Monetary assets and liabilities have been converted into euro using the official average spot exchange rates published by the European Central Bank at the end of each financial year.
- Income and expenses have been translated at the exchange rate prevailing on the date of the transaction.

Exchange differences arising on the translation of foreign currency balances are recorded in the consolidated income statement.

At 2018 year-end the total amount of assets and liabilities denominated in foreign currencies amounted to 50,154 thousand euros and 38,839 thousand euros, respectively. At 2017 year-end the total amount of assets and liabilities denominated in foreign currencies amounted to 58,346 thousand euros and 36,230 thousand euros, respectively.

e) Revenue recognition

As a general rule, income is recognised at the fair value of the compensation received or to be received, less discounts, rebates or commercial rebates. When the cash inflow is deferred over time, fair value is determined by discounting future cash flows.

The recognition of any income in the consolidated income statement or in the consolidated equity shall be subject to compliance with the following prerequisites:

- Its amount can be estimated reliably.
- It is likely that the institution will receive the economic benefits.
- The information is verifiable.

When doubts arise about the collection of an amount previously recognised in the income, the amount whose collectibility is no longer likely is recognised as an expense rather than as less income.

Income and expenses from interest, dividends and similar items

Income and expenses from interest and similar items are generally recognised in accounting on an accrual basis using the effective interest method.

Interest shall be recognised in the income statement on the basis of the following criteria, irrespective of the portfolio in which the assets are classified:

- Interest due prior to the date of initial recognition and receivable shall be part of the carrying amount of the debt security.
- Interest accrued subsequent to the initial recognition of a debt security shall, until collected, be included in the gross carrying amount of the instrument.

Dividends received from companies other than those included in the scope of consolidation of the Group are recognised as income when the right to receive them by the consolidated institutions arises.

When a debt security is considered to be impaired, interest income is recognised by applying to the carrying amount of the asset the interest rate used to discount the estimated cash flows to be recovered.

Commissions, fees and similar items

Income and expenses due to fees and commissions that should not be part of the calculation of the effective interest rate of transactions and/or are not part of the acquisition cost of financial assets or liabilities other than those classified at fair value with changes in gains and losses are recognised in the consolidated income statement using different criteria depending on their nature. The most significant are:

- Those related to the acquisition of financial assets and liabilities measured at fair value with changes in gains and losses, which are recognised in the income statement upon collection/payment.
- Those arising from transactions or services that extend over time, which are recognised in the consolidated income statement over the life of the transactions or services.

- Those that respond to a singular act, which are imputed to the income statement when the act that originates them occurs.

Non-financial income and expenses

They are recognised for accounting purposes on an accrual basis.

Deferred collections and payments over time

They are recognised for accounting purposes for the amount resulting from financially updating the expected cash flows to market rates.

f) Recognition, valuation and classification of financial instruments

Financial instruments are recognised in the consolidated balance sheet only when the Group becomes a party to the contract in accordance with the contract specifications. The Group recognises debt securities, such as credits and money deposits, from the date on which the legal right to receive, or the legal obligation to pay, cash arises, and financial derivatives from the contract date. In addition, transactions carried out in the foreign currency market will be recorded on the settlement date, and financial assets traded on the Spanish secondary securities markets, if they are equity instruments, will be recognised on the contract date and, in the case of debt securities, on the settlement date.

As mentioned in Note 2.9.a, on 1 January 2018 IFRS 9 came into force replacing IAS 39 in relation to the classification and valuation of financial assets and liabilities, impairment of financial assets and hedge accounting.

The breakdowns relating to 2017, which are presented for comparative purposes, are made in accordance with the valuation criteria and policies that were then applicable and were established in IAS 39.

f.1) Financial assets

Classification of financial assets

IFRS 9 contains three main categories of classification for financial assets: Measured at amortised cost, measured at fair value with changes in accumulated other comprehensive income, and measured at fair value with changes in profit or loss.

The classification of financial instruments into a category of amortised cost or fair value has to undergo two tests: the business model and the contractual cash flow assessment, commonly known as the "Solely Payment of Principal and Interest Criterion" (hereinafter SPPI).

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- The financial asset is held within the framework of a business model whose objective is to hold financial assets in order to obtain contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest, basically understood as compensation for the time value of money and the debtor's credit risk.

A financial asset shall be measured at fair value with changes in other comprehensive income if both of the following conditions are met:

- The financial asset is held within the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

A debt financial instrument is classified at fair value with changes in profit or loss provided that the institution's business model for its management or the characteristics of its contractual cash flows make it inappropriate to classify it in any of the other portfolios described.

In general, equity financial instruments are measured at fair value with changes in profit or loss. However, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income.

Financial assets will only be reclassified when the Group decides to change the business model. In this case, all the financial assets of that business model will be reclassified. The change in the objective of the business model must be prior to the reclassification date.

Valuation of financial assets

All financial assets are initially recognised at fair value plus, in the case of financial instruments that are not classified at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instruments.

Except for trading derivatives other than economic and accounting hedges, all changes in the value of financial assets due to accrued interest and similar items are recognised under "Interest Income" in the consolidated income statement for the period in which the accrual occurred (see Note 22.a). Dividends received from companies other than subsidiaries, associates or joint ventures are recognised under "Dividend Income" in the consolidated income statement for the period in which the right to receive them arises.

Changes in valuations subsequent to the initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, depending on the categories in which the financial assets are classified.

Its financial assets are classified in the following portfolios for valuation purposes:

"Financial Assets Held for Trading" and "Financial Assets Designated at Fair Value with Changes in Profit or Loss":

"Financial Assets held for trading" includes financial assets whose business model aims to generate profits through purchases and sales or to generate profit or loss in the short term. In "Financial Assets Designated at Fair Value with Changes in Profit or Loss" financial assets will be classified provided that the institution's business model for its management or the characteristics of its contractual cash flows do not make it appropriate to classify them in any of the other portfolios described.

Assets recognised under these headings in the consolidated balance sheets are measured after their acquisition at fair value and changes in their value (gains or losses) are recognised, at their net amount, under "Gains or Losses on Financial Assets and Liabilities Held for Trading, Net" and "Gains or Losses on Financial Assets and Liabilities Designated at Fair Measured with Changes in Profit or Loss, Net" in the consolidated income statement, except for interest on derivatives designated as economic and accounting hedges of interest rates, which are recognised under "Interest Income" or "Interest Expenses" (See Note 22.a), depending on where the profit or loss from the hedged instrument is recognised. However, changes arising from exchange rate differences are recognised under "Gains or Losses on Financial Assets and Liabilities" in the consolidated income statement (See Note 22.a).

"Financial Assets at Fair Value with Changes in other Comprehensive Income"

Debt financial instruments:

- The assets recognised under the balance sheet heading are measured at their fair value. Subsequent changes in this valuation (capital gains or losses) are recognised temporarily at their amount (net of the related tax effect) under "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Changes in the Fair Value of Debt securities Measured at Fair Value with Changes in Other Comprehensive Income" in the balance sheet. Amounts recognised under "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Financial Assets at Fair Value with Changes in Other Comprehensive Income" and "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Currency Conversion" will still be part of the Bank's equity until derecognition in the balance sheet of the asset that gave rise to them or until the existence of impairment in the value of the financial instrument is determined. In case of sale of these assets, the amounts will be cancelled, as shown in "Gains or Losses due to Derecognition in Accounts of Financial Assets and Liabilities not Measured at Fair Value with Changes in Profit or Loss, Net" or "Exchange Rate Differences, Net", as applicable, in the income statement corresponding to the period when the derecognition takes place in the balance sheet. Apart from that, net losses due to impairment in financial assets at fair value with changes in other comprehensive income occurred during the financial year are recognised under "Impairment in the Value or Reversal of the Impairment in the Value of Financial Assets not Measured at Fair Value with Changes in Profit or Loss - Financial Assets at Fair Value with Changes in Other

Comprehensive Income" in the income statement of said period (see Note 22.f). Exchange rate differences arising from monetary items are recognised under "Exchange Rate Differences, Net" in the income statement (see Note 22.g).

- On the other hand, net losses due to impairment on financial assets at fair value with changes in other comprehensive income arising in the year are recognised under "Impairment in the Value or Reversal of the Impairment in the Value of Financial Assets not Measured at Fair Value with Changes in Profit or Loss and Net Gains or Losses on Amendment - Financial Assets at Fair Value with Changes in Other Comprehensive Income" in the consolidated income statement for that period (see Note 22.f).
- Exchange rate differences arising from monetary items are recognised under "Exchange Rate Differences, Net" in the consolidated income statement (see Note 22.g).

Equity financial instruments:

- At the time of initial recognition of specific investments in equity instruments that would otherwise be measured at fair value with changes in profit or loss, the Group may make the irrevocable decision to present subsequent changes in fair value in other comprehensive income. Subsequent changes in this valuation shall be recognised in "Accumulated other comprehensive income - Items that shall not be Reclassified to Profit or Loss - Changes in the Fair Value of Equity Instruments Measured at Fair Value with Changes in Other Comprehensive Income".

"Financial Assets at Amortised Cost"

A financial instrument will be classified in the amortised cost portfolio when it is managed with a business model whose objective is to hold the financial assets to receive contractual cash flows, and meets the SPPI test.

The assets recognised under this heading in the consolidated balance sheets are measured after their acquisition at their "amortised cost", which is determined using the "effective interest rate" method.

The net losses due to impairment in the assets recognised in these headings in each year are recognised under "Impairment in the Value or Reversal of the Impairment in the Value of Financial Assets not Measured at Fair Value with Changes in Profit or Loss - Financial Assets at Amortised Cost" in the consolidated income statement for that period (see Note 22.f).

Losses due to impairment on financial instruments are recognised in accordance with Note 4.h).

f.2) Financial liabilities

Classification of financial liabilities

Under IFRS 9, financial liabilities are classified into the following categories:

- Financial liabilities at amortised cost
- Financial liabilities held for trading (including derivatives): these are instruments recorded in this category when the Group's objective is to generate profits through purchases and sales with these instruments;

- Financial liabilities designated at fair value with changes in profit or loss at the time of initial recognition ("Fair value option"). The Group has the option of irrevocably designating a financial liability as measured at fair value with changes in profit or loss if the application of this criterion eliminates or significantly reduces inconsistencies in valuation or recognition, or if it is a group of financial liabilities, or a group of financial assets and liabilities, that is managed, and its performance evaluated, based on fair value in line with a risk management or investment strategy.

Valuation of financial liabilities

All financial liabilities are initially recognised at fair value plus, in the case of financial instruments that are not classified at fair value with changes in profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instruments.

Changes in valuations subsequent to the initial recognition for reasons other than those mentioned in the preceding paragraph are treated as described below, according to the categories in which the financial liabilities are classified:

"Financial Liabilities Held for Trading" and "Financial Liabilities Designated at Fair Value with Changes in Profit or Loss"

Liabilities recognised under these headings in the consolidated balance sheets are measured after their recognition at fair value and changes in their value (gains or losses) are recognised, at their net amount, under "Gains or Losses on Financial Assets and Liabilities Held for Trading, Net" and "Gains or Losses on Financial Assets and Liabilities Designated at Fair Value with Changes in Profit or Loss, Net" in the consolidated income statement (see Note22.f), except for interest on derivatives designated as economic and accounting hedges of interest rates, which are recorded under the "Interest Income" or "Interest Expenses" captions (see Note 22.a), depending on where the profit or loss of the hedged instrument are recorded. However, changes arising from exchange rate differences are recognised under "Gains or Losses on Financial Assets and Liabilities" in the consolidated income statement (see Note 22.a).

"Financial Liabilities at Amortised Cost"

The liabilities recognised in this caption in the consolidated balance sheets are measured after their acquisition at "amortised cost", which is determined using the "effective interest rate" method.

f.3) Gains and losses on financial instruments

Gains and losses on financial instruments are recorded depending on the portfolio in which they are classified according to the following criteria:

- For financial instruments included in the "Held for Trading" category, changes in fair value are recorded directly in the income statement.
- For financial instruments measured at amortised cost, changes in fair value are recognised when the financial instrument is derecognised from the balance sheet and, for financial assets, when they become impaired.
- For financial instruments included in the category "Financial Assets Designated

at Fair Value with Changes in Other Comprehensive Income", changes in fair value are directly recognised in the equity under "Accumulated other comprehensive income - Elements that can be Reclassified to Profit or Loss - Changes in the Fair Value of Debt securities Measured at Fair Value with Changes in Other Comprehensive Income" until they are derecognised from the balance sheet, at which time the existing amount is transferred to the income statement. Impairment losses, if any, are recorded in the income statement and as "Accumulated other comprehensive income - Elements that will not be Reclassified to Profit or Loss - Changes in Fair Value of Equity Instruments Measured at Fair Value with Changes in Other Comprehensive Income".

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

The fair value of a financial instrument at a specified date is defined as the amount for which it could be bought or sold at that date between two knowledgeable parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an organized, transparent and deep market ("listed price" or "market price").

When a market publishes bid and offer prices for the same instrument, the market price for an asset acquired or a liability to be issued is the bid (demand) price, while the price for an asset to be acquired or a liability issued is the ask (offer) price. If there is a relevant market creation activity or it can be demonstrated that positions can be closed -liquidated or covered- at the average price, then the average price is used. When there is no market price for a given financial instrument, its fair value is estimated on the basis of that established in recent transactions involving similar instruments and, failing that, on the basis of valuation models sufficiently contrasted by the financial community, taking into account the specific characteristics of the instrument to be measured and, in particular, the different types of risks associated with the instrument.

The valuation techniques used to estimate the fair value of a financial instrument meet the following requirements:

- The most consistent and appropriate financial and economic methods are used, which have been shown to provide the most realistic estimate of the price of the financial instrument.
- These are those commonly used by market participants when valuing this type of financial instrument, such as discounted cash flows, condition-based option valuation models, non-arbitrage, etc.
- They maximize the use of available information, both with respect to observable data and recent transactions of similar characteristics, and limit as far as possible the use of unobservable data and estimates.
- They are widely and sufficiently documented, including the reasons for their choice over other possible alternatives.
- The methods of valuation chosen are respected over time, provided that there are no reasons to change the reasons for their choice.
- The validity of the valuation models is periodically evaluated using recent transactions and current market data.

They take into account the following factors: the time value of money, credit risk, exchange rate, commodity price, price of capital instruments, volatility, market liquidity, early cancellation risk and administration costs.

Specifically, the fair value of financial derivatives traded on organized, transparent and deep markets included in the trading portfolios is assimilated to their daily quotation and if, for exceptional reasons, their quotation cannot be established on a given date, they are measured using methods similar to those used to value derivatives not traded on organized markets.

The fair value of derivatives not traded in organized markets or traded in shallow or not very transparent organized markets is assimilated to the sum of the future cash flows arising from the instrument, discounted to the valuation date ("present value" or "theoretical close"), using in the valuation process methods recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortised cost is defined as the acquisition cost of a financial asset or liability adjusted (plus or minus, as appropriate) by principal and interest repayments and, plus or minus, as appropriate, the portion allocated to the consolidated income statement using the effective interest rate method, of the difference between the initial amount and the repayment value of these financial instruments. In the case of financial assets, amortised cost also includes adjustments to their value due to impairment.

The effective interest rate is the updating rate that exactly matches the initial value of a financial instrument to all of its estimated cash flows of all kinds over its remaining life, without taking into account future credit risk losses. For financial instruments at fixed interest rates, the effective interest rate coincides with the contractual interest rate established at the time of acquisition, adjusted, where appropriate, by the commissions and transaction costs which, in accordance with IFRS 9, must be included in the calculation of said effective interest rate. In the case of financial instruments with variable interest rates, the effective interest rate is estimated in a similar manner to fixed interest rate transactions, and is recalculated at each review date of the transaction´s contractual interest rate, taking into account changes in the future cash flows of the transaction.

g) Reclassifications between portfolios

In 2018 and 2017 the Group did not reclassify any portfolios.

h) Impairment of financial assets value

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

1. A negative effect on future cash flows estimated at the time the transaction was entered into, in the case of debt securities (credits and debt securities).
2. That its carrying amount cannot be fully recovered in the case of equity instruments.

As a general rule, the carrying amount of financial instruments is adjusted due to their impairment with a charge to the income statement for the year in which the impairment becomes apparent. Reversals of previously recognised impairment losses, if any, are recognised in the income statement for the year in which the impairment is eliminated or reduced.

When the recovery of any recorded amount is considered remote, it is removed from the balance sheet, without prejudice to any actions that the Bank may take to try to collect it until its rights have been definitively extinguished, whether by statute of limitations, remission or other causes.

The criteria applied by the Bank to determine the possible impairment losses for each category of financial instruments are presented below, together with the method used to calculate the hedges accounted for due to said impairment.

The "expected loss" impairment model is applied to financial assets measured at amortised cost and to financial assets measured at fair value with changes in accumulated other comprehensive income, except for investments in equity instruments; and to loan commitment and financial guarantee contracts unilaterally revocable by the Institution.

Likewise, all financial instruments measured at fair value with changes in profit or loss are excluded from the impairment model.

The standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the time of initial recognition. The first category includes transactions when they are initially recognised (Stage 1), the second comprises transactions for which a significant increase in credit risk has been identified since initial recognition (Stage 2) and the third category includes impaired transactions (Stage 3).

Definition of impaired financial assets under IFRS 9

IFRS 9 replaces the "incurred losses" model in IAS 39 with an "expected credit loss" model. This requires considerable judgment about how changes in economic factors affect expected credit losses, which is determined on a probability-weighted basis.

The new impairment model is applied to financial assets measured at amortised cost; to financial assets measured at fair value with changes in Accumulated other comprehensive income, except for investments in equity instruments; and to loan commitment and financial guarantee contracts.

IFRS 9 differentiates between the following expected loss concepts:

- 12-month expected loss: expected credit losses resulting from possible events of default within 12 months after the filing date; and
- Expected loss over the life of the entire transaction: expected credit losses resulting from all possible events of default during the expected life of the financial instrument.

The estimate of expected loss over the life of the entire transaction is applied if the credit risk of a financial asset at the filing date has increased significantly since initial recognition and the 12-month measurement of expected loss is applied if it has not.

For the purposes of implementing IFRS 9, the Group considers the following definitions:

Default:

The Group applies a definition of default for financial instruments that is consistent with that used in internal credit risk management, as well as with the indicators provided for in the banking regulations applicable on the date of entry into force of IFRS 9. Both qualitative and quantitative indicators are considered.

The Group considers default to have occurred when one of the following situations takes place:

- a derfault of more than 90 days; or
- there are reasonable doubts about the full repayment of the instrument.

A default of 90 days is a rebuttable presumption in cases where the institution considers, on the basis of reasonable and documented information, that it is appropriate to use a longer period.

This definition is applied consistently throughout the Group.

Impaired financial asset:

A financial asset has a credit impairment when one or more events have occurred that have a negative impact on the estimated future cash flows of that financial asset. Evidence that a financial asset has a credit impairment is provided by observable data on the following events:

a. significant financial difficulties of the issuer or borrower.

b. breach of contractual clauses, such as a non-payment or a default event.

c. concessions or advantages that the lender, for economic or contractual reasons related to the borrower's financial difficulties, has granted to the borrower, which he/she would not otherwise have provided.

d. an increasing likelihood that the borrower will go into bankruptcy or other financial restructuring.

e. the disappearance of an active market for the financial asset in question due to financial difficulties, or

f. the purchase or creation of a financial asset at a significant discount that reflects the credit loss suffered.

It may not be possible to identify a single specific event but, on the contrary, the combined effect of several events may have caused the financial asset to have a credit impairment.

The Group's definition of impaired financial asset is aligned with the definition of default described in the preceding paragraphs.

Significant increase in credit risk:

The objective of impairment requirements is to recognise expected credit losses over the whole life of financial instruments in which there have been significant increases in credit risk since initial recognition considering all reasonable and documented information, including forward-looking information.

The model developed by the Group, which consists of evaluating qualitative factors (triggers, refinancing, macroeconomic information, among others) and, in some cases, quantitative factors for assessing the significant increase in credit risk, has a dual approach that is applied globally.

In any case, the instruments that meet any of the following circumstances are considered to be Stage-2 (see below):

- Default of more than 30 days that are subject to special vigilance by the Risk units due to negative signals in their credit quality although there is no objective evidence of impairment.
- Refinancing or restructuring that does not show evidence of impairment.

The standard introduces a series of operational simplifications/practical solutions for the analysis of the significant increase in risk for certain assets of high credit quality. The Group uses this possibility provided for by the standard to directly consider that its credit risk has not increased significantly because it has a low credit risk at the filing date.

Therefore, the classification of impaired financial instruments under new IFRS 9 is as follows:

- **Stage-1:** No significant increase in impairment: The value adjustment for losses on these financial instruments is calculated as the expected credit losses in the next twelve months.
- **Stage-2:** Significant increase in impairment: When the credit risk of a financial asset has increased significantly since initial recognition, the value adjustment for losses on that financial instrument is calculated as the expected credit loss over the whole life of the asset.
- **Stage-3:** Impaired: When there is objective evidence that the financial asset is impaired, it is transferred to this category in which the write-down of that financial instrument is calculated as the expected credit loss over the whole life of the asset.

Methodology for the calculation of expected losses

In accordance with IFRS 9, the estimation of expected losses should reflect:

- a weighted and unbiased amount, determined by assessing a range of possible outcomes.
- the value of money in time.
- reasonable and supportive information that is available without undue effort or cost and that reflects both current conditions and predictions of future conditions.

The Group estimates expected losses both individually and collectively.

The objective of the Group's individual estimation is to estimate the expected losses for significant impaired risks or risks that are in Stage 2. In these cases, the amount of credit losses is calculated as the difference between the expected cash flows discounted at the effective interest rate of the transaction and the carrying amount of the instrument.

For the collective estimation of expected losses, instruments are grouped into groups of assets based on their risk characteristics. The exposures within each group are segmented according to the common characteristics of the credit risk, such as the degree of credit risk; the geographic region; the sector for companies; the default state; and the type of product for individuals. In the case of collective measurement, the Group estimates the cash flows it expects to receive as the sum of the marginal losses that occur in each period and over the remaining life of the instrument.

If the risk has increased significantly since the origin, the expected losses are measured over the remaining life of the instrument and otherwise the expected losses are measured over the next 12 months.

Marginal losses are derived from the following parameters:

- **PD:** estimation of the probability of default in each period
- **EAD:** estimation of exposure in the event of default in each future period, taking into account changes in exposure after the filing date, including prepayments.
- **LGD:** an estimation of the loss in the event of default, as the difference between contractual cash flows and the cash flows expected to be received, including guarantees.

In the case of debt securities, the Group monitors changes in credit risk by monitoring published external credit ratings.

Use of present, past and future information

IFRS 9 requires the incorporation of present, past and future information both for the detection of significant increases in risk and for the measurement of expected losses.

When estimating expected losses, the standard does not require the identification of all possible scenarios. However, the probability of a loss event occurring and the probability that it will not occur should be considered, even if the possibility of a loss occurring is very small. Also, when there is no linear relationship between the different future economic scenarios and their associated expected losses, more than one future economic scenario should be used for the estimation.

Hedge accounting

The general hedge accounting will also involve changes, as the approach of the standard differs from the current IAS 39 in trying to align accounting with economic risk management. In addition, IFRS 9 will allow hedge accounting to be applied to a wider range of risks and hedging instruments. The standard does not deal with the accounting of the so-called macro-hedging strategies. In order to avoid any conflict between the current macro-hedge accounting and the new general hedge accounting regime, IFRS 9 includes an accounting policy option to continue to apply hedge accounting in accordance with IAS 39.

The treatment of macro-hedges is being developed as a separate project from IFRS 9. Institutions have the option to continue to apply IAS 39 with respect to accounting hedges until said project is completed.

The Group does not currently have accounting hedges and, therefore, the entry into force on 1 January 2018 of this part of the standard has not had a significant impact on the Group's financial statements.

i) Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of the acquisition price of business combinations over the fair value of their net assets acquired at the acquisition date.

When the acquisition is made with deferred payment, the acquisition price corresponds to the updated value of said deferred payment.

Goodwill is not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment that arises is immediately recognised in the consolidated income statement and may not be reversed in the future.

For the purpose of calculating impairment, goodwill is allocated to cash-generating units and its recoverable amount is estimated, understanding the latter one as being the highest amount between the fair value less sales costs and the value in use. If the recoverable amount is less than the carrying amount, it is considered to be impaired and the carrying amount is reduced to its recoverable amount. The impairment losses recognised for goodwill are not reversed in subsequent years.

To estimate value in use, estimated cash flows are discounted to their present value using a discount rate that reflects current market estimates of the time value of money and the specific risks of the investment.

In the event of the disposal or sale of a subsidiary or associate, the goodwill attributed to that company, if any, is included in the determination of the profit or loss of the disposal or sale.

Other intangible assets

The Group has recorded its computer applications as "Other Intangible Assets", as well as the "Customer Relationships" arising from the purchase in December 2006 of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. In addition, the Group recorded the "Customer Relationships" arising from the acquisition of Renta 4 Chile Corredores de Bolsa (see note 14).

Computer applications include the amounts paid for access to property or for the right to use computer software. The maintenance costs of these computer applications are directly allocated as expenses in the year in which they are incurred. It is amortised on a straight-line basis over a period of three years from the date on which the corresponding computer application begins to be used.

The "Customer Relationships" acquired from the purchase in December 2006 of Gesdinco Gestión, S.G.I.I.C., S.A. and Padinco Patrimonios, S.A. are amortised on a straight-line basis over a period of eight years (useful life), which is the time calculated by the Management in which these relationships will be maintained in accordance with the information available.

At 31 December 2014, these "Customer Relationships" were fully amortised. Likewise, the "Customer Relationships" arising from the acquisition in 2012 of Renta 4 Chile Corredores de Bolsa, S.A. are amortised on a straight-line basis over a period of 7 years (useful life), which is the time estimated by Management in which these relationships will be maintained, according to the historical information available.

j)Tangible assets

Tangible assets are classified according to their use: tangible assets for own use, real estate investments and other assets transferred under operating leases.

Tangible assets for own use are measured at their cost less accumulated amortization and, if any, less any impairment losses.

The cost of tangible assets includes disbursements made initially in their acquisition and production and, subsequently, in the event of expansion, replacement or improvement, when it is considered probable that future economic benefits will be obtained from their use.

Upkeep and maintenance expenses, which do not increase the useful life of the asset, are charged to the income statement of the year in which they are incurred.

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

Real estate investments reflect the net book value of a building (including land) held for rental purposes.

The acquisition or production cost of tangible assets, net of their residual value, is amortised on a straight-line basis over the years of estimated useful life of the various items, as detailed below:

	Years of useful life	Amortization percentages used
Buildings and other constructions	50	2%
Real estate investment		
Building	50	2%
Facilities	10	10%
Machinery, installations and tools	10	10%
Furniture and fixtures	10	10%
Transport elements	6,25	16%
Equipment for information processes	4	25%
Other fixed assets	5	20%

Tangible assets are derecognised from the consolidated balance sheet when available or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal, assignment or abandonment. The difference between the amount of the sale and its carrying amount is recognised in the consolidated income statement for the period in which the asset is derecognised.

The Group regularly assesses whether there are indications, both internal and external, that a tangible asset may be impaired at year-end. For those identified assets, it estimates the recoverable amount of the tangible asset, understanding the latter one as the highest value between its fair value less necessary sales costs and its value of use. If the recoverable amount so determined is less than the carrying amount, the difference between the carrying amount and the recoverable amount is recognised in the income statement, reducing the carrying amount of the asset to its recoverable amount.

Leases

The Group classifies lease contracts on the basis of the economic substance of the transaction, regardless of their legal form, as financial or operating leases.

Financial leases, which transfer substantially all the risks and benefits of ownership of the leased asset to the Group, are capitalized at the beginning of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between finance cost and reduction of the lease liability so as to achieve a constant interest rate on the remaining balance of the liability. Finance costs are charged to the consolidated income statement on an accrual basis. Assets acquired under financial leases are classified in the consolidated balance sheet according to their nature.

Operating leases are recorded as operating expenses on an accrual basis over the term of the contracts.

Where the Group acts as lessor, when the risks and benefits of ownership of the leased asset are substantially maintained, they are classified as operating leases. The initial direct costs incurred in negotiating the operating lease are added to the carrying amount of the leased asset and are recognised over the lease term using the same criteria as for rental income. Contingent rents are recorded as income in the period in which they are obtained.

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

Cash and cash equivalents comprise cash in hand and demand balances with financial intermediaries.

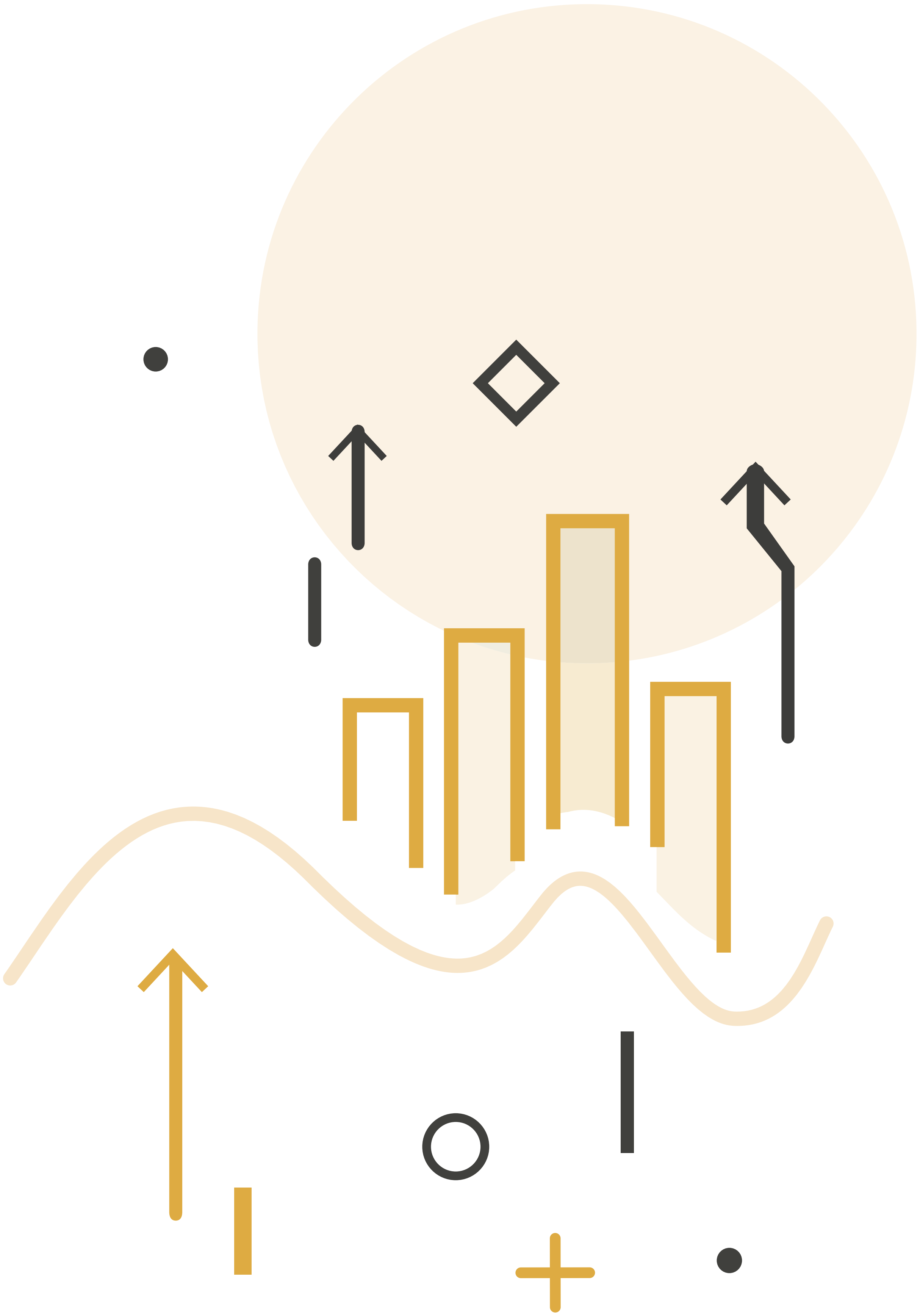
l)Treasury stock and convertible shares

The Parent Company shares held by the Group are recorded as a reduction in consolidated equity. No gain or loss is recognised in the consolidated profit or loss for the year arising from transactions with treasury stock, which is recognised directly in consolidated equity. Any difference between the carrying amount and the compensation, if reissued, is recognised under "Share Premium".

Convertible shares are separated between the liability and the equity components based on the terms of the contract. In the issuance of convertible shares, the fair value of the liability component is determined using the market rate of a non-convertible equivalent instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until extinguished by its conversion or settlement. The remainder of the amount obtained is allocated to the conversion option which is recognised in equity. Transaction costs are deducted from equity, net of the associated income tax. The carrying amount of the conversion option is not reassessed in subsequent years. The transaction costs of convertible preference shares are distributed between the liability and equity components on the basis of the allocation of the amount obtained between those components on initial recognition of the instrument.

m) Provisions

The obligations existing at the consolidated balance sheet date, arising from past events that could give rise to loss of property for the Group, the amount and settlement time of which are indeterminate, are recognised in the consolidated balance sheet as provisions at the present value of the most probable amount that the Group will have to



pay to settle the obligation. Provisions are quantified on the basis of the best information available at the date of preparation of the consolidated annual financial statements on the consequences of the event giving rise to them and are re-estimated at each accounting close.

At 31 December 2018 and 2017, the provisions reflected in the consolidated balance sheet basically cover certain risks arising from the development of its business activity and risks arising from claims by third parties against the Parent Company and other subsidiaries.

Contingent liabilities recorded in a business combination

Contingent liabilities recognised in a business combination are initially measured at fair value. They are subsequently measured at the highest of the amount that would be recognised in accordance with the recognition criteria for provisions set out above or the amount initially recognised less, where appropriate, the cumulative amortization recognised in accordance with the requirements for recognition of ordinary income.

The allocation and release of the provisions considered necessary in accordance with the foregoing criteria are recognised with a charge or credit, respectively, to "Allocations to Provisions (Net)" in the consolidated income statement.

n) Tax on profits

The profit tax expense is determined by the tax payable in respect of the taxable profit for a year, after taking into account the changes during that year arising from temporary differences, tax credits and rebates and tax loss carryforwards.

The profit tax expense is recognised in the consolidated income statement except when the transaction is recognised directly in equity and in business combinations in which the deferred tax is recognised as another equity item.

In order for tax credits, rebates and tax loss carryforwards to be effective, the requirements established in current legislation must be met, provided that it is probable that they will be recovered, either because there are sufficient deferred tax liabilities or because they arose from specific situations that it is considered unlikely that they will arise in the future.

The tax effect of temporary differences is included, where applicable, in the corresponding deferred tax assets and liability items recorded under the headings, "Tax Assets" and "Tax Liabilities" in the accompanying consolidated balance sheet.

At least at each balance sheet date, the Group reviews the deferred tax assets recorded and makes the appropriate valuation adjustments in the event that the deferred tax assets are not current or turn out to be recoverable. Deferred tax assets and liabilities are valued at the effective tax rates that are expected to be applicable to the financial year in which the assets are realised or the liabilities are settled, based on the tax rates (and tax legislation) approved or almost approved at the balance sheet date.

o) Commissions

This heading includes fees for intermediation, asset management, custodianship, and other income related to the Group's activities (underwriting, placement, etc.). These revenues are recognised in the consolidated income statement as the service is provided, or, in the case of a service carried out in a single act, when the act in question is performed.

p) Personnel Expenses

Short-term Compensations

This type of compensation is valued, without discounting, at the amount payable for the services received, and is generally recorded as personnel expenses for the financial year and as a liability accrual account for the difference between the total expense and the amount already paid.

Other Staff Compensations

At 31 December 2018, the Group had granted loans to several of its employees for the acquisition of shares of Renta 4 Banco, S.A. amounting to EUR 84 thousand (EUR 133 thousand in 2017) with guarantees amounting to EUR 519 thousand (EUR 516 thousand in 2017). This acquisition was financed through zero interest loans maturing in 15 years from the date of the transaction, in accordance with the repayment schedule agreed upon in the contracts. The difference between the present value of the payments to be made by the employee and the fair value is recorded in the consolidated income statement as a personnel expense.

At 31 December 2018, the Group had granted personal loans to several of its employees to meet the personal and/or family needs of the employees covered by the applicable collective labour agreements amounting to EUR 446 thousand (EUR 314 thousand in 2017) without guarantees, in compliance with the conditions established therein, and the Group had granted this financing at a zero percent interest rate. The difference between the present value of the payments to be made by the employee and the fair value is recorded in the consolidated income statement as a personnel expense.

The amount recognised in the consolidated income statement for zero percent loans amounted to EUR 1 thousand and EUR 8 thousand of revenue for 2018 and 2017, respectively. (see note 22.d).

Pension commitments

The Group classifies its commitments according to their nature as either defined contribution, for which the Group is only obliged to make fixed contributions to a third party, or defined benefit, for which the Group undertakes to pay an amount when the contingency occurs based on variables such as age, years of service and salary. The Group's commitments are as follows:

Renta 4 Sociedad de Valores, S.A.

In accordance with the collective bargaining agreement in force at Renta 4, S.A., Sociedad de Valores, in the case of employees coming from the former stock brokerage firms, it is obliged to pay a permanency premium when they reach 25, 35 or 45 years of service. The Group has not recognised any provision in this regard, since it considers that the amount accrued at 31 December 2018 and 2017 is not significant.

Additionally, Renta 4, S.A., Sociedad de Valores, in accordance with the collective bargaining agreement in force, must cover the contingencies of early retirement, death, and disability of employees included in the Collective Bargaining Agreement for Securities Companies and Agencies of the Autonomous Community of Madrid. The Company is covering these commitments by establishing a defined benefit pension plan.

Furthermore, for the other employees of this company who are not parties to this Agreement, the Group has covered the contingencies of retirement, incapacity for work, death, severe dependence, or heavy dependence, through a defined contribution plan by means of an annual contribution of 600 euros per employee since the 2006 financial year.

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 the 2007 financial year, the Group has covered the contingencies of retirement, incapacity for work, death, severe dependency, or heavy dependency for the employees of these companies through the establishment of two defined contribution plans to which it contributes 600 euros per employee per year.

Defined contribution plans

These plans are valued at the present value of the contributions to be made, unless they are to be paid within twelve months of the date of the consolidated annual accounts in which the corresponding services were received from the employees, in which case the amount is not adjusted. The contribution accrued for this item during the financial year is recognised under "Staff Costs" in the consolidated income statement. The contributions recognised as an expense in the consolidated income statement amounted to EUR 304 thousand and EUR 293 thousand for the financial years of 2018 and 2017, respectively (see Note 22-d).

Defined Benefit Plan

The Group calculates the present value of its defined benefit plan obligations at the date of the consolidated financial statements, after deducting the unrecognised past service cost and the fair value of the plan assets, as required by current regulations. The amount thus obtained is recorded as a provision for defined benefit pension funds.

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

- Are owned by a legally separate third party that is not a related party.
- They are available exclusively to pay for or finance commitments to employees.
- They may not be returned to the Group except when the commitments to employees have been settled, or in order to pay the Group for benefits paid.

These are not non-transferable instruments issued by the Group.

The net amount of current service cost, interest cost, expected return on any plan assets, past service cost, and the effect of any type of reduction or liquidation of the plan are recognised in the consolidated income statement for the fiscal year.

The cost of past services is recognised immediately as an expense in the consolidated income statement, unless the changes to the plan are conditional on the employee remaining in the Group for a specified period of time, in which case the expense is allocated on a straight-line basis over that period.

They are considered as "Actuarial gains and losses" those gains and losses which arise from the differences between prior actuarial assumptions and reality, and from changes in the actuarial assumptions used. They are recognised in full in the consolidated income statement for the financial year in which they arise.

The costs incurred by the Group in the financial years 2018 and 2017 in relation to its defined benefit obligations amounted to EUR 1 thousand and EUR 2 thousand, respectively (see Note 22-d).

The Renta 4 Group contracted out all of its pension commitments to employees in accordance with Royal Decree 1,588/1999 of 15 October, by setting up pension plans and, through these, arranging insurance contracts with a company external to the Renta 4 Group.

Specifically, the defined benefit pension obligations relating to Renta 4, S.A. Sociedad de Valores are covered by assets realized in the corresponding insurance policy and are presented in the balance sheets at the net amount of the commitments assumed, minus the assets assigned to these. At 31 December 2018, the amount of the assets assigned to the aforementioned insurance contracts (mathematical provision) was 1,343 euros lower than the amount of the commitments to be covered (3,160 euros in 2017).

There is a correspondence between these commitments to be met and the mathematical provision of the affected insurance policy, and the risks inherent in these commitments have been transferred to the insurance company. The risks transferred include the interest rate, however, for the purposes of quantifying the commitments to be covered at 31 December 2018, the interest rate used is somewhat lower than that applied by the insurance company, and equal to the interest rate published by the Directorate General of Insurance and Pension Funds and applicable to the 2018 financial year, which, as established in its Resolution of January 2nd, 2018, stands at 0.98% (1.09% in the 2017 financial year). The maximum interest rate for pension plans established by the Directorate General of Insurance and Pension Funds for the 2018 financial year is 1.53% (1.30% in 2017).

Using the interest rate corresponding to a 10-year government bond (1.41% in 2018 and 1.57% in 2017), the calculation regarding the aforementioned commitments does not vary significantly with respect to that used by the Entity.

The main assumptions used to carry out a valuation of these commitments were as follows:

	2018	2017
Survival tables	MEWP-2000P	MEWP-2000P
Interest rate	0,98%	1,09%
Annual Increase in Retirement Premium	0%	0%
Retirement Age	65	65
Rotation	No	No

The results of the actuarial valuation performed are described below, including a breakdown of the value of the pension obligations, the fair value of the assets related to the hedging of said commitments, as well as the amounts recognised in the assets, liabilities, and consolidated income statement.

The valuation of the foregoing commitments in accordance with the aforementioned assumptions is as follows:

Thousands of Euros

	2018	2017
Risks due to Non-incurred Pensions	35	65
Incurred	28	43
Unaccrued	7	22
Commitments to be met	28	43
Fair value of plan assets (Plan position account)	26	40
Assets (Liabilities) to be recognised in the balance sheet	**(2)**	**(3)**

The change in the present value of the defined obligation accrued due to benefit commitments was as follows:

Thousands of Euros

	2018	2017
Value of unincurred pension risks accrued at beginning of financial year	43	39
Cost of services for the current period	1	2
Effect of personnel reduction	(19)	-
Attributable income	3	2
Value of risks for non-incurred accrued pensions at financial year-end	**28**	**43**

The change in the fair value of the Plan's assets, instrumented through the corresponding insurance policy, was as follows:

Thousands of Euros

	2018	2017
Fair value of plan assets at beginning of financial year (P.M. insurance)	43	39
Rescue Value of the insurance policy	-	-
Financial year insurance premiums	1	2
Performance of the insurance policy	3	2
Other increases or (-) decreases	(19)	-
Fair value of plan assets at year-end	**28**	**43**

Severance

Severance indemnities are recognised as a provision and as a personnel expense only when the Group is demonstrably committed to terminate its relationship with an employee or group of employees before the normal retirement date, or to pay severance benefits as a result of an offer made to encourage voluntary termination by employees.

q) Off-balance-sheet customer resources

The Group includes in memoranda accounts (auxiliary non-accounting registry) at fair value the resources entrusted by third parties for their investment in companies and investment funds, pension funds, insurance-savings contracts and discretionary portfolio management contracts (see Note 23).

Additionally, in memoranda accounts (see Note 19), assets acquired on behalf of third parties, equity instruments, debt securities, derivatives and other financial instruments held on deposit for which the Group has a responsibility to its customers are recognised at fair value or, in the absence of a reliable estimate of the fair value, at their cost. On occasions, and in accordance with the contracts signed with customers and only when market operations so require (international markets), the Group uses global custody accounts (omnibus), in which the Group appears as the holder of the positions, maintaining the internal records necessary to know the breakdown by customer.

To determine the fair value of these positions, the Group uses the stock market values obtained from the various markets or those supplied by global custodians in the case of ownership interest in investment funds (net asset value).

r) Cash flow statement

In the cash flow statement, the following expressions are used in the following senses:

- Cash flows: Inflows and outflows of cash and cash equivalents, i.e. short-term investments with high liquidity and low risk of changes in value.
- Operating activities: Typical activities of credit institutions, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, dispossession or disposal by other means 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 liabilities, which are not part of operating activities.

The indirect method was used to prepare the Consolidated Statement of Cash Flows. To this end, the Group begins with the profit or loss for the year, correcting the amount for the effects of non-monetary transactions and all types of deferred payment items and accruals that give rise to past or future operating collections and payments, as well as income and expenses associated with cash flows from activities classified as investing or financing activities.

s) Transactions with related parties

Transactions with related parties are accounted for in accordance with the valuation rules detailed above.

The prices of transactions with related parties are adequately supported and, therefore, the Parent Company's Directors consider that there are no risks that could give rise to significant tax liabilities.

t) Statement of changes in equity

The statement of changes in equity presented in these annual financial statements shows the total changes in equity during the year. This information is further broken down into two statements: The statement of total recognised gains and losses and the statement of total changes in equity. The main characteristics of the information contained in both parts of the statement are explained below:

Statement of total recognised gains and losses

This part of the statement of changes in equity presents the income and expenses generated by the Group as a result of its activities during the year, distinguishing those recognised as income in the income statement for the year and the other income and expenses recognised, in accordance with current legislation, directly in equity.

Therefore, in this statement is presented:

- The profit for the financial year
- The net amount of income and expenses temporarily recognised as "Accumulated other comprehensive income" by valuation in equity.
- The net amount of income and expenses definitively recognised in equity.
- Accrued income tax on the items indicated in the two preceding paragraphs.
- The total recognised gains and losses, calculated as the sum of the foregoing letters.

The changes in income and expenses recognised in equity as "Other Comprehensive Income" are broken down into:

- Valuation gains (losses): Includes the amount of income, net of expenses incurred in the year, recognised directly in equity. The amounts recognised in the year under this heading are held under this heading, although in the same year they are transferred to the income statement at the initial value of other assets or liabilities or reclassified to another heading.
- Amounts transferred to the income statement: includes the amount of valuation gains or losses previously recognised in equity, albeit in the same year, which are recognised in the income statement.
- Amount transferred at the initial value of the hedged items: includes the amount of the valuation gains or losses previously recognised in equity, albeit in the same year, that are recognised in the initial value of the assets or liabilities as a result of cash flow hedges.
- Other reclassifications: Includes the amount of the transfers made in the year between valuation adjustment items in accordance with the criteria established in current legislation.

All items in the statement of total recognised gains and losses are eligible for recognition in the income statement, except the item "Actuarial Gains (Losses) on Pension Plans". The amounts of these items are presented at their gross amount and their corresponding tax effect is shown under the "Income Tax" caption in the statement.

Total statement of changes in equity

This part of the statement of changes in equity presents all statements in equity, including those arising from changes in accounting criteria and corrections of errors. This statement therefore shows a reconciliation of the carrying amount at the beginning and end of the year of all the items that make up equity, grouping the changes according to their nature into the following items:

- Effects of changes in accounting policies and correction of errors: Which includes changes in equity arising as a result of the retrospective restatement of financial statement balances arising from changes in accounting criteria or correction of errors.
- Total overall result for the year: includes, in an aggregate manner, the total of the items recorded in the statement of total recognised gains and losses indicated above.
- Other changes in equity: includes other items recognised in equity, such as increases or decreases in the endowment fund, distribution of income, transactions with own equity instruments, payments with equity instruments, transfers between equity items and any other increase or decrease in equity.

u) Financial guarantees

Financial guarantees are defined as contracts whereby the Group undertakes to pay specific amounts on behalf of a third party if the latter fails to do so. The main contracts included under this heading, which are included in the "Memorandum Item" at the end of the consolidated balance sheet, are financial guarantees.

When the Group issues these types of contracts, they are recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" on the liability side of the consolidated balance sheet at fair value and simultaneously under "Other Financial Assets" under "Credit Investments" at the present value of the future cash flows receivable, using, for both items, a discount rate similar to the discount rate for financial assets granted by the Institution to the counterparty with a similar term and risk. Subsequent to the issue, these types of contracts are valued by recording the differences against the income statement as financial income or as commission received, depending on whether the account is "Other Financial Assets" or "Other Financial Liabilities", respectively.

In addition to what is mentioned in the previous paragraph, the financial guarantees will be covered as established in Note 5.a.2 in relation to credit risk coverage.

2.5 Risk management of financial instruments

The activity with financial instruments may involve the assumption or transfer of one or more types of risk by the Group. The risks related to financial instruments are as follows:

- Credit risk: It is the risk that one of the parties to the contract of the financial instrument ceases to fulfil its contractual obligations due to the insolvency or inability of natural or legal persons and results in a financial loss for the other party.
- Liquidity risk: Sometimes referred to as financing risk, it is the risk that arises either from an institution's inability to sell a financial asset quickly for an amount close to its fair value or from the institution's difficulty in finding funds to meet its commitments relating to financial instruments.
- Market risk: The risk arising from holding financial instruments whose value may be affected by changes in market conditions; it includes three types of risk:

i) Exchange rate risk: This risk arises as a result of changes in the exchange rate between currencies.

ii) Interest rate risk: This risk arises as a result of changes in market interest rates.

iii) Price risk: This risk arises as a result of changes in market prices, either due to factors specific to the instrument itself, or due to factors affecting all instruments traded in the market. The Group holds positions in equity instruments which, although they expose it to this type of risk, do not do so significantly.

The Group has implemented a risk management model based on the following basic pillars:

a) Credit risk:

a.1) Credit risk management and measurement

The credit risk arises from the possible loss caused by non-compliance with the contractual obligations of the Group's counterparties. In the case of reimbursable financing granted to third parties, it arises as a result of the non-recovery of principal, interest and other items in the terms of the amount, duration and other conditions established in the contracts. In the case of off-balance-sheet risks, this arises from the counterparty's failure to meet its obligations to third parties, which requires the Group to assume them as its own by virtue of the commitment undertaken.

The Group takes an exposure to credit risk when counterparties fail to comply with their commitments. In this sense, it distinguishes two types of counterparty: and ownership interests in customer investment funds to offset the debit balances that the customer presents in the event of non-payment (non-replacement of funds) by the customer.

a.2) Total exposure to credit risk

The following table shows the total exposure to credit risk at the end of 2018 and 2017, using the criteria established for calculating the basis for the impairment provision:

Thousands of Euros

	2018	2017
Cash balances at central banks and other demand deposits	427.868	398.333
Financial assets designated at fair value with changes in other comprehensive income (debt securities)	712.642	578.284
Central banks	-	40.000
Loans and advances - Credit institutions	26.718	38.824
Loans and advances - Clientele	83.052	85.685
Contingent risks	608	368
Guarantees granted: Contingent commitments granted	18.353	8.117
Total Risk and maximum exposure	**1.269.241**	**1.149.611**
Normal risk	1.265.879	1.147.162
Doubtful risk	3.362	2.449
Total Risk and maximum exposure	**1.269.241**	**1.149.611**

Customers in general and financial institutions and public administrations.

The current customer credit risk control system is based on the development of new systems for evaluating and classifying both individual and group debtors, from which it is possible to determine the provisions made to cover possible losses.

With regard to the granting, monitoring and control of risk with customers in general, the Group's Risk Control Department supervises the correct operation of the current system of discretionary management of operating limits, which are always granted on the basis of the collateral (securities) deposited with the Group. In accordance with the terms of the contracts signed with customers, the Group may dispose of the securities

The total risk exposure includes the on-balance sheet items detailed in the table above excluding valuation adjustments.

At 31 December 2018 and 2017, the maximum level of exposure to credit risk, without taking into account guarantees or other credit enhancements, does not differ from the carrying amount shown in these annual financial statements.

Financial assets designated at fair value with changes in other comprehensive income mainly include Spanish debt securities.

Loans and advances - Credit institutions: the main item in this portfolio is financial guarantees with foreign credit institutions.

Loans and advances - Clientele: they are essentially debit balances with individuals related to securities operations, for which there is a collateral of the positions these customers hold deposited in the Group. When the Group classifies these balances as impaired, the impairment losses are determined by taking into account the value of these positions used as collateral.

At 31 December 2018 and 2017 there was no individual exposure that did not comply with the limits established by the Bank of Spain.

The distribution of total country credit risk exposure by country is as follows at 31 December 2018 and 2017.

Financial year 2018

Thousands of Euros

Country	Cash balances at central banks and other demand deposits	Deposits in credit institutions	Credits for customers	Debt securities	Risks and commitments contingent	Total
Spain	323.782	7.088	52.304	585.524	18.944	1.023.230
Italy	-	-	4	103.916		103.920
France	-	-	323	-	-	323
Germany	918	62	22.974	-	-	23.954
United Kingom	54.706	18.865	2	-	-	73.573
Poland	2.583	-	-	-	-	2.583
USA	1	100	-	-	-	101
Colombia	1.857	-	31	-	-	1.888
Peru	509	-	275	-	-	784
Chile	6.504	602	6.825	-	-	13.931
Luxembourg	1.420	1	242	-	-	1.663
Switzerland	-	-	-	-	-	-
Ireland	-	-	1	-	-	1
Portugal	-	-	-	23.202	-	23.202
The Netherlands	-	-	2	-	-	2
Mexico	-	-	1	-	-	1
Brazil	-	-	-	-	-	-
United Arab Emirates	-	-	-	-	-	-
Saudi Arabia	-	-	53	-	17	70
Australia	-	-	15	-	-	15
Singapore	-	-	-	-	-	-
	427.868	**26.718**	**83.052**	**712.642**	**18.961**	**1.269.241**

Financial year 2017

Thousands of Euros

Country	Cash balances at central banks and other demand deposits	Deposits in credit institutions	Credits for customers	Debt securities (AFDV)	Risks and commitments contingent	Total
Spain	323.782	2.429	61.764	578.284	8.485	974.744
France	531	-	359	-	-	890
Germany	981	30	995	-	-	2.006
United Kingom	97.317	35.671	1	-	-	132.989
Poland	3.373	-	-	-	-	3.373
USA	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
The Netherlands	-	-	5	-	-	5
Mexico	-	-	1	-	-	1
Brazil	-	-	10	-	-	10
United Arab Emirates	-	-	4	-	-	4
Singapore	-	-	1	-	-	1
	438.333	**38.824**	**85.685**	**578.284**	**8.485**	**1.149.611**

a.3) Credit quality

The Group has a credit risk measurement system based on external ratings granted by external rating agencies (S&P's, Moody's and Fitch).

Of the total instruments subject to credit risk, the credit quality of the portfolios of financial assets designated at fair value with changes in other comprehensive income (debt securities) and financial assets at amortised cost (deposits with credit institutions) in accordance with ratings granted with external rating agencies is detailed below. The credit quality of the portfolios of customer loans and other capital instruments is not detailed, since most of the Group's exposure does not have an external credit rating.

Thousands of Euros

2018

	Balances in Central Banks	Balances at sight at credit institutions	Deposits in credit institutions	Debt securities
From AAA to-	-	192.667	23.969	38.975
From BBB+ to B-	19.952	157.373	2.639	656.551
From CCC+ to C	-	-	-	-
Not rated	-	57.776	110	17.116
Totals	**19.952**	**407.816**	**26.718**	**712.642**

Thousands of Euros

2017

	Balances in Central Banks	Balances at sight at credit institutions	Deposits in credit institutions	Debt securities
From AAA to-	-	142.688	35.875	17.010
From BBB+ to B-	58.191	235.932	2.496	546.219
From CCC+ to C	-	-	-	-
Not rated	-	1.421	453	15.055
Totals	**58.191**	**380.041**	**38.824**	**578.284**

At 31 December 2018 and 2017, the exposure to credit risk corresponding to Spain was 80.62% and 84.78%, respectively.

a.4) Credit risk for financing construction and real estate development

At 31 December 2018 and 2017, the Group had no credit investment transactions to finance construction and real estate development activities. At 31 December 2018 and 2017, the Group did not have credit granted for the acquisition of housing. At 31 December 2018 and 2017, the Group did not have any foreclosed assets arising from financing for construction and real estate development companies.

a.5) Refinancing and restructuring policy for loans and credits.

The Group uses the following definitions:

- Refinancing operation: operation which, whatever its holder or guarantees, is granted or used for economic or legal reasons related to financial difficulties of the holder to cancel one or more transactions granted, by the institution itself or by other institutions of its group, to the holder or to one or more other companies of its economic group, or by which said transactions are brought fully or partially up to date with payments, in order to make it easier for the holders of the cancelled or refinanced transactions to pay their debt (principal and interest) because they cannot, or it is foreseen that they will not be able to, comply in due time and form with said conditions.
- Refinanced operation: an operation that brings all or part of the payments up to date as a result of a refinancing operation carried out by the institution itself or another institution of its economic group.
- estructured operation: operation in which, for economic or legal reasons related to the financial difficulties of the holder, its financial conditions are modified in order to facilitate the payment of the debt (principal and interest) because the holder cannot, or it is foreseen that he/she will not be able to, comply in due time and form with said conditions, even when said modification is foreseen in the contract. In any case, operations in which assets are removed or received to reduce debt, or in which conditions are modified to extend their maturity, vary the amortization table to reduce the amount of quotas in the short term or reduce their frequency, or establish or extend the grace period for principal, interest or both, are considered restructured, except when it can be proven that the conditions are modified for reasons other than the holders' financial difficulties and are analogous to those applied in the market on the date of their modification to those operations granted to customers with a similar risk profile.
- Renewal operation: operation formalized to replace another previously granted by the institution itself, without the borrower having, or is expected to have in the future, financial difficulties; i.e., the operation is formalized for reasons other than refinancing.
- Renegotiated operation: an operation in which the financial conditions are modified without the borrower having, or being expected to have in the future, financial difficulties, i.e., when the conditions are modified for reasons other than restructuring.

In any case, in order to qualify an operation as a renewal or renegotiated operation, the holders must have the capacity to obtain in the market, on the date of the renewal or renegotiation, operations for an amount and with financial conditions similar to those applied by the institution, and these must be adjusted to those granted on that date to customers with a similar risk profile.

At 31 December 2018, the Group has a single transaction in force for refinancing, refinanced or restructured operations amounting to 2,390 thousand euros covered by security interests amounting to 2,814 thousand euros and real estate guarantees amounting to 275 thousand euros. The maturity of this operation is 24 June 2022. At 31 December 2017, there are no outstanding balances from refinancing, refinanced or restructured operations.

b) Liquidity risk:

This risk reflects the potential difficulty for a credit institution to have liquid funds available in time, or to be able to access them, in sufficient amounts and at an appropriate cost, to meet its payment obligations without impacting the market price or the cost of the transaction.

The Group maintains a prudent policy of protection against liquidity risk. To this end, it maintains sufficient cash and other liquid financial instruments to cover computable liabilities with a residual maturity of less than one year.

The objective of Renta 4 Banco S.A. (Parent Company) is to maintain a long-term financing structure that is in line with the liquidity of its assets and whose maturity profiles are compatible with the generation of stable and recurrent cash flow that allows it to manage the balance sheet without liquidity tensions in the short term.

In addition, Renta 4, Sociedad de Valores, S.A. (subsidiary) must comply with a liquidity ratio whereby it must maintain a volume of investments in highly liquid, low-risk assets for an amount equivalent to 10% of the liabilities payable with a residual maturity of less than one year, disregarding instrumental and transitory credit accounts (intermediation customers).

At 31 December 2018 and 2017, the group had complied with this liquidity ratio. Article 412 of Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter CRR) requires compliance with the liquidity requirement, as developed in Delegated Regulation (EU) 2015/61. This requirement is applicable to credit institutions at the individual level (Section 6.4 of the RRC) and at the consolidated level of the matrix(Section 11.3 of the RRC) from 1 October 2015.

It has been adopted according to the following timetable:

- 60% of the liquidity hedge requirement from 1 October 2015.
- 70% from 1 January 2016.
- 80% from 1 January 2017.
- 100% from 1 January 2018.

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

The table below analyses the Group's financial instruments by residual maturity groupings, based on the criteria used to draw up the liquidity statements at 31 December, 2018 and 2017. The maturity dates considered to draw up this table are in accordance with the contractual conditions of the instruments:

Liquidity coverage ratio

631,15%

2018 — Thousands of Euros

ASSETS	3 months or less	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months
Cash	100	-	-	-	-
Exposures with central banks	19.952	-	-	-	-
Transferable assets constituting credits with or backed by the central government of a Member State	-	48.665	-	-	254.577
Transferable assets constituting credits with or backed by central banks and public-sector bodies	10.607	16.502	-	-	312.610
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 ownership interests	28.550	-	-	-	-
Other transferable shares not specified elsewhere	402.394	-	-	-	-
Bonds of non-financial companies	298	-	-	31.386	38.230
Money market securities and instruments	4.886	-	-	-	-
Other equity securities	-	-	-	-	-
Gold and other precious metals	-	-	-	-	-
Non-renewable amounts receivable and loans	7.600	5.271	1.934	9.262	22.627
Amounts receivable from derivatives	215	115	145	-	-
Other assets	55.609	-	1.551	1.034	461
Totals	**530.211**	**70.553**	**3.630**	**41.682**	**628.505**

2018 — Thousands of Euros

LIABILITIES	3 months or less	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months
Retailer deposits	795.065	-	-	-	-
Liabilities with non-financial customers	67.330	-	-	-	58
Liabilities with financial customers	343.426	-	-	-	9.849
Other liabilities arising from securities issued	-	-	-	-	-
Liabilities for accounts payable on derivatives	-	-	-	-	-
Other liabilities	20.581	317	625	1.554	10.000
Totals	**1.226.402**	**317**	**625**	**1.554**	**19.907**

2018 — Thousands of Euros

Liquidity buffer	625.611
Net liquidity outflow	99.123
Liquidity coverage ratio (%)	631,15%

2017 Thousands of Euros

ASSETS	3 months or less	3 to 6 months	6 to 9 months	9 to 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 ownership interests	14.562	-	-	-	-
Other transferable shares not specified elsewhere	373.770	-	-	-	-
Bonds of non-financial companies	312	-	-	-	72.469
Money market securities and instruments	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
Totals	**560.815**	**17.986**	**16.585**	**53.871**	**510.527**

2017 Thousands of Euros

LIABILITIES	3 months or less	3 to 6 months	6 to 9 months	9 to 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 for accounts payable on derivatives	-	-	-	-	-
Other liabilities	65,903	3,263	-	1,737	-
Totals	**1,110,850**	**3,286**	**27**	**1,737**	**10,008**

2017 Thousands of Euros

Liquidity buffer	461.176
Net liquidity outflow	102.692
Liquidity coverage ratio (%)	449%

As it 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 above mentioned gap. The most significant figures are the equity instruments, property, plant and equipment and intangible assets, and ownership interest.

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 31 December, 2018 and 2017 was as follows:

Thousands of Euros

	2018	2017
Trading portfolio (maximum loss)	191	127
Portfolio of financial assets designated at fair value with changes in other comprehensive income (maximum loss)	2.110	1.120
VaR (in % of portfolio)	0,31%	0,21%

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

It 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 changes may arise from movements in the interest rate curves or in the credit spreads applied to balancing entries.

The Directors consider that exposure to this risk is insignificant. In accordance with current legislation, the Renta 4 Group analyses the adverse impact on its economic value and net interest income in the event of a change in interest rates, without in any case exceeding 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, at 31 December 2018 and 2017 there were no restrictions on its ability to access or use the assets, or to settle liabilities.

2.6 Fair value of financial instruments

As described in Note 4-f), with the exception of financial instruments classified as "Financial Assets at Amortised Cost" 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 amortised cost", the other financial liabilities are also booked at their fair value on the consolidated balance sheet.

Following is a detail of the financial assets and liabilities recognised at fair value at 31 December 2018 and 2017, broken down by class of financial assets and liabilities and at the following levels:

- **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 said assets.
- **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 methods 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 methods in which some significant input is not based on observable market data.

Financial assets

			Fair value hierarchy		
12/31/2018	Balance sheet total	Fair Value	Level 1	Level 2	Level 3
Financial assets held for trading	**28.766**	**28.766**	**28.766**	**-**	**-**
Debt securities	-	-	-	-	-
Other equity instruments	28.291	28.291	28.291	-	-
Trading derivatives	475	475	475	-	-
Financial assets at fair value with changes in other comprehensive income	**718.020**	**717.661**	**704.765**	**12.896**	**-**
Debt securities	712.577	712.577	699.681	12.896	-
Capital instruments	5.084	5.084	5.084	-	-
Equity instruments	359	-	-	-	-
12/31/2017 (*)					
Financial assets held for trading	**2.232**	**2.232**	**1.118**	**1.114**	**-**
Debt securities	1.282	1.282	170	1112	-
Other equity instruments	97	97	97	-	-
Trading derivatives	853	853	851	2	-
Financial assets at fair value with changes in other comprehensive income	**598.393**	**598.033**	**563.129**	**34.976**	**-**
Debt securities	578.284	578.284	543.308	34.976	-
Capital instruments	19.749	19.749	19.749		-
Equity instruments	360	-	-	-	-

(*)As indicated in Note 2.2, from 1 January 2018, IFRS 9 replaces IAS 39 and includes amendments to the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. In this respect, certain breakdowns included are not comparative with respect to 2017.

Financial liabilities

			Fair value hierarchy		
12/31/2018	Balance sheet total	Fair Value	Level 1	Level 2	Level 3
At 31 December 2018 there was no balance recorded under this heading.					
31/12/2017					
Financial liabilities held for trading	**213**	**213**	**91**	**122**	**-**
Derivatives	213	213	91	122	-

The main valuation methods, assumptions and inputs used to estimate the fair value of financial instruments classified in Levels 1, 2 and 3 (there are no financial instruments classified) according to the type of financial instrument at 31 December 2018 and 2017 are as follows:

- Trading derivatives: The fair value of most of the proprietary portfolio of trading derivatives was determined on the basis of the instruments' listed prices on active markets (Level 1).
- Debt securities: The fair value of the debt securities 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 listed on official markets, which is why these investments are classified as Level 1 in the tables above.

During the year there were no transfers among the different levels, nor were there any significant changes in the valuation of unlisted equity instruments included in the portfolio of financial assets at fair value with changes in other comprehensive income in addition to the changes produced by the entry into force of IFRS 9.

"Loans and receivables" and "Financial liabilities at amortised 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 recognised in the consolidated income statements at 31 December 2018 and 31 December 2017 for 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 on the basis of the prices published in active markets (Level 1), are estimated using a valuation technique whose variables are obtained from observable market data (Level 2) and the rest (Level 3), together with the cumulative changes in value at 31 December 2018 and 31 December 2018 and at 31 December 2017.

2.7 Information by segment

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. The same general principles are applied as those used in 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 lines described below were established on the basis of the Group's organisational structure in force at 2018 and 2017; taking into account, on the one hand, the nature of the services offered and, on the other, the customer segments to which they are addressed.

The Group has the following main business lines, which form the basis on which the Group presents information related to its segments:

- Intermediation (national and international capital markets and marketing of managed and third party investment funds).
- Portfolio and asset management and counsel (Collective Investment Institutions and Pension Funds).
- Corporate services: mainly incorporates support activities for the rest of the segments, as well as depositary services and values custody.

The Group operates mainly in the national territory, although since the financial year of 2011 a non-significant part of its activity has been carried out in Chile, Colombia, Peru, and Luxembourg, with similar customers and products in all territories.

The Group's business focuses on intermediation, asset management, and corporate services developed through its network of offices, agents, subsidiaries and website, which are offered to private customers and financial intermediaries, small and medium-sized enterprises. Corporate services, including the provision of services developed through various subsidiaries of the Group.

The turnover between the most relevant segments corresponds to the UCIT marketing commissions managed, which are transferred from the Asset Management Segment to the Intermediation Segment, which acts as a marketer through the network. These fees are assigned in accordance with the agreed conditions that the directors consider to be in line with market practices.

Segment information at 31 December, 2018 and 2017 is presented below:

Thousands of Euros

	12.31.2018					12.31.2017(*)				
INCOME STATEMENT	Intermediation	Asset Management	Corporate Services	Adjustments	Total	Intermediation	Asset Management	Corporate Services	Adjustments	Total
Interest income										
Internal	-	-	-	-	-	-	-	-	-	-
External	4.636	-	-	-	4.636	3.737	-	-	-	3.737
Interest expense										
Internal	-	-	-	-	-	-	-	-	-	-
External	(1.330)	-	-	-	(1.330)	(700)	-	-	-	(700)
Return on capital instruments (dividends)	-	-	368	-	368	-	-	371	-	371
Results of entities accounted for using the equity method	-	-	-	-	-	-	-	-	-	-
Commission income										
Internal	10.968	-	-	(10.968)	-	12.491	-	-	(12.491)	-
External	55.976	71.638	13.065	-	140.679	55.593	70.105	11.547	-	137.245
Commission expenses										
Internal	-	(10.968)	-	10.968	-	-	(12.491)	-	12.491	-
External	(25.572)	(44.547)	(1.383)		(71.502)	(27.546)	(43.828)	(379)		(71.753)
Results of financial operations - Net	4.373	-	(1.761)	-	2.612	6.716	-	1.049	-	7.765
Exchange differences (profit or (-) loss, net)	4.789	-	-	-	4.789	2.998	-	-	-	2.998
Other operating income	76	10	176	-	262	155	130	168	-	453
Other operating expenses-	(2.495)	-	(18)	-	(2.513)	(2.851)	-	(18)	-	(2.869)
GROSS MARGIN	**51.421**	**16.133**	**10.447**	**-**	**78.001**	**50.593**	**13.916**	**12.738**	**-**	**77.247**
Personnel Expenses-	(22.146)	(4.904)	(4.587)	-	(31.637)	(22.242)	(4.370)	(4.556)	-	(31.168)
Other administrative expenses	(13.693)	(3.032)	(2.837)	-	(19.562)	(13.730)	(1.642)	(2.812)	-	(18.184)
Amortization	(4.486)	(193)	(555)	-	(5.234)	(4.361)	(64)	(553)	-	(4.978)
Allocation to provisions	(413)	-	-	-	(413)	(128)	-	-	-	(128)
Impairment losses on financial assets	860	-	-	-	860	63	(43)	-	-	20
(+/-) Profit/(Loss) on the decrease of non-financial assets and ownership interest	-	-	-	-	0	720	-	-	-	720
Impairment losses on other assets	-	-	-	-	0	-	-	-	-	-
CONSOLIDATED PROFIT BEFORE TAX	**11.543**	**8.004**	**2.468**	**-**	**22.015**	**10.915**	**7.797**	**4.817**	**-**	**23.529**
BALANCE SHEET										
Total assets	1.368.083	28.569	19.514	(69.897)	1.346.269	1.245.029	32.676	19.179	(75.346)	1.221.538
Total liabilities	1.267.058	7.311	504	(25.605)	1.249.268	1.143.770	13.308	513	(31.055)	1.126.536
Other information.	-	-	-	-	-	-	-	-	-	-
Acquisitions of tangible assets	4.637	5	-	-	4.642	3.540	-	3	-	3.543

(*)Presented solely and exclusively for comparative purposes.
The 'adjustments' column in the table above shows the elimination of the marketing transactions carried out between the intermediation and management segments. These transactions, which are eliminated in the consolidation process, are shown in the table above to correctly reflect the activity of each segment.
The adjustments to the total assets and liabilities presented by segment correspond to the eliminations of the reciprocal and shareholders' equity items between the different Group companies generated in the consolidation process.

2.8 Cash, cash balances with central banks in cash and other demand deposits

The composition of the chapter 'Cash, Cash at Central Banks and Other Demand Deposits' of the consolidated balance sheets to 31 December, 2018 and 2017, is as follows:

Thousands of Euros

	2018	2017
Cash	100	101
Banco de España	19.952	18.191
Other demand deposits	407.816	380.041
Total	**427.868**	**398.333**

The breakdown by remaining maturity of this chapter is detailed in note 5.b).

At 31 December 2018 and 2017, 'Other Demand Deposits' includes mainly the balances in demand current accounts, which earn the market interest rate for this type of accounts for an amount, excluding 'valuation adjustments', of EUR 407,816 thousand (EUR 379,812 thousand in 2017).

The Group considers the following headings, which do not include the related 'valuation adjustments', to be cash or cash equivalents:

Thousands of Euros

	2018	2017
Cash	100	101
Banco de España	19.952	18.191
Current accounts at sight	407.816	379.812
Total	**427.868**	**398.104**

The balances held at the Bank of Spain are subject to compliance with the minimum reserves ratio stipulated in current regulation applicable to the Group's Parent Company.

2.9 Financial assets and liabilities held for trading

The breakdown of these asset and liability captions in the consolidated balance sheets is as follows:

Thousands of Euros

	Assets		Liabilities	
	2018	2017 (*)	2018	2017 (*)
Derivatives	475	853	-	213
Equity instruments	28.291	97	-	-
Debt securities	-	1.282	-	-
Total	**28.766**	**2.232**	**-**	**213**

(*) Tal y como se indica en la Nota 2.2, a partir del 1 de enero de 2018, la NIIF 9 sustituye a la NIC 39 e incluye modificaciones en los requerimientos para la clasificación y valoración de los activos y pasivos financieros, el deterioro de activos financieros y la contabilidad de coberturas. En este sentido, determinados desgloses incluidos no son comparativos respecto al ejercicio 2017.

At 31 December 2018 and 2017 there were no assets in this portfolio assigned to any type of commitment or guarantee.

As a result of the application of IFRS 9, on 1 January 2018 equity instruments classified in the portfolio 'Financial assets at fair value through other comprehensive income' at 31 December 2017 were classified in this portfolio, see Annex I.

There were no transfers or reclassifications of financial instruments included in this portfolio during the financial year of 2017.

a) Derivatives

Negotiation derivatives, in accordance with Note 4-f), are classified in the negotiation portfolio and, as such, are measured at fair value and any changes in fair value are recognised directly in the consolidated income statement.

Following is a breakdown, for the financial years ended 31 December, 2018 and 2017, of the notional values and fair values of the financial derivatives recorded as 'Negotiation Derivatives' classified by type of market, type of products, counterparty, remaining term and type of risk:

Thousands of Euros

	Domestic		Fair value			
	Memorandum accounts		Assets		Liabilities	
	2018	2017	2018	2017	2018	2017
By market type						
Organized markets	3.746	8.951	475	851	-	91
Non-organised markets	-	6.899	-	2	-	122
	3.746	**15.850**	**475**	**853**	**-**	**213**
By product type						
Futures	2.123	4.180	-	-	-	-
Others						
Purchased	1.623	10.999	475	853	-	76
Sold	-	671	-	-	-	137
	3.746	**15.850**	**475**	**853**	**-**	**213**
By counterpart						
Other financial institutions	3.746	15.850	475	853	-	213
Other sectors	-	-	-	-	-	-
	3.746	**15.850**	**475**	**853**	**-**	**213**
By remaining term						
Up to 1 year	3.746	15.850	475	853	-	213
From 1 to 5 years	-	-	-	-	-	-
	3.746	**15.850**	**475**	**853**	**-**	**213**
By type of risks covered						
Exchange rate risk	-	6.724	-	2	-	77
Interest rate risk	500	500	-	-	-	-
Share price risk	-	-	-	-	-	-
Other risks (1)	3.246	8.626	475	851	-	136
	3.746	**15.850**	**475**	**853**	**-**	**213**

(1) At 31 December, 2018 and 2017, Renta 4 Banco has long positions in electricity derivatives that are fully offset by reverse positions. This operation derives mainly from positions in electricity futures to give counterparty to an institutional one, which are covered by the opposite position through electricity swaps, a product on which most of the market participants operate. Consequently, the economic result of these positions is zero as they are fully compensated.

b) Equity instruments

At 31 December 2018 and 2017, the breakdown of the balance of this heading, by sector of activity of the issuer, is as follows:

Thousands of Euros

	2018	2017
Credit institutions	12	-
Financial companies	28.112	5
Other Sectors	167	92
Total	**28.291**	**97**

The heading of the 'Other Capital Instruments is as follows, based on whether or not the securities composing it are listed, and the percentage they represent of the total:

	Thousands of Euros		% on the total	
	2018	2017	2018	2017
Listed	28.291	97	100	100
Unlisted	-	-	-	-
	28.291	**97**	**100**	**100**

At 31 December 2018 and 2017, the breakdown of the balance of this heading is as follows:

Thousands of Euros

	2018	2017
Ownership interest in UCITs	27.254	-
Shares and other ownership interest	1.037	97
	28.291	**97**

The breakdown of 'Ownership Interest in UCITs' at 31 December 2018 is as follows:

Thousands of Euros

	12.31.2018
Kobus renewable energy II FCR	4.851
Merian Global equity I (Eur)	1.439
Schroder Isf Em.Mkts Debt Ab Retc(Eur)	1.405
Neuberger Berman SD EM market debt "i" (Eur)	1.398
Lm West Ass Macro Opp Bond X (Eur)	1.244
Pictet Total Return Agora I (Eur)	1.214
Franklin K2 Alt Strt "A" (Eurhdg)	1.134
Renta 4 Renta Fija Mixto FI	1.113
Templeton GLB tot Return I (Eur)	1.013
Axa Wf Global Inflation Bonds "I" (Eur)	995
Salar E1 (Eur)	868
Bmo real estate equit B(Eur)	799
Amundi II Pio ABS rtn Multi-Startegy I Acc	798
Vontobel Twty abs ret cred IH (EurHDG)	791
Nordea 1 stable Return BI (Eur)	787
Ged V España Fcr	780
Blackstone Divers Multi-Str I (EurHDG)	768
UBS (Lux)- Convert Global Q (Eur)	692
MFS Meridian Prudent Wealth W1 (Usd)	688
Other (*)	4.477
Total	**27.254**

(*) Ownership interest in UCITs which individually are less than 600 thousand euros.

At 31 December 2017, the Group did not have an interest in UCITs classified as equity instruments in financial assets held for trading.

The breakdown of 'Shares and other ownership interests' at 31 December 2018 and 2017 is as follows:

Thousands of Euros

	12.31.2018	31/12/2017
Listed		
ETFS Physical Gold	820	-
Renta 4 SICAV Mila "I" (Eur)	-	-
Others	217	97
	1.037	**97**

c) Debt securities

At 31 December 2018, the Group has no debt securities classified as financial assets held for trading.

The breakdown of debt securities classified by counterparty at 31 December 2017 is as follows:

Thousands of Euros

	2017
Non-resident general government	170
Spanish credit institutions	1.112
Total	**1.282**

d) Other information.

The breakdown by remaining maturity of this caption is detailed 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 on the methods used to obtain the fair value.

2.10 Financial assets at fair value through other comprehensive income

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

Thousands of Euros

	2018	2017*
Equity instruments	5.443	20.109
Debt securities	712.577	578.284
Total	**718.020**	**598.393**

(*) As indicated in Note 2.2, from 1 January 2018, IFRS 9 replaces IAS 39 and includes amendments to the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. In this respect, certain breakdowns included are not comparative with respect to 2017.

As a result of the application of IFRS 9, on 1 January 2018 Equity instruments classified in this portfolio on 31 December 2017 were classified as 'Financial assets held for trading' (see Annex I).

There were no transfers or reclassifications of financial instruments included in this portfolio during the financial year of 2017.

The changes in this item in the consolidated balance sheet in 2018 and 2017 were as follows:

Thousands of Euros

	2018	2017*
Opening balance	**598.393**	**565.528**
Transfer IFRS9	(14.037)	-
Recognitions:	397.847	303.276
Derecognitions	(243.708)	(253.123)
Deferrals of accrued interest	2.119	1.768
Coupon bond collection	(21.873)	(20.300)
Valuation adjustments	(656)	1.243
Impairment of assets	-	(1)
Generic endowment/recovery	(65)	2
Closing balance	**718.020**	**598.393**

(*) As indicated in Note 2.2, from 1 January 2018, IFRS 9 replaces IAS 39 and includes amendments to the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. In this respect, certain breakdowns included are not comparative with respect to 2017.

a) Equity instruments

At 31 December 2018 and 2017, the breakdown of the balance of this heading is as follows:

Thousands of Euros

	2018	2017
Ownership interest in UCITs	-	12.718
Shares and other ownership interest	5.443	7.391
Total	**5.443**	**20.109**

At 31 December 2018, the Group did not have any participations recognised in the "Ownership Interest in Investment Funds" recognised under this heading.

The breakdown of "Ownership Interest in Investment Funds" at 31 December 2017 are as follows:

Thousands of Euros

	31/12/2017
Renta 4 Renta Fija Euro, F.I.	6.491
Renta 4 Retorno Dinámico FI	861
Franklin US Low Duration "I" (EurHdg)	741
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
Other (*)	1.809
Total	**12.718**

(*)Ownership interest in UCITs which individually are less than 600 thousand euros.

The breakdown of 'Shares and other ownership interests' at 31 December 2018 and 2017 is as follows:

Thousands of Euros

	12.31.2018	31/12/2017
Listed		
Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	4.864	5.310
ETFS Physical Gold	-	928
Renta 4 SICAV Mila "I" (Eur)	-	393
Valore metals Corp (Formerly: Kivallic Energy)	54	219
Unlisted		
Other ownership interests	525	541
	5.443	**7.391**

The breakdown of the heading "Accumulated other comprehensive income - Items that will not be reclassified to profit or loss- Changes to the fair value of equity instruments valued at fair value with changes in other comprehensive income" of the equity (Note 18.j) at 31 December 2018 and 2017, as a result of changes to the fair value of the assets in this portfolio, is as follows:

Thousands of Euros

	2018	2017
Capital instruments		
Other resident sectors	(1.057)	(812)
Other non-resident sectors	(132)	(151)
	(1.189)	**(963)**

b) Debt securities

The breakdown of debt securities classified by counterparty is as follows:

Thousands of Euros

	2018	2017
Spanish public administrations	572.563	543.307
Credit institutions	-	34.977
Non-resident general government	127.118	-
Other resident sectors	12.961	-
Valuation adjustments (generic provision)	(65)	-
Total	**712.577**	**578.284**

The "Public Administrations" heading mainly includes values representing Spanish public debt. The heading Credit institutions includes promissory notes from Spanish credit institutions.

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

The fair value of debt securities at 31 December, 2017 and 2016 has been determined based mainly on listed prices in official markets (Central de Anotaciones de Banco de España), and based on prices provided by different information service providers which construct their prices based on prices communicated by contributors (Bloomberg).

The breakdown of "Accumulated other comprehensive income - Items that can be reclassified to profit or loss - Financial assets at fair value through profit or loss" in equity (Note 18.j) at 31 December 2018 and 2017, as a result of changes in the fair value of the assets in this portfolio, is as follows:

Thousands of Euros

	2018	2017
Debt securities		
Spanish Public Administrations	2.103	2.217
Non-resident public administrations	99	-
Credit institutions	-	(1)
Other resident sectors	1	-
Other non-resident sectors	(6)	-
Total	**2.197**	**2.216**

At 31 December 2018 and 2017, the Group had pledged debt securities listed in favour of BME Clearing to guarantee daily operations with national derivatives and national variable income. The nominal value of these assets at 31 December 2018 amounted to EUR 65,000 thousand (31 December 2017: EUR 65,000 thousand) with a market value of EUR 69,616 thousand (31 December 2017: EUR 72,469 thousand).

Also, at 31 December 2018, the Group had entered into a credit agreement with a pledge of securities with the Bank of Spain. The nominal value of the pledged securities amounted to EUR 311,952 thousand (31 December 2017: EUR 269,191 thousand). The fair value amounted to EUR 339,719 thousand and EUR 297,907 thousand, at 31 December of the years 2018 and 2017, respectively. The amount available for this guarantee at 31 December 2018 and 2017 was EUR 301,432 thousand and EUR 260,625 thousand, respectively.

These deposits from the European Central Bank are taken using the credit policy with pledge of securities that the Parent Entity has in the central bank and which allows obtaining liquidity immediately. These deposits are part of programmes designed by the European Central Bank (T-LTRO II) to improve long-term financing.

2.11 Financial assets at amortised cost:

The breakdown of this section on the assets in the consolidated balance sheets is as follows:

Thousands of Euros

	2018	2017
Loans and advances:		
Central banks	-	40.000
Credit institutions	26.618	38.636
Clientele	82.235	83.787
Total	**108.853**	**162.423**

The breakdown by remaining maturity of this chapter is detailed in note 5.b).

a) Central banks

At 31 December 2018, there was no balance under this heading.

The breakdown of this heading for the 2017 financial year is as follows:

Thousands of Euros

			2017
Entity	**Type**	**Date of Maturity**	**Nominal**
Banco de España	-0,40 %	02/01/2018	40.000
Total			**40.000**

b) Credit institutions

The breakdown of this heading is as follows:

Thousands of Euros

	2018	2017
Time deposits or accounts	5.185	574
Other accounts (*)	21.443	37.797
Doubtful assets	100	453
Valuation adjustments		
Impairment losses on assets	(100)	(188)
Accrued interest	-	-
Total	**26.618**	**38.636**

(*) At 31 December 2018 and 2017, "Other Accounts" includes mainly the amount of EUR 18,828 thousand (EUR 35,547 thousand in 2017) relating to guarantees for the operation of international derivatives transactions required by Bank of America.

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

The breakdown of time deposits or accounts at 31 December 2018 and 2017 is as follows:

31 December, 2018

Entidad	Type	Date of Maturity	Thousands of Euros
Banco Bice (*)	3,00%	09/01/2019	137
Banco Security (*)	2,76%	04/01/2019	270
Banco Bice (*)	3,00%	31/01/2019	141
BTG PACTUAL (*)	4,32%	31/01/2019	37
BBVA	0,00%	09/10/2019	4.600
			5.185

(*) These time deposits or accounts correspond to one of the LATAM companies.

31 December, 2017

Entidad	Type	Date of Maturity	Thousands of Euros
Banco Bice (*)	3,12%	10/01/2018	143
Banco Security (*)	2,76%	03/01/2018	283
Banco Bice (*)	3,12%	19/01/2018	148
Total			**574**

(*) These time deposits or accounts correspond to one of the LATAM companies.

c) Clientele

The breakdown of this heading in the consolidated balance sheets, by type and situation of credit, counterparty sector and interest rate modality, is as follows:

Thousands of Euros

	2018	2017
By modality and credit situation:		
Secured receivables	34.489	38.148
Other secured receivables	3.933	18.466
Unsecured receivables	3.087	1.942
Other term receivables	1.749	911
Accounts receivable on demand and miscellaneous	2.127	3.448
Doubtful assets	3.262	1.996
Other financial assets	34.078	20.493
Valuation adjustments	(490)	(1.617)
	82.235	**83.787**
By sector:		
Public Administrations	1	1
Other financial corporations	34.341	25.565
Other non-financial corporations and sole proprietors	27.447	36.049
Rest of Households	20.446	22.172
	82.235	**83.787**
By interest rate modality:		
Variable	82.235	83.787
Fixed	-	-
	82.235	**83.787**

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

In the 2018 and 2017 financial years the Group signed pledge agreements on the securities deposited by customers which serve as security for accounts receivable.

The balance corresponding to "Unsecured receivables" is made up of debtors with a personal guarantee, debtors with personal loans and unsecured debtors. With respect to the balance corresponding to "Other term receivables", it contains both the fixed-term deposits of Chile and Peru, as well as the simultaneous deposits that the Chilean subsidiary has with its customers.

The Group maintains in the "Other Financial Assets" account the amount required for guarantees from each of the brokers in the derivative markets in which it operates on behalf of customers and which the Parent Company in turn requires from its customers (see Note 16.d). Said guarantees cover both national organised markets (MEFF, Eurostoxx) and international derivatives and CFD markets.

At the same time, the breakdown of receivables according to their modality and credit situation is as follows:

Thousands of Euros

	Debt		Value Guarantees		Limit		Available	
	2018	2017	2018	2017	2018	2017	2018	2017
Secured receivables	34.489	38.148	78.878	74.755	52.154	45.809	17.665	7.661
Other secured receivables	3.933	18.466	5.609	24.197	3.933	-	-	-
Doubtful	2.390	-	3.089	-	2.390	-	-	-
Unsecured receivables	3.087	1.942	-	-	3.775	2.398	688	456
	43.899	**58.556**	**87.576**	**98.952**	**62.252**	**48.207**	**18.353**	**8.117**

The breakdown of valuation adjustments made on transactions classified as "Loans and advances - Customers" is as follows:

Thousands of Euros

	2018	2017
Valuation adjustments:		
Impairment losses on assets	(817)	(1.898)
Accrued interest	327	281
	(490)	**(1.617)**

d) Impairment losses

The breakdown and movement of the impairment losses recorded at the close of financial years 2018 and 2017 for the assets in the Loans and advances portfolio (credit institutions and customers) is as follows:

Thousands of Euros

	Specific	Generic	Total
Balance at 31 December, 2016	**2.630**	**116**	**2.746**
Additions			
Provisions charged to profit and loss statement (Note 22.f)		11	140
Recoveries			
Recoveries credited to profit and loss statement (Note 22.f)		(60)	(159)
Uses			
Transfer to Failures		-	-
Others		-	(641)
Balance at 31 December 2017 (*)	**2.019**	**67**	**2.086**

The entire credit risk hedge has been determined collectively:

Thousands of Euros

	(Stage - 3)	(Stage - 1)	Total
Balance at 1 January 2018 (*)	**2.019**	**67**	**2.086**
Impact of IFRS 9 application	**-**	**-**	**-**
Additions			
Provisions charged to loss and profit statement	71	9	80
Recoveries			
Recoveries with credit to loss and profit statement	(996)	(9)	(1.005)
Uses			
Transfer to Failures	-	-	-
Others	(244)	-	(244)
Balance at 31 December 2018 (*)	**850**	**67**	**917**

(*) As indicated in Note 2.2, from 1 January 2018, IFRS 9 replaces IAS 39 and includes amendments to the requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. In this respect, certain breakdowns included are not comparative with respect to 2017.

2.12 Investments in joint ventures and associates

At 31 December 2018 and 2017, the Group has no investments in joint ventures and associates.

During the financial year 2017 this section of the accompanying balance sheet experienced the following movements:

Thousands of Euros

	2017
Opening balance	**286**
Recognitions:	-
Derecognitions	(286)
Individual results for the financial year	-
Impairment	-
Closing balance	**-**

In 2017 the Group sold its ownership interest in Hanson Asset Management Limited, W4i Investment Advisory Limited and Renta 4 Guipuzcoa S.A., the effect of which, at consolidated level, had a positive impact amounting to EUR 720 thousand, which is included under "Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net" in the consolidated income statement for the 2017 financial year (see Note 3).

2.13 Tangible assets

The breakdown of the material assets for the company´s own use and the changes that took place in regards to this heading in the 2018 and 2017 financial years is as follows:

Thousands of Euros

	Computer equipment	Furniture, installations and others	Buildings	Real estate investment	Total
Cost value					
Balance at 31 December, 2017	6.055	32.556	23.964	5.837	68.412
Recognitions:	635	3.939	68	-	4.642
Derecognitions	-	-	(20)	-	(20)
Balance at 31 December 2018	6.690	36.495	24.012	5.837	73.034
Accumulated amortisation					
Balance at 31 December, 2017	(5.297)	(14.956)	(5.890)	(2.014)	(28.157)
Recognitions:	(420)	(2.971)	(426)	(129)	(3.946)
Derecognitions	-	-	20	-	20
Balance at 31 December 2018	(5.717)	(17.927)	(6.296)	(2.143)	(32.083)
Net value at 31 December 2018	973	18.568	17.716	3.694	40.951

Thousands of Euros

	Computer equipment	Furniture, installations and others	Buildings	Real estate investment	Total
Cost value					
Balance at 31 December, 2016	5.667	32.592	23.961	5.837	68.057
Recognitions:	388	3.152	3	-	3.543
Derecognitions	-	(3.188)	-	-	(3.188)
Balance at 31 December 2017	6.055	32.556	23.964	5.837	68.412
Accumulated amortisation					
Balance at 31 December, 2016	(4.942)	(15.274)	(5.466)	(1.885)	(27.567)
Recognitions:	(355)	(2.870)	(424)	(129)	(3.778)
Derecognitions	-	3.188	-	-	3.188
Balance at 31 December 2017	(5.297)	(14.956)	(5.890)	(2.014)	(28.157)
Net value at 31 December 2017	758	17.600	18.074	3.823	40.255

The additions recorded under the "Furniture, Facilities and Others" heading relate to the improvement work being carried out by the Group in various offices.

At 31 December 2018 and 2017, the Group had no firm commitment to purchase or sell fixed assets for a significant amount, nor are its assets subject to significant charges or encumbrances.

At 31 December 2018 and 2017 it is estimated that the fair value of the tangible assets owned by the Group does not differ significantly from that recognised in the accompanying consolidated balance sheet.

Also, there are no tangible assets of significant amount for which there are restrictions on use or ownership, which are out of service or which the Group has pledged to guarantee the default of debts.

Finance leases

At 31 December 2018 and 2017, the net book value of tangible assets acquired under finance leases was zero in both years.

Real estate investment

At 31 December 2018 and 31 December 2017, the building located in Madrid at Paseo de la Habana 63 and the building located in Mallorca at Paseo de Mallorca 32, the total net carrying amount of which is 3,694 thousand euros and 3,823 thousand euros, respectively, were recognised as real estate investments.

The breakdown of minimum future collections on non-cancellable operating lease contracts at 31 December 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Up to one year	176	168
Between one and five years	704	672
	880	**840**

On 15 March 2016, the Group carried out an independent appraisal of the most significant real estate investment, the building located at Paseo de la Habana nº 63, in order to determine its fair value. Based on the results of this appraisal, which was performed using the income restatement method and the market comparison method, its fair value does not differ from its net book value at 31 December 2018 and 2017.

2.14 Intangible assets

a) Goodwill

The breakdown of, and movement in, this heading in the accompanying consolidated balance sheets in 2018 and 2017 are as follows:

Thousands of Euros

	Cost	Value adjustment due to impairment	Total
Balances at 12.31.16	**17.772**	**(2.481)**	**15.291**
Transactions	-	-	-
Balances at 12.31.17	**17.772**	**(2.481)**	**15.291**
Transactions	-	-	-
Balances at 12.31.18	**17.772**	**(2.481)**	**15.291**

At 31 December 2018 and 2017, goodwill totalled 15,291 thousand euros, relating to the companies included in the Management CGU (amounting to 5,476 thousand euros) and the intermediary CGU (amounting to 9,815 thousand euros). The intermediary CGU comprises the companies 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.; likewise, the CGU called "Management" comprises 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 had recorded another goodwill associated with the CGU "Chile"; this goodwill was identified with the business expected to be generated by the sale of other services offered by the Renta 4 Group to Chilean customers (intermediation, management of assets-investment funds, pension funds and portfolio management), and by the possible expansion of the customer portfolio in Chile due to the possibility of operating in the Spanish market. Nevertheless, during 2015, and on the basis of the results obtained by the CGU, the Directors considered necessary to recognise impairment losses in said CGU amounting to EUR 129,000, recognised under "Impairment in Value or Reversal of Impairment in Value of Non-Financial Assets - Intangible Assets" in the consolidated income statement for 2015 (note 22.g). As a consequence of this impairment, at 31 December 2015, the goodwill of CGU Chile was totally impaired.

At 31 December 2018 and 2017, the Group carried out an impairment test on goodwill for the "Intermediary" CGU and the "Management" CGU, based on the assumptions set out below.

The impairment test performed by the Parent Company was verified by an independent expert who, on 5 March 2019, issued a report on the impairment test and the correct valuation of goodwill at 31 December 2018.

Accordingly, and in accordance with the estimates and projections available to the Bank's Directors, in 2018 there were no losses of value that would have required the recording of additional impairments.

Under the regulations, impairment in value occurs when the net carrying amount exceeds the recoverable amount, which is the highest value between the value in use and the fair value less the costs to sell. In this case, the recoverable amount of the previous CGUs has been determined following a revenue approach; specifically, the dividend discount methodology has been used based on cash flow projections based on budgets approved by Group Management, as detailed below:

Intermediary CGU

	2018	2017
Projected period	5 years	5 years
Discount rate (projected period)	10.3%	11.8%
Perpetual growth rate	2.5%	2.0%

Management CGU

	2018	2017
Projected period	5 years	5 years
Discount rate (projected period)	10.3%	10.9%
Perpetual growth rate	2.5%	2.0%

The main assumptions used in accordance with the aforementioned methodology are described below:

Projected period

As stated in paragraph 33(b) of IAS 36, the projected period considered for the estimation of future cash flows in both CGUs was 5 years, in accordance with budgets approved by Group Management for the next 5 years. We consider that this period is adequate to reflect the current business plan projected for each of them.

Balance at 31 December 2018: 3.001.000 €

Discount rate

Discount rates reflect the Management's estimate of the specific risk of each unit. This is the benchmark used by Management to assess operational development and future investment proposals. The discount rate applied to calculate the value in use of each of the CGUs at the valuation date was the cost of own resources and was determined in accordance with the "Capital Asset Pricing Model (CAPM)".

This model is based on the risk-free rate (Rf), which has been calculated based on the average yield in the last three months of 2018 of the 10-year Spanish public debt (bond) for the Intermediary and management CGUs, incorporating in its calculation the effect on the yield of the Spanish public debt of the expansion measures of the Balance Sheet of the European Central Bank, to which is added the market risk premium (Rm) multiplied by the beta coefficient considered appropriate by the risk profile and growth of each CGU. The result obtained, as shown in the tables above, is 10.3% for both CGUs (2017: 11.8% for Intermediary CGU and 10.9% for Management CGU).

Perpetual growth rate

For the calculation of the perpetual growth rate the estimation of long-term inflation from public sources has been used, as well as the potential growth of the industries of intermediation and management of assets on this inflation. The growth rate used was 2.5% in all Cash Generating Units.

The Management of these CGUs considers that this growth rate is justified.

Sensitivity to changes in assumptions

In order to ensure the soundness of its calculation, Management has carried out a sensitivity analysis of the value in use of the different CGUs analyzed with respect to variations in the main assumptions affecting said calculation. To this end, sensitivity analyses have been carried out on the discount rate, the perpetual growth rate and the required capital requirements. The main results are shown below:

Intermediary and Management CGUs

Reasonable variations of +/-100 basis points in the discount rate used combined with reasonable variations of +/-100 basis points in the perpetual growth rate with respect to the base scenario would not cause impairment in either of the two CGUs.

Similarly, reasonable variations of +/-100 basis points in the discount rate used combined with reasonable variations of +/-0.25 times in the minimum capital requirements required of the CGU with respect to the base scenario would not cause impairment in either of the two CGUs.

Likewise, reasonable variations of +/-100 basis points in the perpetual growth rate used combined with reasonable variations of +/-0.25 times in the minimum capital requirements required of the CGU with respect to the base scenario would not cause impairment in either of the two CGUs.

b) Other intangible assets

This caption in the consolidated balance sheets includes the computer software acquired from third parties, the customer portfolio generated in the acquisition of Gesdinco S.A., S.G.I.I.C and Padinco Patrimonios, S.G.C., S.A. and the customer portfolio generated in the acquisition of Renta 4 Chile Corredores de Bolsa, S.A. which had the following movements in 2018 and 2017:

Thousands of Euros

	Cost	Accumulated amortisation	Net value
Balance at 31 December, 2016	**7.928**	**(5.652)**	**2.276**
Registrations and endowments	1.209	(1.200)	9
Derecognitions	(65)	65	-
Balance at 31 December, 2017	9.072	(6.787)	2.285
Registrations and endowments	2.004	(1.288)	716
Derecognitions	-	-	-
Balance at 31 December 2018	**11.076**	**(8.075)**	**3.001**

At 31 December 2018 and 2017 "Other Intangible Assets" includes the fully amortised customer portfolio of Gesdinco and Padinco (815 thousand euros of cost and 815 thousand euros of accumulated amortization). It also includes the Chilean customer portfolio with a net value of 64 thousand euros, 646 thousand euros of cost and 582 thousand euros of accumulated amortization (with a net value of 146 thousand euros 646 thousand euros of cost and 500 thousand euros of accumulated amortization at 31 December 2017).

This heading also includes computer software with a net value of 2,937 thousand euros at 31 December 2018 (at 31 December 2017: 1,799 thousand euros).

2.15 Other assets and other liabilities

The breakdown of the balance of these asset and liability captions in the consolidated balance sheet at 31 December 2018 and 2017 is as follows:

Thousands of Euros

Assets:	2018	2017
Unaccrued expenses paid	931	507
Others	17	1
	948	**508**

Thousands of Euros

Liabilities:	2018	2017
Accruals/deferrals	1.514	1.437
Others	2.283	3.334
	3.797	**4.771**

2.16 Financial liabilities at amortised cost

The breakdown of this caption on the liability side of the consolidated balance sheets at 31 December 2018 and 2017, is as follows:

Thousands of Euros

	2018	2017
Deposits from central banks	9.849	9.951
Deposits from credit institutions	19.754	17.909
Customer deposits	1.102.821	932.941
Other financial liabilities	107.748	155.446
	1.240.172	**1.116.247**

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

a) Deposits from central banks

The breakdown of this heading on the liabilities side of the consolidated balance sheets, by type of instrument at 31 December 2018 and 2017, is as follows:

Thousands of Euros

	2018	2017
Term accounts	9.950	9.950
Valuation adjustments - Accrued interest of institutions	(101)	1
Total	**9.849**	**9.951**

The breakdown of central bank deposits as at 31 December 2018 and 2017 is as follows:

12.31.2018

			Thousands of Euros	
Entity	Type	Expiry date	Límite	Dispuesto
European Central Bank (1)	0,00%	29/06/2020	9.950	9.950
Total			**9.950**	**9.950**

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

12.31.2018

			Thousands of Euros	
Entity	**Type**	**Expiry date**	**Límite**	**Dispuesto**
European Central Bank (1)	0,00%	29/06/2020	9.950	9.950
Total			**9.950**	**9.950**

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

These deposits from the European Central Bank are taken using the credit policy with pledge of securities that the Parent Entity has in the central bank and which allows obtaining liquidity immediately. These deposits are part of programmes designed by the European Central Bank (T-LTRO II) to improve long-term financing. The Group also has an undrawn liquidity with the European Central Bank amounting to 301,432 thousand euros at 31 December 2018 (31 December 2017: 260,625 thousand euros).

b) Deposits at credit institutions

The detail of this heading on the liability side of the consolidated balance sheets at 31 December, 2018 and 2017, depending on the nature of the instrument, is as follows:

Thousands of Euros

	2018	2017
Term accounts	-	-
Other accounts	19.754	17.909
Total	**19.754**	**17.909**

c) Customer deposits

The breakdown, by balancing entry and type of financial instrument at 31 December 2018 and 2017, of this heading in the consolidated balance sheet is as follows:

Thousands of Euros

	2018	2017
Term deposits	-	-
Demand deposits	1.102.821	932.941
Assets sold under repurchase agreements	-	-
Valuation adjustments	-	-
	1.102.821	**932.941**

d) Other financial liabilities

All the financial liabilities included under this consolidated balance sheet heading are classified in the "Financial liabilities at amortised cost" portfolio and are accordingly measured at amortised 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, at 31 December 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Payment obligations	1.388	1.405
Deposits received	58	58
Clearing houses	2.773	4.794
Tax collection accounts		
Social Security Administration	529	477
Financial guarantees	87.674	98.870
Other	15.326	49.842
Total	**107.748**	**155.446**

As financial guarantees, the Group includes the financial guarantees required of its customers for trading in the MEFF, international derivatives and CFD (contracts that are settled for differences).

"Other Items" above includes balances outstanding in respect of transactions of Allfunds customers, which are settled in the first days of the following month, amounting to 9,837 thousand euros at 31 December 2018 (31 December 2017: 36,698 thousand euros).

2.17 Provisions

The breakdown of this consolidated balance sheet heading at 31 December, 2018 and 2017, is as follows:

Thousands of Euros

	2018	2017
Outstanding tax litigation and procedural issues	458	628
Commitments and guarantees granted	5	-
	463	**628**

The changes in these headings in 2018 and 2017 were as follows:

	Other provisions
Balance at 31 December, 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 31 December, 2017	**628**
Additions with a charge to profit or loss	413
Provision recoveries with a credit to profit or loss	-
Provisions utilized	(578)
Balance at 31 December 2018	**463**

At 31 December 2018 and 2017, the provisions recognised on the consolidated balance sheet amounting to 463 thousand euros and 628 thousand euros, respectively, correspond to the Parent Company and other subsidiaries and mainly cover certain risks arising from the performance of their business activities and risks arising from third party claims.

2.18 Net worth

The detail of the Group's equity at 31 December 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Equity		
Registered capital	18.312	18.312
Share premium	8.496	8.496
Other reserves	63.111	58.919
Less: Treasury shares	(763)	(643)
Profit for the financial year	16.095	16.513
Less: Interim dividends	(8.922)	(8.118)
	96.329	**93.479**
Accumulated other comprehensive income		
Currency Conversion	(1.021)	(380)
Financial assets designated at fair value with changes in other comprehensive income		
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income	(1.189)	(963)
Changes in fair value of debt securities measured at fair value with changes in other comprehensive income	2.197	2.216
	(13)	**873**
Minority interests (non-controlling interests)		
Accumulated other comprehensive income	(93)	(61)
Other elements	778	711
	685	**650**
Total Equity	**97.001**	**95.002**

a) Issued capital

Share capital of the Parent, 31 December 2018 and 2017, amounts to 18,311,941.35 euros and is divided into 40,693,203 registered shares number 1 to 40,693,203, with a par value of 0.45 euros each, of the same class and series. All the shares are fully subscribed and paid.

The Parent's shares have been listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges since November 14, 2007 under ISIN code ES0173358039 given by the Spanish National Codification Agency. The listed price of the shares at 31 December 2018 was 7.84 euros (31 December 2017: 6.79 euros).

The Parent's shareholders structure at 31 December 2018 and 2017 is as follows:

	31 December, 2018		31 December, 2017	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Juan Carlos Ureta Domingo	12.696.130	31,20%	12.672.766	31,14%
Matilde Estades Dry	987.791	2,43%	987.791	2,43%
Surikomi, S.A.	2.113.366	5,19%	2.113.366	5,19%
Inversiones Financieras e Inmobiliarias A.R. Santamaría S.L.	2.376.802	5,84%	2.376.802	5,84%
Juan Carlos Ureta Estades	8.163	0,02%	8.163	0,02%
Matilde Ureta Estades	5.457	0,01%	5.027	0,01%
Inés Asunción Ureta Estades	2.941	0,01%	2.781	0,01%
Mutualidad General de la Abogacía	2.800.650	6,88%	2.800.650	6,88%
Mobel Línea, S.L.	940.962	2,31%	940.962	2,31%
The Bank of New York Mellon S.A. N.V.	837.854	2,06%	798.940	1,96%
Santiago González Enciso (*)	1.792.763	4,41%	1.791.094	4,40%
Navarro Wall Pillar	422.405	1,04%	422.405	1,04%
Global Portfolio Investments SL	2.276.232	5,59%	2.131.232	5,24%
Arbarin, Sicav	562.884	1,38%	562.884	1,38%
Contratas y Servicios Extremeños S.A.	2.044.590	5,02%	2.044.590	5,02%
Other (including treasury shares)	10.824.213	26,61%	11.033.750	27,13%
	40.693.203	**100%**	**40.693.203**	**100%**

(*) Includes direct ownership interest (1.39%) and indirect ownership interest (3.02%).

At 31 December 2018, the Group's main shareholder, in addition to the percentage of direct ownership reflected in the foregoing table, held 13.50% indirectly (13.50% at 31 December 2017), representing 44.70% of the Parent Company's share capital (44.64% at 31 December 2017).

b) Share premium

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

c) Other reserves

The breakdown of this heading at 31 December, 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Legal reserve of the Parent Company	3.662	3.662
Reserves at Group Companies	59.449	55.257
	63.111	**58.919**

The breakdown of "Reserves at Group companies" is as follows:

Thousands of Euros

Company	2018	2017
Renta 4 Banco, S.A.	52.773	48.234
Renta 4 Sociedad de Valores, S.A.	5.296	7.828
Renta 4 Burgos, S.A.	(2.475)	(2.475)
Renta 4 Aragón, S.A.	(1.049)	(1.049)
Renta 4 Vizcaya, S.A.	(365)	(365)
Renta 4 Gestora, S.G.I.I.C., S.A.	5.744	3.865
Renta 4 Huesca, S.A.	(373)	(373)
Carterix, S.A.	(106)	(81)
Renta 4 Pensiones, S.G.F.P., S.A.	3.951	2.935
Renta 4 Equities	193	197
Other	(4.140)	(3.459)
	59.449	**55.257**

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. In addition, under certain conditions, this reserve may be used to increase share capital. At 31 December 2018 and 2017, the parent's legal reserve amounted to 20%.

e) Voluntary reserves

The Parent's voluntary reserves at 31 December 2018 and 2017 are freely distributable, as there were no unused tax losses pending offset and subject to equity requirements (Note 18.i).

This heading 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 2018 and 2017 were as follows:

Thousands of Euros

	2018	2017
Opening balance	(643)	(370)
Procurement	(434)	(273)
Sales	314	-
Closing balance	**(763)**	**(643)**

In 2018 equity instruments amounting to 434 thousand euros and sales amounting to 314 thousand euros were purchased and capital gains amounting to 66 thousand euros were recognised directly in equity. In 2017, equity instruments amounting to 273 thousand euros were purchased. At 31 December 2018 and 2017, this heading includes the following shares:

Number of shares

	2018	2017
Shares in investment fund portfolio	-	-
Other	116.852	108.740
	116.852	**108.740**

g) Interim dividend

On 11 March 2019, the Board of Directors which prepares the financial statements of the Parent resolved to distribute an interim dividend in the gross amount of 3,246 thousand euros on account of the profit for 2018.

The following is a breakdown of the financial statement prepared by the Parent's directors on the basis of their individual results, which shows that there is sufficient liquidity for distribution:

Thousands of Euros

	Projected distributable parent company profits for the year
Results net of taxes at 31 December, 2018	14.407
Interim dividend paid in 2018	8.922
Maximum amount to be distributed (*)	5.485
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	427.868
Projected cash balances one year from the date of the agreement	450.000

(*) The amount of distributable profit complies with the requirements of Article 277 of the Corporate Law.

At that date, the Parent Company had sufficient liquidity to pay the dividend.

On 30 October 2018, the Board of Directors resolved to distribute an interim dividend in the gross amount of 8,922 thousand euros on account of the profit for 2017.

The following is a breakdown of the financial statement prepared by the Parent's directors on the basis of their individual results, which shows that there is sufficient liquidity for distribution:

Thousands of Euros

	Projected distributable parent company profits for the year
Profit after taxes at 30 December, 2018	10.818
Interim dividend paid in 2018	-
Maximum amount to be distributed (*)	10.818
Projected cash for one year from the date of the agreement	
Cash at the date of the agreement	250.738
Projected cash balances one year from the date of the agreement	300.886

(*) The amount of distributable profit complies with the requirements of Article 277 of the Corporate Law.

At that date, the Parent Company had sufficient liquidity to pay the dividend.

On 13 March 2018, the Board of Directors decided to pay an interim dividend in the gross amount of 4,059 thousand euros on account of the profit for 2017.

The following is a breakdown of the financial statement prepared by the Parent's directors on the basis of their individual results, which shows that there is sufficient liquidity for distribution:

Thousands of Euros

	Projected distributable parent company profits for the year
Profit after taxes at 31 December, 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 balances one year from the date of the agreement	508.006

(*) The amount of distributable profit complies with the requirements of Article 277 of the Corporate Law.

At that date, the Parent Company had sufficient liquidity to pay the dividend.

On 31 October 2017, the Board of Directors resolved to distribute a final interim dividend out of the profit for 2017 amounting to a gross total of 8,118 thousand euros.

The following is a breakdown of the accounting statement prepared by the Parent's Directors on the basis of their individual results, which shows that there is sufficient liquidity for distribution:

Thousands of Euros

	Projected distributable parent company profits for the year
Profit after tax at September 30, 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 Corporate Law.

h) Earnings per share

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

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

	2018	2017
Net profit attributable to owners of the Parent Company (in thousands of euros)	16.095	16.513
Financial costs associated with the 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)	16.095	16.513
Weighted average number of ordinary shares for basic and diluted earnings per share	40.569.358	40.604.042
Weighted average number of ordinary shares, excluding treasury shares, for calculating diluted earnings per share	40.569.358	40.604.042
Basic earnings per share (euros)	**0,40**	**0,41**
Diluted earnings per share (euros)	**0,40**	**0,41**

h) Minimum capital requirements

On 26 June 2013, the European Parliament and the Council of the European Union approved Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (hereinafte, "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"), which entered into force on 1 January 2014, with progressive implementation until 1 January 2019. They have the effect of repealing all formerly prevailing solvency regulations.

The CRR and the CRD regulate the own resources requirements in the European Union and reflect the recommendations established in the Basel III Capital Accord, specifically:

- The CRR, directly applicable by Member States, contains prudential requirements to be implemented by credit institutions and among other matters, covers:
  - i) Definition of the items that computable as capital, stipulating the requirements for hybrid instruments to be legible and limiting the eligibility of non-controlling interests recognised for accounting purposes.
  - ii) Definition of prudential filters and deductions from capital for each defined capital tiers. Note that the Regulation 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.
  - iii) Establishment of minimum capital requirements, included in Article 92 of the CRR, articulated around three types of capital: Common Equity Tier 1 (CET 1) capital, of at least 4.5% of RWA; Tier 1 capital, of at least 6% of RWA; and Total Capital, of at least 8%. However, the competent authority has the power to require additional equity.
  - iv) Imposition of a leverage calculation requirement on financial institutions, which is defined as the entity's Tier I capital divided by its total exposure unadjusted by risk. Since 2015, the ratio is publicly disclosed by the entity.
- The CRD, which has to be transposed by Member States into their national legislation at their discretion, has as its main objective the coordination of national provisions relating to access to the business of credit institutions and investment firms, their governance mechanisms and their supervisory framework. The CRD, among other matters, includes the requirement for additional capital requirements over those established in the CRR, which will be progressively implemented until 2019 and whose non-compliance implies limitations on the discretionary distribution of earnings, specifically:
  - v) A capital conservation buffer and countercyclical capital buffer, further implementing the Basel III regulatory framework with the aim mitigating the procyclical effects of financial regulation, includes an obligation to maintain a Capital Conservation Buffer of 2.5% of CET 1 capital, common to all financial institutions and an institution-specific Countercyclical Capital Buffer on CET 1 capital.
  - vi) A buffer against systemic risks, aimed at mitigating systemic risks, i.e. to cover risks of disruptions in the financial system that could have serious negative consequences for the financial system and the real economy of a Member State.
  - vii) 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 11.505% at consolidated and individual level in 2018. In addition, a Bank of Spain requirement was received establishing a minimum total capital ratio at consolidated and individual level of 12.10% in 2019.

At 31 December, 2018, the Group was in compliance with the aforementioned provisions, maintaining the CET 1 capital ratio at 17.83% (18.45% in 2017).

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

- Royal Decree-Law 14/2013, of November 29, on urgent measures regarding the adaptation of Spanish law to European regulations on the supervision and solvency of financial institutions: it partially transposes the Spanish law of the CRD and enables the Bank of Spain to make use of the options afforded to the competent authorities in the CRR.
- Bank of Spain Circular 2/2014 of January 31 to credit institutions on the exercise of various regulatory options contained in Regulation (EU) No. 575/2013. The purpose is to establish, in accordance with the powers conferred, which options of the CRR it assigns to the competent national authorities, consolidate groups of credit institutions and credit institutions, whether integrated into a consolidate group, will have to comply with as from 1 January 2014, and with what scope. To this end, in this Circular, the Bank of Spain makes use of some of the temporary or permanent regulatory options provided for in the CRR, in general in order to allow continuity in the treatment that Spanish legislation had been giving to certain issues prior to the entry into force of said Community legislation, 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 authorities in the CRR, in many cases, mainly in the case of non-general options, by direct application of the CRR, without the need for a Bank of Spain circular.
- Law 10/2014 of June 26 on the structuring, supervision and capital adequacy of credit institutions, whose overriding purpose is to continue the process of transposition of CRD IV initiated by Royal Decree Law 14/2013 of November 29 and to repeal certain national provisions in force to date in relation to the organisation and discipline of credit institutions. Among the main novelties, for the first time, the express obligation of the Bank of Spain to present, at least once a year, a Supervisory Programme specifying the content and form that the supervisory activity will take, and the actions to be undertaken as a consequence of the results obtained. This program will include the development of a stress test at least once a year.

Total eligible equity: 67.882.000 €

- Bank of Spain Circular 3/2014 of July 30 on credit institutions and certified appraisal companies and services. Among other measures, 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 for credit institutions and investment services, in order to unify the treatment of the deduction of intangible assets during the transitional period established by Regulation (EU) No. 575/2013, bringing the treatment of goodwill into line with that of other intangible assets.
- Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, which develops aspects of the regulations it develops, with special emphasis on the activity requirements applicable to credit institutions, the elements of the supervisory function and the regulatory development of capital buffers.
- Bank of Spain Circular 2/2016, of February 2 , for credit institutions, on the regulation supervision and solvency of credit institutions, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No. 575/2013.
- Bank of Spain Circular 4/2017, of November 27, for credit institutions, on public and reserved financial information standards and model financial statements, which completes the adaptation to Regulation (EU) No. 575/2013.

In relation to the Group's eligible own funds, the prudential filter applies concerning additional valuation adjustments on assets valued at fair value in accordance with Articles 34 and 105 of Regulation (EU) No 575/2013 and its implementing legislation Implementing Regulation (EU) 101/2016 using the simplified approach.

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

- The standardised approach to calculate its capital requirements in respect of credit, balancing entries, and dilution risk.
- The standardised 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 31 December 2018 and 2017, indicating each of its components and deductions, and broken down, as required under the new regulations, into Level 1 and Level 2 capital:

Thousands of Euros

	2018	2017
Total eligible equity	67.882	66.102
Level 1 Capital	**67.882**	**66.035**
Paid-in equity instruments	18.312	18.312
Share premium	8.496	8.496
Additional valuation adjustments (-)	(747)	-
CET 1 equity instruments (-)		
Held directly	(763)	(643)
Held indirectly	(2.261)	(2.266)
Retained earnings from previous years	63.111	58.919
Other reserves	(13)	873
Non-controlling interests recognised within CET 1 capital	39	51
Transitional adjustments due to additional minority interests	-	120
Goodwill (-)	(15.291)	(15.291)
Other intangible assets (-)	(3.001)	(2.285)
Other transitional adjustments to ordinary Tier 1 capital	-	(251)
Tier 2 capital	**-**	**67**
Adjustments for general credit risk using the standard method	-	67
Additional Deductions from Tier 2 capital	-	-
Ordinary Tier 1 capital ratio	17,83%	18,45%
Ordinary Tier 1 capital surplus (+) / deficit (-)	**50.753**	**49.926**
Total capital ratio	**17,83%**	**18,47%**
Surplus (+) / deficit (-) of total capital	**37.431**	**37.463**

j) Accumulated other comprehensive income - Elements that can be reclassified to profit or loss - - Changes in the fair value of debt securities valued at fair value with changes in other comprehensive income

This balance sheet heading includes the net amount of changes in the fair value of debt securities classified at fair value with changes in other comprehensive income that must be classified as part of the Group's equity. These changes are recognised in the income statement when the assets from which they arose are sold (see note 10).

k) Accumulated other comprehensive income - Elements that will not be reclassified to profit or loss - Changes in the fair value of equity instruments valued at fair value with changes in other comprehensive income

This balance sheet heading includes the net amount of changes in the fair value of equity instruments classified at fair value with changes in other comprehensive income that must be classified as part of the Group's equity. These changes are recognised in the income statement when the assets from which they arose are sold (see note 10).

l) Minority interests (non-controlling interests)

The detail of this caption in the accompanying consolidated balance sheets and of the changes therein in 2018 and 2017, as well as of the results for the year attributed to external partners, are shown in the accompanying table:

Financial year 2018 — Thousands of Euros

	% of participation at 31.12.18	Balance at 31.12.17	Attributable profit or loss for the year	Others	Saldo al 31.12.18
Carterix, S.A. (antes Renta 4 Marruecos, S.A.)	(Note 3)	Balance at 31.12.18	-	-	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 (antes Renta 4 On Line, S.A.)	1,00%	1	-	-	1
Rentsegur Correduría de Seguros, S.A.	27,51%	24	(1)	-	23
Renta 4 Equities, S.A.	0,11%	1	-	-	1
Renta 4 Global Fiduciaria, S.A.	30,57%	603	(333)	369	639
		650	**(334)**	**369**	**685**

Financial year 2017 — Thousands of Euros

	% of ownership interest at 12.31.17	Balance at 12.31.16	Attributable profit or loss for the year	Others	Saldo al 31.12.17
Carterix, S.A. (antes Renta 4 Marruecos, S.A.)	(Note 3)	Balance at 31.12.17	-	-	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 (antes 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**

2.19 Contingent risks and commitments

a) Contingent risks

The detail of contingent risks, understood as transactions in which the Companies guarantee third party obligations arising as a result of financial guarantees granted or other types of contracts at 2018 and 2017 year-end, is as can be seen in the following table:

Thousands of Euros

	2018	2017
Financial guarantees and others	608	368
	608	**368**

A significant portion of these amounts will mature without any payment obligation materializing for the consolidated companies and, therefore, the combined balance of these commitments cannot be considered a real future financing or liquidity need to be granted to third parties by the Group.

b) Contingent commitments

The detail of the contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets, at 31 December 2018 and 2017, is as follows:

Thousands of Euros

	2018	2017
Credit commitments	18.353	8.117
	18.353	**8.117**

This item includes credit commitments for credit accounts signed with third parties to finance their operations on the Stock Exchange, in accordance with certain conditions and terms previously stipulated in the contract.

The detail of the credit commitments for credit accounts signed with third parties to finance their operations on the Stock Exchange in 2018 and 2017, grouped by counterparty and indicating the limit and amount to be drawn down, is as follows:

Thousands of Euros

	Debt		Value Guarantees		Limit		Available	
	2018	2017	2018	2017	2018	2017	2018	2017
Secured receivables	34.489	38.148	78.878	74.755	52.154	45.809	17.665	7.661
Other debtors secured by collateral	3.933	18.466	5.609	24.197	3.933	-	-	-
doubtful	2.390	-	3.089	-	2.390	-	-	-
Unsecured receivables	3.087	1.942	-	-	3.775	2.398	688	456
	43.899	**58.556**	**87.576**	**98.952**	**62.252**	**48.207**	**18.353**	**8.117**

The average interest rate offered for these commitments is 12-month Euribor plus 1.66% at 31 December 2018 (12-month Euribor plus 1.81% at 31 December 2017).

c) Ongoing legal proceedings and/or claims

At 31 December 2018 and 2017, various legal proceedings and claims were in progress against the Group arising from the ordinary course of its business. Both the Group's legal advisers and its Directors consider that the outcome of these proceedings and claims will not have a material effect on the consolidated financial statements for the current year.

2.20 Tax position

On 1 January 2017, the tax group was broken up and the companies that formed part of it are individually taxed for corporate income tax at the tax rate applicable to each of them, depending on the applicable legislation.

The detail of the income tax expense and the reconciliation between the tax expense and the accounting profit before tax multiplied by the tax rate applicable to each company for 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Consolidated profit before taxes	22.015	23.529
Quota	6.626	6.891
Adjustments to prior years' expense	237	646
Deductions	(712)	(341)
Offsetting of tax loss carryforwards	(17)	(57)
Effect of non-deductible/taxable items	120	109
Income tax expense	6.254	7.248
Adjustments to prior years' expense	(237)	(646)
Deferred tax effect	43	(1.303)
Other adjustments	54	87
Current tax rate	6.114	5.386
Withholdings and advance payments	(5.489)	(6.017)
Tax payable/(refund)	**625**	**(631)**

Under current legislation, taxes cannot be deemed to be definitively settled until the returns filed have been inspected by the tax authorities or the four-year statute-of-limitations period has elapsed. At 31 December 2018, the companies composing the Group had open for inspection the last four financial years for all taxes applicable to it. The Parent Company's Directors do not expect significant additional liabilities to arise in the event of an inspection.

In addition, taxes were recognised with a (charge)/credit to equity relating to the valuation of the portfolio of financial assets designated at fair value with changes in other comprehensive income amounting to 201 thousand euros and 367 thousand euros in 2018 and 2017, respectively.

In accordance with the corporate tax returns filed and the estimates made for 2018, the Group has the following tax loss carryforwards to offset against any future tax benefits for which the related deferred tax assets have not been recognised:

Thousands of Euros

Year of origin	2018 (*)	2017 (*)
1999	5	5
2000	34	34
2001	22	22
2002	1	1
2004	399	399
2005	1	1
2011	1	1
2012	154	154
2013	341	341
2014	844	844
2015	790	790
2016	612	904
2017	1.313	-
	4.517	**3.496**

(*)These are global balances of tax loss carryforwards on both domestic balances and balances corresponding to international subsidiaries.

These tax loss carryforwards include individual tax bases generated by the tax group companies prior to their integration into the Group and tax bases generated by other individual companies not belonging to the Group.

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

Thousands of Euros

Current tax assets	2018	2017
Current tax assets relating to corporate tax	-	631
Taxes receivable relating to corporate tax 2017	1.551	-
Taxes receivable relating to VAT	-	-
	1.551	**631**
Current tax liabilities		
Current tax liabilities relating to corporate tax		
Taxes payable relating to corporate tax	625	-
Current tax liabilities (other balances with public authorities)		
Others		
Withholdings from participants in redemption of UCIT shares.	992	1.300
Personal income tax (I.R.P.F.)	780	704
Others	182	141
Taxes payable relating to VAT	228	264
Withholdings IRPF rentals	19	18
Personal income tax withholdings relating to capital yields	539	569
	3.365	**2.996**

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

Thousands of Euros

Deferred tax assets	Temporary differences	Tax effect
2018		
Impairment of financial assets designated at fair value with changes in other comprehensive income	637	191
Amortization expense	1.284	383
Others	1.538	446
	3.459	**1.020**
2017		
Impairment of financial assets designated at fair value with changes in other comprehensive income	637	191
Amortization expense	1.498	447
Others	1.952	549
	4.088	**1.187**

The temporary difference generated by the "amortization expenses" is reversing.

Thousands of Euros

Deferred tax liabilities	Temporary differences	Tax effect
2018		
Tax valuation of financially leased assets	3.581	1.037
Financial assets designated at fair value with changes in other comprehensive income	1.443	434
	5.024	**1.471**
2017		
Tax valuation of financially leased assets	3.947	1.143
Financial assets designated at fair value with changes in other comprehensive income	1.792	538
	5.739	**1.681**

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

Thousands of Euros

	2018		2017	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Opening balance	1.187	1.681	2.975	1.456
Recognitions:	67	-	-	378
Derecognitions	(234)	(210)	(1.788)	(153)
Others	-	-	-	-
Closing balance	**1.020**	**1.471**	**1.187**	**1.681**

With regard to deferred tax assets, the provisions of Royal Decree-Law 3/2016 of 2 December, which adopts measures in the tax area aimed at consolidating public finances and other urgent social measures, stipulate that losses due to impairment in value on ownership interest which were tax deductible in tax periods prior to 2014 and which are not tax deductible as from that date must be reversed for a minimum annual amount, on a straight-line basis over five years. The effect of this Royal Decree on the consolidated annual financial statements for 2018 was an increase in tax expense of 25 thousand euros (25 thousand euros in 2017).

2.21 Related parties

In 2018 and 2017 the Group considers related parties to the Group and Associated companies, key management personnel consisting of the members of the Board of Directors of the Parent Company and the members of Senior Management, consisting of a General Manager, and the significant Shareholders of the Parent Company.

Balances and transactions with related companies

The balances at 31 December 2018 and 2017 and the transactions performed by the Group in 2018 and 2017 are as follows:

Financial year 2018 — Thousands of Euros

Expenses and Income	Significant Shareholders (*)	Directors and Managers	Related Persons, Institutions or Group Companies	Other Related Parties (**)	Total
Expenses					
Financial expenses	-	-	-	-	-
Leases	-	-	-	12	12
Reception of services	-	13	-	6	19
Totals	**-**	**13**	-	**18**	**31**
Income					
Financial income	12	28	-	20	60
Provision of Services	141	42	-	183	366
Totals	**153**	**70**	-	**203**	**426**

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column.
(**) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

Financial year 2018 — Thousands of Euros

Other transactions	Significant Shareholders (*)	Directors and Managers	Related Persons, Institutions or Group Companies	Other Related Parties (***)	Total
Financing agreements: loans and capital contributions (lender) (**)	-	2.025	-	-	2.025
Amortization or cancellation of loans and lease contracts	-	-	-	1.500	1.500
Financing, Loan and Capital Contribution Agreements (borrower)	-	-	-	-	-
Other asset transactions	-	-	-	21	21
Other liability transactions	1.643	1.420	-	1.369	4.432
Dividends distributed	4.400	5.490	-	29	9.919
Guarantees received	274	4.257	-	-	4.531

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column. (**) Including balance drawn down. (***) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

All transactions with related parties have been carried out under market conditions.

The detail of the outstanding balances with Significant Shareholders, Directors and Managers for the transactions carried out in 2018 is as follows:

Position	Transaction type	Principal Amount	Amount available	Amount drawn	Collateral	Maturity
Other related parties	Securities loan	175	-	175	274	04/22/2021
Directors and Managers	Loans	34	34	-	-	12/31/2019
Directors and Managers	Securities loan	271	271	-	454	05/24/2021
Directors and Managers	Securities loan	147	134	13	156	11/02/2019
Directors and Managers	Securities loan	200	198	2	329	07/08/2022
Directors and Managers	Securities loan	1.000	789	211	2,147	11/12/2019
Directors and Managers	Securities loan	775	607	168	1,171	06/27/2021

Financial year 2017 Thousands of Euros

Expenses and Income	Significant Shareholders (*)	Directors and Managers	Related Persons, Institutions or Group Companies	Other Related Parties (**)	Total
Expenses					
Financial expenses	-	-	-	-	-
Reception of services	-	14	-	9	23
Totals	**-**	**14**	**-**	**9**	**23**
Income					
Financial income	207	47	-	35	289
Provision of Services	104	72	-	188	364
Totals	**311**	**119**	**-**	**223**	**653**

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column.
(**) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

Financial year 2017 Thousands of Euros

Other transactions	Significant Shareholders (*)	Directors and Managers	Related Persons, Institutions or Group Companies	Other Related Parties (***)	Total
Financing agreements: loans and capital contributions (lender) (**)	-	1.278	-	1.500	2.778
Amortization or cancellation of loans and lease contracts	-	-	-	500	500
Financing, Loan and Capital Contribution Agreements (borrower)	-	-	-	-	-
Other asset transactions	-	-	-	51	51
Other liability transactions	881	807	-	1.948	3.636
Dividends distributed	5.009	3.367	-	654	9.030
Guarantees received	-	3.585	-	1.764	5.349

(*) Significant shareholders who are Directors or Managers are included in the "Directors and Managers" column. (**) Including balance drawn down. (***) Correspond to balances and transactions with companies related to significant shareholders and Directors and Managers.

All transactions with related parties have been carried out under market conditions.

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	Amount available	Amount drawn	Collateral	Maturity
Other related parties	Securities loan	1.500	1.500	-	1.764	12/03/2018
Directors and Managers	Loans	13	13	-	-	31/12/2019
Directors and Managers	Securities loan	271	271	-	393	09/05/2018
Directors and Managers	Securities loan	147	145	2	170	02/11/2019
Directors and Managers	Securities loan	200	196	4	336	08/07/2018
Directors and Managers	Securities loan	150	-	150	206	28/11/2018
Directors and Managers	Securities loan	1.000	653	347	2.480	12/11/2019

In addition, at 31 December 2018 related party securities had been deposited with the Group amounting to 153,009 thousand euros (31 December 2017: 133,248 thousand euros).

Information on Directors

The composition of the Board of Directors and the compensation received by the Parent's Directors based in their capacity as Executives is as follows:

Thousands of Euros

Financial year 2018	Board of Directors	Board Committees	Other compensations	Total
Board of Directors				
NAVARRO MARTINEZ PEDRO ANGEL	60	-	-	60
FERRERAS DIEZ, PEDRO	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
GARCÍA MOLINA, FRANCISCO DE ASÍS	60	-	-	60
RUBIO LAPORTA, JOSÉ RAMÓN	60	-	-	60
HARMON, SARAH MARIE	60	-	-	60
CHACON LOPEZ, EDUARDO	60	-	-	60
JUSTE BELLOSILLO, INÉS	60	-	-	60
FUNDACIÓN OBRA SOCIAL ABOGACÍA ESPAÑOLA	71	-	-	71
MUTUALIDAD DE LA ABOGACIA	71	-	-	71
Total	**622**	**-**	**-**	**622**

Thousands of Euros

Financial year 2017	Board of Directors	Board Committees	Other compensations	Total
Board of Directors				
CHACON LÓPEZ, EDUARDO (*)	35	-	-	35
FERRERAS DIEZ, PEDRO	60	-	-	60
FUNDACIÓN OBRA SOCIAL ABOGACÍA ESPAÑOLA	71	-	-	71
GARCÍA MOLINA, FRANCISCO DE ASÍS	60	-	-	60
HARMON, SARAH MARIE	60	-	-	60
JUSTE BELLOSILLO, INÉS (*)	35	-	-	35
MUTUALIDAD DE LA ABOGACIA	71	-	-	71
NAVARRO MARTINEZ PEDRO ANGEL	60	-	-	60
RUBIO LAPORTA, JOSÉ RAMÓN	60	-	-	60
TRUEBA CORTES, EDUARDO	60	-	-	60
Total	**572**	**-**	**-**	**572**

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

Compensation of key management personnel

The Group considers key management personnel to be the members of the parent's company's Board of Directors, which includes four executive directors, and the members of the Senior Management, consisting of a general manager.

The compensation accrued by key management personnel is as follows:

Thousands of Euros

Concept	Administrators	Senior Management
Financial year 2017		
Wages and salaries and monetary compensation	1.509	190
Total	**1.509**	**190**
Financial year 2018		
Wages and salaries and monetary compensation	1.910	213
Total	**1.910**	**213**

In addition, the Group has an insurance policy to cover its liability with members of the Board of Directors and Senior Management for possible claims in the performance of their duties. The premium paid by the Group in 2018 amounted to 76 thousand euro (77 thousand euros in 2017).

The Group also had an insurance policy in 2018 to cover its obligations in the event of death, permanent and total disability of its senior executives. The premium paid by the Group in 2018 amounted to 1 thousand euros (1 thousand euros in 2017).

Other information on Directors

At the end of 2018 and 2017, the directors of the parent company, in accordance with the following resolutions with the information required by article 229 of Royal Decree 1/2010, of July 2, approving the revised text of the Law on Capital Companies. The Board of Directors of the Parent Company has not informed to the other members of the parent's Board of Directors of any situation of conflict, direct or indirect, that they (or their related parties) may have with the interest of the Parent Company.

2.22 Income and expenses

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

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

Thousands of Euros

	2018	2017
Interest income		
Deposits with central banks	101	-
Deposits in credit institutions	583	634
Credits for customers	1.833	1.334
Debt securities	2.119	1.769
	4.636	**3.737**
Interest expense		
Deposits from central banks	(48)	(20)
Deposits in credit institutions	(1.186)	(667)
Customer deposits	(96)	(13)
	(1.330)	(700)
Gains / (Losses) on financial assets and liabilities		
Not measured at fair value through profit or loss	328	785
Held-for-trading	2.284	6.980
	2.612	**7.765**

b) Fees and commissions

"Fee and commission income" and "Fee and commission expense" headings in the consolidated income statements include the amount of all fees and commissions payable to, or paid to, the Group accrued during the financial year. The criteria used to recognise fees and commissions in results are detailed in Note 4.o).

The breakdown of income and expenses due to fees and commissions in 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Commission income		
Contingent liabilities	25	8
Services related to securities	56.079	55.682
Sale of non-banking financial products (Note 23.a)	8.869	7.447
Management of UCITS and pension funds (Note 23.a)	70.773	68.361
Other fees and commissions	4.068	4.003
Asset management fees (Note 23.a)	865	1.744
	140.679	**137.245**
Commission expenses		
Paid to other entities and correspondent banks	(16.518)	(54.568)
Fees paid on trading securities	(54.984)	(17.185)
	(71.502)	**(71.753)**

c) Other operating income and expenses

The breakdown of "Other operating income" in the consolidated income statements for 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Other products	262	453
	262	**453**

This heading includes mainly rental income arising from the real estate investment held by the Group (see Note 13).

The breakdown of "Other Operating Expenses" in the consolidated income statements for 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Contribution to the Investment Guarantee Fund	30	40
Contribution to the Deposit Guarantee Fund	1.270	1.386
Contribution to the NRF	306	249
Other charges	907	1.194
	2.513	**2.869**

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

The subsidiary company Renta 4, S.A., Sociedad de Valores, must make an annual contribution to the Investment Guarantee Fund in accordance with the provisions of Royal Decree 948/2001, of 3 August, on investor compensation systems, as amended by Law 53/2002, of 30 December, on tax, administrative and social measures and by Royal Decree 1642/2008, of 10 October, amending the amounts guaranteed. In 2018 this company contributed 30 thousand euros to the aforementioned Fund (40 thousand euros in 2017).

d) Staff expenses

The breakdown of the balance of this heading in the consolidated statements of income is as follows:

Thousands of Euros

	2018	2017
Salaries and bonuses, active personnel	25.109	25.505
Social security payments	5.177	4.719
Contributions to defined benefit plans	1	2
Contributions to defined contribution plans	304	293
Termination benefits	160	89
Other staff expenses	237	190
Training expenses	116	78
Parent company share-based payments	533	292
	31.637	**31.168**

At 31 December 2018, "Wages and Salaries" includes, among other items, the income corresponding to the financial effect of loans granted to staff (see note 4).

The total number of Group employees at 31 December, 2018 and 2017, by sex and professional category, is as follows:

Number of employees

Financial year 2018	Average			Year-end	
	Men	Women	With a disability equal to or greater than 33%	Men	Women
Department	12	-	-	12	-
Technicians	277	121	-	281	127
Administrative staff	29	56	2	29	56
	318	**177**	**2**	**322**	**183**

Number of employees

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

At 31 December, 2018, the Board of Directors of Renta 4 Banco, S.A., responsible for the approval of the 2017 consolidated financial statements for issue, is made up of 10 men, 2 women and 2 corporate bodies.

At 31 December, 2017, the Board of Directors of Renta 4 Banco, S.A., responsible for the approval of the 2017 consolidated financial statements for issue, was made up of 9 men, 1 woman and 2 corporate bodies.

e) Other administrative expenses

The breakdown of the balance of this heading in the consolidated statements of income is as follows:

Thousands of Euros

	2018	2017
Property, fixtures and equipment	4.765	4.410
IT	2.934	2.344
Notifications	4.115	4.097
Advertising and publicity	2.027	1.581
Technical reports	1.113	1.369
Court and legal fees	397	631
Insurance and self-insurance premiums	181	174
Entertainment and employee travel expenses	1.410	1.287
Association membership fees	156	110
Levis and other contributions		
Property tax	110	107
Others	790	623
Endowments	196	185
Other expenditure	1.368	1.266
	19.562	**18.184**

e) 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 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Financial assets designated at fair value with changes in other comprehensive income		
Impairment of Kivallic Energy (Note 10.a)	-	(1)
Generic impairment allowance	(65)	2
Financial assets at amortised cost		
Allowances (Note 11.c)	(80)	(140)
Recoveries (Note 11.c)	1.005	159
	925	**19**
	860	**20**

f) Exchange rate differences (net)

The breakdown of the balance of this heading in the accompanying consolidated income statements for the years ended 31 December, 2018 and 2017 is as follows:

Thousands of Euros

	2018	2017
Concept		
Trading operations	4.789	2.998
	4.789	**2.998**

2.23 Additional information

a) Fiduciary services and investment services

The breakdown of off-balance sheet customer funds at year-end 2018 and 2017 (on a consolidated basis and eliminating overlapping) is as follows:

Thousands of Euros

	2018	2017
Mutual and pension funds	6.644.124	7.072.394
Discretionary portfolios under management	585.067	736.933
Funds managed by the Group	7.229.191	7.809.327
Investment Funds and Companies	1.157.170	1.622.075
Funds marketed but not managed by the Group	1.157.170	1.622.075
Total	**8.386.361**	**9.431.402**

The net fee and commission income generated by the management of the assets listed above in 2018 and 2017 is shown below:

Thousands of Euros

	2018	2017
Asset management fees (Note 22.a)	865	1.744
Fees and commissions generated by the marketing of non-banking financial products (Note 22.a)	8.869	7.447
Fees from the management of UCITS and pension funds (Note 22.b)	70.773	68.361
	80.507	**77.552**

In addition, the Group provides securities management and custody services to its customers. The commitments undertaken by the Group at 31 December 2018 and 2017 in connection with this service are as follows:

Thousands of Euros

	2018	2017
Securities owned by third parties (at fair value)		
Capital instruments	11.753.615	11.799.910
Debt securities	2.634.795	2.470.519
	14.388.410	**14.270.429**

Thousands of Euros

	2018	2017
Securities owned by third parties (at nominal value)		
Derivatives	2.505.232	2.085.445
	2.505.232	**2.085.445**

b) Branches

A list of Renta 4 Banco, S.A. branches at 31 December, 2018 and 2017 is provided in Annex III.

c)Agency agreements

Annex IV 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

The auditing firm KPMG Auditores S.L., which audits the Group's financial statements, invoiced fees for the year ended 31 December 2018, as detailed below:

Thousands of Euros

	Spain	
	2018	2017
For auditing tasks	101	101
For the review of interim financial statements	24	24
Asset protection report	27	27
T-LTRO II Agreed Procedures Report	4	-
	156	**152**

The amounts included in the table above include the total fees relating to the services performed to carry out the individual audit in 2018, regardless of when they were invoiced.

On the other hand, other institutions affiliated to the KPMG Group invoiced the Group for the year ended 31 December 2018, fees and expenses for professional services, as detailed below:

Thousands of Euros

	Spain	
	2018	2017
For auditing tasks	57	49
For other verification services	7	5
For tax advisory services	-	34
For other services	-	5
	64	**93**

e) Abandoned balances and deposits

In accordance with what is indicated in article 18 of Law 33/2003, of 3 November, on the equity of public administrations, there are no balances and deposits in the Institutions in abandonment in accordance with the provisions of that Article.

f) Customer service

Article 17 of Order ECO/734/2004, of 11 March, of the Ministry of Economy establishes the obligation for customer service departments and services and, where appropriate, customer advocates, of financial institutions, to submit annually to the Board of Directors an explanatory report on the development of their function during the previous year.

Article 17 of the aforementioned order establishes the obligation for customer service departments and services and, where appropriate, customer advocates, of financial institutions, to submit annually to the Board of Directors an explanatory report on the development of their function during the previous year.

The number of complaints and claims received by the Renta 4 Group in 2018 and 2017 amounted to 35 and 30, respectively. 34 claims were admitted for processing and in one (1) case was rejected, while in 2017 a total of 29 claims were admitted for processing and one (1) was rejected.

With regard to the type of resolution issued by the Customer Service Department, the claims that were favourable for Renta 4 Group amounted to a total of 24 in 2018, 69% of the total, and in 2017 to 21 claims, 70%. Claims resolved through a proposal by the Service amounted to 9 in 2018, 26% of the total, 8 in 2017, 27% of the total, which has meant for Renta 4 Group a disbursement of 24,832.61 euros in 2018 and 3,517.97 euros in 2017.

Attached in Annex VI is the Report of the Customer Service Department of Renta 4 Group for the financial year 2018.

g) Environmental impact

In view of the activity in which the Group entities are involved, they have no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to their equity, financial position or profits or losses. For this reason, no specific breakdowns are included in this report of the consolidated annual financial statements with respect to information on environmental issues.

Also, in 2018 and 2017 the institutions composing the Group did not have any greenhouse gas emission rights.

h) Information on the average payment period to suppliers. Third additional provision. "Duty of information" of the Law 15/2010, of 5 July

The information regarding the average payment period to suppliers is as follows:

	2018	2017
(Days)		
Average payment period to suppliers	11,15	10,32
Ratio of paid operations	13,68	12,60
Ratio of outstanding transactions	1,15	1,42
(Thousands of euros)		
Total payments made	**26.208**	**25.805**
Total payments pending	**1.388**	**1.405**

i) Most relevant contracts between Group companies

On 2 January 2018, Renta 4 Banco, S.A. signed a contract with several of its subsidiaries to provide accounting, IT, administrative and tax services. The contract has a duration of 1 year, which can be extended.

On 2 January 2018, Renta 4 Banco, S.A. signed a lease agreement with several of its subsidiaries for the lease of the building located at Paseo de la Habana 74, Madrid (see note 13). The space will be used for investment services and financial intermediation in general in each of its subsidiaries. The contract has a duration of 1 year, which can be extended.

Since 31 August 2013, Renta 4 Banco, S.A. has signed a contract with Renta 4 Gestora SGIIC, S.A. and Renta 4 Pensiones EGFP, S.A. to market the managed UCITs and pension funds. The contract has a duration of 1 year, tacitly renewable for equal periods.

Since 2 January 2012, Renta 4 Sociedad de Valores, S.A. has signed a contract with Renta 4 Banco, S.A. for the provision of investment services of indefinite duration, by which it undertakes to provide custody, administration, settlement and intermediation services to the Bank. Both parties agree to adjust on a daily basis, and depending on the volumes (number of operations, equity, markets) managed, intermediated, settled and under the sub-custody of Renta 4 Sociedad de Valores, S.A., the commissions that the Securities Company will receive in execution of the services contained in the contract.

In 2018 and 2017 no contracts were signed with Group companies in addition to those mentioned above.

j) Annual bank report

In compliance with the provisions of Article 87.1 of Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions, Annex VII includes a breakdown of the information required by the aforementioned law.

k) Other public information required by the Bank of Spain

In compliance with the reporting obligations to the Bank of Spain, the Group reported the following at 31 December 2018:

- It has not carried out financing operations for the construction, real estate development and home purchases.
- It has no foreclosed assets or assets received in payment of debts by the group of credit institutions.
- For the presentation of information on the distribution of customer loans by activity, see Note 11.c.

2.24 Subsequent events

Up to the date on which the Group's Board of Directors prepared its consolidated annual financial statements, no other significant event has occurred that must be included in the accompanying consolidated annual financial statements in order for them to give a true and fair view of the Group's equity, financial position, results of operations and cash flows.

01

Annex

Renta 4 banco, S.A. and Subsidiaries
Opening consolidated balance sheet at
1 January 2018

Thousands of euros

ASSETS	31/12/201 IAS 39	Classification of financial instruments	Impairment	Opening Balance 01.01.2018 IFRS 9 (*)
Cash, cash balances with central banks and other demand deposits	398.333	-	-	398.333
Financial assets held for trading	2.232	14.037	-	16.269
Financial assets not held for trading mandatorily measured at fair value with changes in profit or loss		-	-	-
Financial assets designated at fair value with changes in profit or loss	-	-	-	-
Financial assets at fair value with changes in other comprehensive income		584.356	-	584.356
Available-for-sale financial assets	598.393	(598.393)		
Financial assets at amortised cost	162.423	-	-	162.423
Held-to-maturity investments	-	-	-	
Derivatives - hedge accounting	-	-	-	-
Changes in the fair value of hedged items in a portfolio hedging interest rate risk	-	-	-	-
Investments in joint ventures and associates	-	-	-	-
Assets covered by insurance or reinsurance contracts	-	-	-	-
Tangible assets	40.255	-	-	40.255
Intangible assets	17.576	-	-	17.576
Tax assets	1.818	-	-	1.818
Other assets	508	-	-	508
Non-current assets and disposal groups of items classified as held for sale	-	-	-	-
TOTAL ASSETS	**1.221.538**	**-**	**-**	**1.221.538**

Thousands of euros

LIABILITIES AND EQUITY	12.31.2017 IAS 39	Classification of financial instruments	Impairment	Opening Balance 01.01.2018 IFRS 9 (*)
Financial liabilities held for trading	213	-	-	213
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	1.116.247	-	-	1.116.247
Derivatives - hedge accounting	-	-	-	-
Changes in the fair value of hedged items in a portfolio hedging interest rate risk	-	-	-	-
Liabilities covered by insurance or reinsurance contracts	-	-	-	-
Provisions	628	-	-	628
Tax liabilities	4.677	-	-	4.677
Share capital repayable on demand	-	-	-	-
Other liabilities	4.771			4.771
Liabilities included in disposal groups of items classified as held for sale	-	-	-	-
TOTAL LIABILITIES	**1.126.536**	**-**	**-**	**1.126.536**
SHAREHOLDER'S EQUITY-	93.479	(210)	-	93.269
Capital	18.312	-	-	18.312
Share premium	8.496	-	-	8.496
Equity instruments issued other than capital	-	-	-	-
Other equity elements	-	-	-	-
Retained gains	-	-	-	-
Revaluation reserves	-	-	-	-
Other reserves	58.919	(210)	-	58.709
Less: Treasury shares	(643)	-	-	(643)
Profit attributable to the owners of the parent company	16.513	-	-	16.513
Less: Interim dividends	(8.118)	-	-	(8.118)
ACCUMULATED OTHER COMPREHENSIVE INCOME	873	210	-	1.083
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	650	-	-	650
TOTAL EQUITY	**95.002**	**-**	**-**	**95.002**

02

Annex

Renta 4 banco, S.A. and Subsidiaries
Breakdown of ownership interests in Group Companies and Associates at 31 December 2018

			% of ownership interest			Thousands of euros (*)					
Company	**Address**	**Activity**	**Direct**	**Indirect**	**Total**	**Capital**	**Share premium**	**Reserves**	**Valuation adjustments**	**Profit/(loss)**	**Dividend**
Group companies											
Carterix, S.A.	Madrid	Provision of financial services	5	94,92	99,92	782	-	(399)	-	(13)	-
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	I.I.C. Management	99,99	-	99,99	2.374	-	8.246	-	5.952	(5.490)
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	-	263	-	(3)	-
Renta 4 Lérida, S.A.	Madrid	Provision of financial services	81,66	-	81,66	90	-	(4)	-	(1)	-
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	Management of pension funds	99,99	-	99,99	3.889	290	4.002	(21)	1.225	-
Renta 4, S.A., Sociedad de Valores	Madrid	Brokerage on the stock exchange market	100	-	100	3.149	24	10.888	-	24	-
Renta 4 Equities, S.A.	Madrid	Provision of financial services	-	99,9	99,9	15	-	400	-	(140)	-
Renta 4 Corporate, S.A.	Madrid	Financial advice and consultancy	100	-	100	92	-	848	-	538	-
Renta 4 Vizcaya, S.A.	Madrid	Provision of financial services	-	99,99	99,99	391	-	(367)	-	-	-
Rentsegur, Correduría de Seguros, S.A.	Madrid	Insurance brokerage and provision of financial services	-	72,5	72,5	75	-	(33)	-	(4)	-
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	-	(228)	(58)	(1)	-
Inversiones Renta 4 Chile, S.L.	Chile	Provision of financial services	0,01	99,99	100	6.625	-	(219)	57	1	-
Renta 4 Chile Corredores de Bolsa, S.A.	Chile	Provision of financial services	-	100	100	7.969	-	(761)	(572)	(867)	-
Renta 4 Colombia SAS	Bogotá	Provision of financial services	100	-	100	587	-	(305)	(66)	(14)	-
Renta 4 Agente de Bolsa S.A.	Lima	Provision of financial services	99,99	-	99,99	3.050	-	(1.502)	(188)	(460)	-
Renta 4 Luxemburgo, S.A.	Luxembourg	I.I.C. Management	100	-	100	700	-	(146)	-	237	-
Renta 4 Global Fiduciaria, S.A.	Bogotá	Provision of fiduciary services	69,43	-	69,43	4.509	-	(1.027)	(303)	(1.088)	-

This annex forms an integral part of Note 3 to the accompanying consolidated annual financial statements report and should be read in conjunction with it.

02

Annex

Renta 4 banco, S.A. and Subsidiaries
Breakdown of ownership interests in Group Companies and Associates at 31 December 2018

			% of ownership interest			Thousands of euros (*)				
Company	**Address**	**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	I.I.C. 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	Management of pension funds	99,99	-	99,99	3.889	3.267	(8)	1.026	-
Renta 4, S.A., Sociedad de Valores	Madrid	Brokerage on the stock exchange market	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 advice and consultancy	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	Insurance brokerage and provision of financial services	-	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	I.I.C. Management	100	-	100	700	(337)	-	191	-
Renta 4 Global Fiduciaria, S.A.	Bogotá	Provision of fiduciary services	69,43	-	69,43	3.198	(269)	(199)	(758)	-

This annex forms an integral part of Note 3 to the accompanying consolidated annual financial statements report and should be read in conjunction with it.

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Annex

Renta 4 banco, S.A. and Subsidiaries
List of offices 31 December, 2018

OFFICE	POSTAL ADDRESS
Renta 4 A Coruña	Calle Juan Florez, Núm 60, Bajo 15004, Coruña (A), España
Renta 4 Albacete	Calle Tesifonte Gallego, Núm 25, Bajo 2002, Albacete, España
Renta 4 Alicante	Avenida Oscar Esplá, Núm 29, Bj 3007, Alicante/Alacant, España
Renta 4 Almería	Avenida Federico Garcia Lorca, Núm 21, 4004, Almeria, España
Renta 4 Ávila	Avenida De Portugal, Núm 39, 5001, Avila, España
Renta 4 Badajoz	Calle Ronda Del Pilar, Núm 2, Bajo Izquierda 6002, Badajoz, España
Renta 4 Barcelona	Calle Gran Via De Les Corts Catalanes, Núm 655, Local 8010, Barcelona, España
Renta 4 Barcelona - Diagonal	Avenida Diagonal, Núm 459, 8036, Barcelona, España
Renta 4 Bilbao	Calle Elcano, Núm 14, 48008, Bilbao, España
Renta 4 Burgos	Avenida De La Paz, Núm 3, Bajo 9004, Burgos, España
Renta 4 Cáceres	Avenida Virgen De Guadalupe, Núm 7, Bj 10001, Caceres, España
Renta 4 Cádiz	Avenida Cayetano Del Toro, Núm 27, 11010, Cadiz, España
Renta 4 Cantabria	Calle Isabel Ii, Núm 20, 39002, Santander, España
Renta 4 Castellón	Calle Carrer Gasset, Núm 9, 12001, Castellon De La Plana, España
Renta 4 Ciudad Real	Calle Calatrava, Núm 5, Bj 13004, Ciudad Real, España
Renta 4 Córdoba	Paseo De La Victoria, Núm 1, 14008, Cordoba, España
Renta 4 Cuenca	Avenida Castilla La Mancha, Núm 4, 16002, Cuenca, España
Renta 4 Cullera	Paseo Passtge De Lúllal, Núm 2-Bj, Edificio Manantial 46400, Cullera, España
Renta 4 Elche	Calle Corredera, Núm 34, 3203, Elche/Elx, España
Renta 4 Gijón	Calle Jovellanos, Núm 2, Esquina C/Cabrales 33202, Gijon, España
Renta 4 Girona	Calle Gran Via Jaume I, Núm 29-35, 17001, Girona, España
Renta 4 Gran Canaria	Calle Muelle Las Palmas, Núm 6, 35003, Las Palmas De Gran Canaria, España
Renta 4 Granada	Calle Acera Del Darro, Núm 35, 18005, Granada, España
Renta 4 Guadalajara	Calle Padre Félix Flores, Núm 4, 19001, Guadalajara, España
Renta 4 Guipúzcoa	Calle Urbieta, Núm 2, Bajo, 20006, San Sebastian/Donostia, España
Renta 4 Huelva	Avenida De La Ría, Núm 4, Entreplanta 21001, Huelva, España
Renta 4 Huesca	Calle Cavia, Núm 8, Bajo 22005, Huesca, España
Renta 4 Jaén	Avenida De Madrid, Núm 20, Bajo 23003, Jaen, España
Renta 4 Lanzarote	Calle Esperanza, Núm 1, 35500, Arrecife, España
Renta 4 León	Calle Ordoño Ii, Núm 35, 24001, Leon, España
Renta 4 Lleida	Rambla Ferran, Núm 1, 25007, Lleida, España
Renta 4 Logroño	Calle Jorge Vigon, Núm 22, 26003, Logroño, España
Renta 4 Lugo	Calle Rua Montevideo, Núm 7, Bajo 27001, Lugo, España
Renta 4 Madrid	Paseo De La Habana, Núm 74, 28036, Madrid, España
Renta 4 Madrid - Almagro	Calle Almagro, Núm 11, 28010, Madrid, España
Renta 4 Madrid - Príncipe de Vergara	Calle Principe De Vergara, Núm 12, 28001, Madrid, España
Renta 4 Madrid - Recoletos	Paseo De Recoletos, Núm 21, 28004, Madrid, España
Renta 4 Madrid - Serrano	Calle Serrano, Núm 63, Bajo, 28006, Madrid, España
Renta 4 Madrid Sur	Calle Leganes, Núm 33, 28945, Fuenlabrada, España
Renta 4 Málaga	Calle Alameda De Colon, Núm 9, 29001, Malaga, España
Renta 4 Mallorca	Calle Avinguda Comte De Sallent, Núm 2, 7003, Palma De Mallorca, España
Renta 4 Murcia	Avenida General Primo De Rivera, Núm 23, 30008, Murcia, España
Renta 4 Ourense	Calle Curros Enriquez, Núm 27, Baixo 32003, Ourense, España
Renta 4 Oviedo	Calle General Yagüe, Núm 1, Conde De Torero 33004, Oviedo, España
Renta 4 Palencia	Plaza Isabel La Catolica, Núm 1, 34005, Palencia, España
Renta 4 Pamplona	Avenida Baja Navarra, Núm 9 Bis, 31002, Pamplona/Iruña, España
Renta 4 Sabadell	Calle Vilarrubias, Núm 9, Bajos B, 08208, Sabadell, España
Renta 4 Salamanca	Avenida Mirat, Núm 11, 37002, Salamanca, España
Renta 4 Segovia	Paseo Ezequiel Gonzalez, Núm 34, 40002, Segovia, España
Renta 4 Sevilla	Avenida De La Buharia, Núm 11, 41018, Sevilla, España
Renta 4 Soria	Avenida Navarra, Núm 5, 42003, Soria, España
Renta 4 Tarragona	Rambla Nova, Núm 114, Bajo 5 43001, Tarragona, España
Renta 4 Tenerife	Calle El Pilar, Núm 54, 38002, Santa Cruz De Tenerife, España
Renta 4 Terrassa	Calle Arquimedes, Núm 156, 8224, Terrassa, España
Renta 4 Teruel	Avenida Sagunto, Núm 42, Bajo 44002, Teruel, España
Renta 4 Toledo	Calle Roma, Núm 3, Bajo 45003, Toledo, España
Renta 4 Valencia	Plaza Alfonso El Magnánimo, Núm 2, 46003, Valencia, España
Renta 4 Valladolid	Calle Manuel Iscar, Núm 3, 47001, Valladolid, España
Renta 4 Vigo	Calle Garcia Barbon, Núm 18, 36201, Vigo, España
Renta 4 Vitoria	Avenida Gasteiz, Núm 23, 01008, Vitoria-Gasteiz, España
Renta 4 Zamora	Avenida Alfonso Ix, Núm 1, 49013, Zamora, España
Renta 4 Zaragoza	Calle Leon Xiii, Núm 5, 50008, Zaragoza, España

This annex forms an integral part of Note 21 to the accompanying annual financial statements with which it should be read.

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Annex

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

OFFICE	POSTAL 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	POSTAL 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 (Baleares)
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

This annex forms an integral part of Note 21 to the accompanying annual financial statements with which it should be read.

04 Annex

Renta 4 banco, S.A. and Subsidiaries
List of Agents 31 December, 2018

Name of Representative
ALGAR FINANCIAL PRODUCTS, SL
CASTAÑE ECHEVARRIA, JOSE MARIA
CASTAÑE Y ASOCIADOS INVEST, S.L.
INFORMADSA FINANCIEROS, S.L.
MISUIN GESTION, S.L.
RIVERA CASTILLEJO, MIGUEL
SAINZ SUELVES, ANTONIO
SENTIDO COMUN GESTION, S.L.
SOFABOYCO, S.L.
SOLO 747, S.L.

This annex forms an integral part of Note 21 to the accompanying annual financial statements with which it should be read.

Renta 4 banco, S.A. and Subsidiaries
List of Agents 31 December, 2017

Name of Representative
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
D AZ 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.

This annex forms an integral part of Note 21 to the accompanying annual financial statements with which it should be read.

05 Annex

Renta 4 Banco, S.A.
Balance sheets at 31 December 2018 and 2017

Thousands of Euros

ASSETS	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
Cash, cash balances with central banks and other demand deposits	**6**	**404.759**	**366.405**
Financial assets held for trading	**7**	**28.129**	**1.963**
Derivatives		475	851
Equity instruments		27.654	-
Debt securities		-	1.112
Memorandum item: Loaned or given as collateral with the right to sell or pledge		-	-
Financial assets designated at fair value with changes in other comprehensive income	**8**	**717.853**	**597.185**
Equity instruments		5.276	18.901
Debt securities		712.577	578.284
Memorandum item: Loaned or given as collateral with the right to sell or pledge		409.335	370.376
Financial assets at amortised cost	**9**	**96.596**	**139.902**
Debt securities		-	-
Loans and advances		96.596	139.902
Central banks		-	40.000
Credit institutions		26.026	38.044
Clientele		70.570	61.858
Memorandum item: Loaned or given as collateral with the right to sell or pledge		-	-
Investments in subsidiaries, joint ventures and associates	**10**	**38.502**	**38.069**
Group companies		38.502	38.069
Jointly controlled companies		-	-
Associates		-	-

Thousands of Euros

ASSETS	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
Tangible assets	**11**	**36.985**	**36.027**
Tangible assets -		36.697	35.730
For own use		36.697	35.730
Real estate investment		288	297
Of which: transferred under an operating lease		*288*	*297*
Memorandum item: acquired under a finance lease		-	-
Intangible assets	**12**	**6.203**	**6.411**
Goodwill		4.447	5.082
Other intangible assets		1.756	1.329
Tax assets	**18**	**2.456**	**2.365**
Current tax assets		1.551	1.551
Deferred tax assets		905	814
Other assets	**13**	**815**	**449**
Insurance contracts linked to pensions		-	-
Stocks		-	-
Rest of the assets		815	449
Non-current assets and disposal groups of items classified as held for sale		**-**	**-**
TOTAL ASSETS		**1.332.298**	**1.188.776**

Thousands of Euros

LIABILITIES	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
Financial liabilities held for trading	**7**	**-**	**136**
Derivatives		-	136
Financial liabilities at amortised cost	**14**	**1.247.382**	**1.103.647**
Deposits		1.144.639	961.024
Central banks		9.849	9.951
Credit institutions		17.464	15.547
Clientele		1.117.326	935.526
Debt securities issued		-	-
Other financial liabilities		102.743	142.623
Memorandum item: Subordinated liabilities		-	-
Derivatives - hedge accounting		**-**	**-**
Provisions	**15**	**485**	**628**
Pensions and other post-employment defined benefit obligations		-	-
Other long-term employee compensations		-	-
Outstanding tax litigation and procedural issues		458	628
Commitments and guarantees granted		27	-
Remaining provisions		-	-
Tax liabilities	**18**	**3.431**	**3.470**
Current tax liabilities		2.148	1.994
Deferred tax liabilities		1.283	1.476
Share capital repayable on demand		**-**	**-**
Other liabilities	**13**	**2.820**	**3.640**
Of which: Social work fund (only savings banks and credit cooperatives)		-	-
Liabilities included in disposal groups of items classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**1.254.118**	**1.111.521**

Thousands of Euros

EQUITY	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
Equity	**16**	**77.156**	**76.004**
Capital		18.312	18.312
Paid-up capital		18.312	18.312
Share premium		8.496	8.496
Other reserves		45.626	41.612
Accumulated reserves or losses on investments in joint ventures and associates		-	-
Others		45.626	41.612
(-) Treasury shares		(763)	(643)
Profit for the financial year		14.407	16.345
(-) Interim dividends		(8.922)	(8.118)
Accumulated other comprehensive income		**1.024**	**1.251**
Items that are not reclassified to the income statement		(1.173)	(965)
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income		(1.173)	(965)
Elements that can be reclassified to profit and losses		2.197	2.216
Changes in fair value of debt securities measured at fair value with changes in other comprehensive income		2.197	2.216
TOTAL EQUITY		**78.180**	**77.255**
TOTAL EQUITY AND LIABILITIES		**1.332.298**	**1.188.776**
MEMORANDUM ITEM: OFF-BALANCE-SHEET EXPOSURES	**17**		
Guarantees granted		4.945	368
Contingent commitments granted		18.353	8.117

05 Annex

Renta 4 Banco, S.A.
Income Statement for the years ended at 31 December 2018 and 2017

Thousands of Euros

	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
Interest income	20.a	4.472	3.441
(Interest expense)	20.a	(1.217)	(593)
(Expenses relating to share capital repayable on demand)			-
A) INTEREST MARGIN		**3.255**	**2.848**
Dividend income		5.846	8.708
Commission income	20.b	77.102	74.756
(Commission expenses)	20.b	(27.723)	(31.026)
Gains or (-) losses on derecognition in accounts of financial assets and liabilities not measured at fair value with changes in profit or loss, net	20.a	328	785
Gains or (-) losses on financial assets and liabilities held for trading, net	20.a	2.507	6.579
Exchange differences [profit or (-) loss], net		4.638	3.048
Other operating income	20.c	307	343
(Other operating expenses)	20.c	(2.332)	(2.694)
Of which: Obligatory allocations to social work funds (only savings banks and credit cooperatives)		-	-
B) GROSS MARGIN		**63.928**	**63.347**
(Administrative expenses)		(40.458)	(38.357)
(Personnel Expenses)	20.d	(23.940)	(23.152)
(Other administrative expenses)	20.e	(16.518)	(15.205)
(Amortisation)	11 y 12	(5.223)	(5.043)

Thousands of Euros

	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
(Provisions or (-) reversal of provisions)	15	(435)	(128)
(Impairment in the value or (-) reversal of impairment in the value of financial assets not measured at fair value with changes in profit or loss)		876	-
(Financial assets at fair value with changes in other comprehensive income)		(65)	(1)
(Financial assets at amortised cost)		941	1
C) OPERATING INCOME		**18.688**	**19.819**
(Impairment in the value or (-) reversal of impairment in the value of investments in subsidiaries, joint ventures or associates)	10 y 20.f	(977)	(104)
Gains or (-) losses on derecognition in accounts of non-financial assets and ownership interest, net	10	-	720
Of which: investments in subsidiaries, joint ventures and associates		-	-
D) PRE-TAX GAINS OR (-) LOSSES FROM CONTINUING OPERATIONS		**17.711**	**20.435**
(Expenses or (-) income from taxes on income from continuing operations)	18	(3.304)	(4.090)
E) GAINS OR (-) LOSSES AFTER TAX FROM CONTINUING OPERATIONS		**14.407**	**16.345**
Gains or (-) losses after tax from discontinued operations		-	-
F) PROFIT OR LOSS FOR THE FINANCIAL YEAR		**14.407**	**16.345**

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Annex

Renta 4 Banco, S.A.
Statements of changes in equity at 31 December 2017 and 2016

Thousands of Euros

	2018 Circular 4/2017	2017 (*) Circular 4/2004
Profit for the financial year	**14.407**	**16.345**
Other comprehensive income	**(447)**	**895**
Items that will not be reclassified to profit and losses	**(428)**	**-**
Changes in fair value of equity instruments measured at fair value with changes in comprehensive income	(611)	-
Other valuation adjustments	-	-
Income tax relating to items that will not be reclassified	183	-
Elements that can be reclassified to profit and losses	**(19)**	**895**
Financial assets designated at fair value with changes in other comprehensive income	(28)	1.279
Profits or (-) losses in value recognised in equity	*300*	*2.063*
Transferred to profit and losses	*(328)*	*(784)*
Other reclassifications	*-*	*-*
Income tax relating to items that can be reclassified to profit or loss	9	(384)
Total comprehensive profit or loss for the financial year	**13.960**	**17.240**

05 Annex

Renta 4 Banco, S.A.

Cash flow statements for the years ended 31 December 2018 and 2017

Thousands of Euros

	Notes	2018 Circular 4/2017	2017 (*) Circular 4/2004
CASH FLOWS FROM OPERATING ACTIVITIES		**54.372**	**37.183**
Profit for the financial year		**14.407**	**16.345**
Adjustments to obtain cash flows from operating activities		**997**	**(712)**
Amortization			5.043
Other adjustments			(5.755)
Net increase/decrease in operating assets		**(101.072)**	**(16.798)**
Trading portfolio			5.202
Other financial assets at fair value with changes in profit and loss			-
Financial assets at fair value with changes in other comprehensive income		(131.939)	(28.892)
Financial assets at amortised cost		44.476	6.813
Other operating assets			79
Net increase/decrease in operating liabilities		**143.291**	**42.199**
Trading portfolio			(4.047)
Other financial liabilities at fair value with changes in profit and loss			-
Financial liabilities at amortised cost			45.849
Other operating liabilities			397
Collections/payments from taxes on profits		**(3.251)**	**(3.851)**
CASH FLOWS FROM INVESTING ACTIVITIES)		**(1.537)**	**2.709**
Payments			**(8.803)**
Tangible assets			
Intangible assets			
Shares			
Other business units			
Non-current assets and associated liabilities held for sale			
Held-to-maturity investment portfolio			
Other payments related to investment activities			
Collections			**11.512**
Tangible assets			
Intangible assets			
Shares			
Other business units			
Non-current assets and associated liabilities held for sale			
Held-to-maturity investment portfolio			
Other collections related to investment activities			
CASH FLOWS FROM FINANCING ACTIVITIES		**(14.252)**	**(42.831)**
Payments			**(42.831)**
Dividends			
Subordinated liabilities			
Amortization of equity instruments			
Acquisition of equity instruments			
Other payments related to financing activities			
Collections			**-**
Subordinated liabilities			
Issuance of equity instruments			
Disposal of equity instruments			
Other collections related to financing activities			
EFFECT OF EXCHANGE RATE CHANGES		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**38.583**	**(2.939)**
Cash or cash equivalents at beginning of year	**6**	**366.176**	**369.115**
Cash and cash equivalents at end of year	**6**	**404.759**	**366.176**
MEMORANDUM ITEM			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**404.759**	**366.176**
Cash		50	51
Cash equivalents at central banks		19.952	18.019
Other financial assets		384.757	348.106
Less: bank overdrafts repayable on demand		-	-

06

Annex

Renta 4 Banco, S.A.
Report from the Customer Service Department of Renta 4 Group

Financial year 2018

Purpose of the Report

The purpose of this report is to highlight the activity carried out during financial year 2018 by the Customer Care Service of Renta 4 Banco, S.A. and the entities of the Renta 4 Group that adhere to it, as it has done annually since its creation in 2004, thus complying with article 20 of the Regulations.for the Defense of the Client of Group Renta 4 and with the provisions of *Order ECO 734/2004, of 11 March, on Customer Care Departments and Services and the Customer Ombudsman of Financial Institutions*.

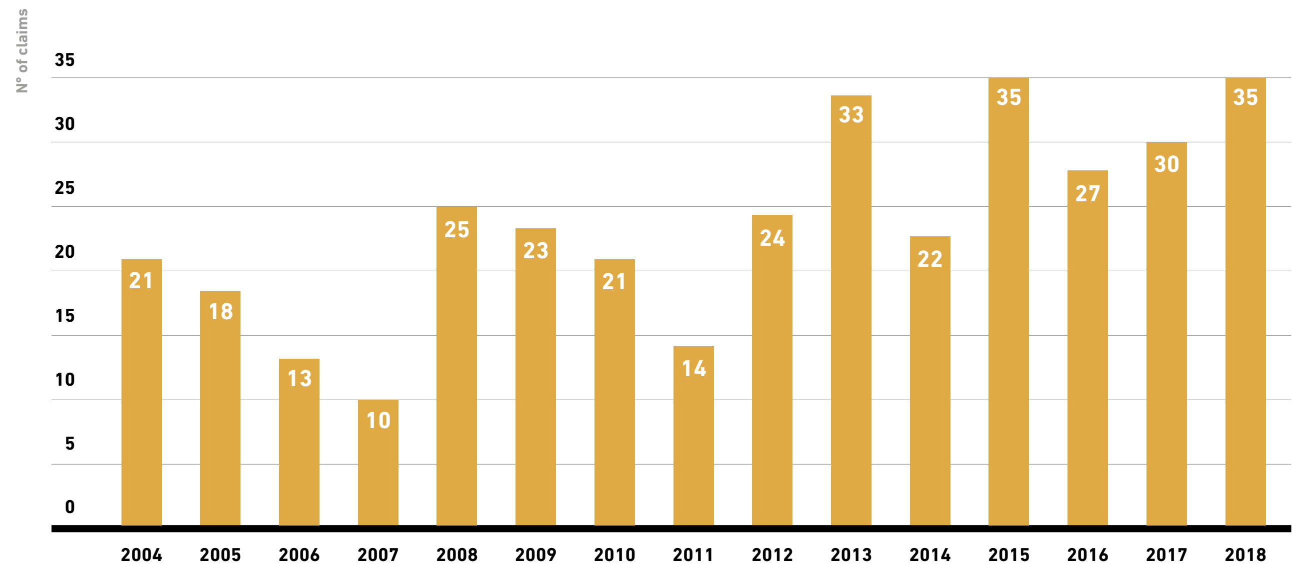
In that sense, as laid down in Article 6 of that regulation, **the main function** of the Customer Service Department **is the addressing and resolution of the complaints and claims that are presented before the entities subject to the law.** In the case of financial services provided by the aforementioned entities, directly or through representation, by Spanish or foreign natural or legal persons who meet the condition of users of the financial services provided by the aforementioned entities, provided that such complaints and claims refer to their legally recognised interests and rights, whether they derive from contracts, from the regulations on transparency and protection of customers or from good financial practices and uses, in particular from the principle of equity.

Result of complaints Financial year 2018

During 2018, the Renta 4 Customer Service Department received a total of 35 claims and/or complaints from customers, all of them before Renta 4 Banco, S.A., of which 34 were admitted for processing and one was rejected because more than two years had elapsed since the transactions giving rise to said claim, as established in Article 13 of the Renta 4 Banco Customer Service Regulations and the applicable regulations, duly informing the customer thereof. In the 34 claims admitted for processing, a study and detailed analysis of each of the issues raised was carried out, reviewing the procedures established by Renta 4 and finally dictating the corresponding resolution, or urging the parties to reach an agreement on the controversies raised.

As in previous years, there have been practically no formal inquiries in relation to the queries submitted to the Customer Service Department, due to the fact that customers normally submit their queries

Graphic 1. Total claims 2004-2018



directly to the office staff, and it is them who resolve such inquiries whenever possible, in an agile and rapid manner, giving them the appropriate solution, and therefore it is not necessary to formally process them through the Customer Service Department.

With regard to the number of complaints filed with the Renta 4 Customer Service Department since its creation in 2004 and up to 2018, it should be noted that this is not a significant figure in absolute terms, 35 in 2018, 30 in 2017 and 27, 35 and 22 in 2016, 2015 and 2014, respectively (Graph 1). The small variations that are reflected throughout these years could have occurred as a consequence of different factors; such as the crisis in the financial markets, the economic and financial situation of previous years, regulatory changes or due to the increase in commissions.

In addition, it should be noted that the number of complaints filed is scarce and not very high; it has remained stable throughout the fourteen (14) years that the Renta 4 Customer Service has been operating.

It should also be noted that the number of claims is insignificant, 35 in 2018, when compared with the total number of customers with assets that Renta 4 has at 31 December 2018, a total of 78,228 customers. This figure does not appear to be relevant, as has been the case in all previous years, such as in 2017 in which 30 claims were filed in relation to the 75,101 customers at the end of 2017.

Similarly, comparing the number of claims filed during 2018 with respect to the assets managed by Renta 4 at the end of 2018, 18,885 million euros, is also not a significant figure, or if we compare the number of claims, 35 in 2018 with respect to the number of commercial offices with which Renta 4 has throughout the national territory, 61 offices, not having processed even one claim per office.

Complaints classified by Type of Resolution

In relation to the type of resolution issued by the Customer Service Department during 2018, as reflected in Table 1, of the 35 complaints received, 24 unfavourable resolutions have been issued for the customer, representing 69 per cent of the total number of complaints, one was not admitted for processing, in 9 of them the Customer Service Department urged the parties to reach an agreement, which is 26 per cent of the total, and in only one of the cases a favourable resolution has been issued for the customer.

amount paid by Renta 4 in 2015, which was 12,470.75 and more than 3,517.97 euros in 2017, 487 euros in 2016 and 873.54 euros in 2014. However, it should be noted that they are insignificant amounts in relation to income and other financial magnitudes of the Entity, not representing a loss for the Entity.

Additionally, as this Customer Service Department has been doing every year, an estimate has been made of the amounts affected by the claims presented and admitted for processing during financial year 2018, that is, the maximum cost that

TABLE 1. Trend in claims submitted to Customer Service - Classification by Types of Outcome

Classification by Types of Outcome	2018		2017		2016		2015		2014		2013		2012	
	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%
Unfavorable to the customer	24	69%	21	70%	24	89%	18	51%	12	55%	24	73%	20	83%
Favorable to the customer	1	3%						0%	2	9%	0	0%		0%
Customer Service Agreement Proposal (Agreement)	9	26%	8	27%	3	11%	14	40%	6	27%	7	21%	4	17%
Customer desisted							1	3%		0%	2	6%		
Not accepted for proceedings/issue suspended	1	3%	1	3%			2	6%	2	9%				
TOTAL	**35**	**100%**	**30**	**100%**	**27**	**100%**	**35**	**100%**	**22**	**100%**	**33**	**100%**	**24**	**100%**

As for the agreements reached by Renta 4 with customers, in 2018 the amount was 24,832.61, a figure similar to the

Renta 4 would have had to disburse in the event that all resolutions were favourable to customers, and such overall amount is

estimated at 205,077 euros, an amount similar to the 210,000 euros in 2016, the 190,000 euros in 2015, 145,000 euros in 2014 and 200,000 euros in 2009.

On the other hand, it should be noted that the Customer Service Department, in addition to carrying out the main function of resolving complaints and claims, plays an intermediary role between the Customer and the Entity. Its function consists of analysing the issues giving rise to the different claims and, in those cases in which it is feasible, it is the Service itself that urges the parties to reach an agreement.

Complaints classified by content

In relation to the content of the claims reflected in Table 2, following the same classification used in previous years' reports, the figures are as follows:

In the first place, it is worth highlighting the heading *Transactions involving securities and order execution* as the largest number of claims received in 2018, a total of 20 claims, representing 57% of the total, a figure similar to previous years, such as in 2017, when 15 claims were processed, 50% or 16 claims in 2012, 66.7%. This heading includes claims relating to any type of discrepancy in the operations of contracting and executing customer orders.

In second place, in 2018 it is worth highlighting the heading of *Other* in which a total of 8 claims were received, 23% of the total, a figure also similar to previous years, a total of 6 in 2017 (20%), 9 in 2016 and 10 in 2015. This heading includes all claims that could not be included in any of the other segments, and therefore the content of these claims is heterogeneous.

On the other hand, under the heading on *Investment Funds-Pension Plans*, which includes those claims whose content refers to the operation in the subscription, redemption, transfer and marketing of investment funds and pension plans, and in 2018 4, a number similar to previous years, 3 in 2017, 1 in 2016 and 5 in 2014, have been processed.

Finally, the heading on *Commissions-Tariffs* which includes the complaints relating to commissions and expenses charged to customers' accounts through the different financial and investment services provided by Renta 4. Financial year 2018 was the year in which the fewest claims were processed, a total of 3, a figure much lower than previous years in which it was the heading in which the most claims were received, 9 in 2016 (33.3%), 13 in 2015 (37%)

TABLE 2. Trends in Customer Service Claims – Classification by Contents

Classification by Contents	2018		2017		2016		2015		2014		2013		2012	
	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%	Nº.	%
Commissions - Rates	3	9%	6	20%	9	33%	13	37%	11	50%	18	55%	7	29%
Operations with securities, orders carried out	20	57%	15	50%	8	30%	3	9%	5	22%	13	39%	16	67%
Investment Funds/ Pension Plans	4	11%	3	10%	1	4%	9	25%	5	22%	0	0%	0	0%
Others	8	23%	6	20%	9	33%	10	29%	1	6%	2	6%	1	4%
TOTAL	**35**	**100%**	**30**	**100%**	**27**	**100%**	**35**	**100%**	**22**	**100%**	**33**	**100%**	**24**	**100%**

TABLE 3. Trends in Customer Service Claims – CNMV Classification

Type of Product	Cause of Claim	2018	2017	2016	2015
Shares and rights	Marketing	1	3	3	3
	Managing and carrying out orders	1	5	4	
	Commissions			1	1
	Others				1
Debt instruments and hybrids	Commissions				2
	Others				1
UCITS	Marketing	1			1
	Managing and carrying out orders	3	4		6
	Others		1		2
Derivatives	Marketing	1	1	3	2
	Managing and carrying out orders	16	8	4	1
	Commissions		1		
	Others		1		
Portfolio management contracts	Others				1
Others	Commissions	3	5	7	9
	Managing and carrying out orders	3			
	Others	6	2	2	4
Total		**35**	**30**	**24**	**35**

and a total of 11 claims (50%) in 2014.

On the other hand, it should be noted that in recent years the National Securities Market Commission and the Bank of Spain have requested from the institutions' Customer Care Services more information and degree of detail regarding claims, establishing different classifications on the reasons, causes, types of products, amounts, etc. This information is subsequently included in the management reports of these regulatory bodies in an aggregate manner, together with that of other entities.

For this reason, as in previous years, the information on the claims filed in 2018, 2017, 2016 and 2015 has been included in this Management report, following the classification criteria and type of information required by the National Securities Market Commission and the Bank of Spain, as reflected in Tables No. 3 and No. 4 of this report.

CONCLUSIONS

In summary, the Customer Service Department considers that the number of claims presented during financial year 2018, a total of 35, continues to be a non-significant figure both in absolute terms and if compared with the total number of customers of the Entity, with the assets managed by Renta 4 or with respect to the amounts claimed therein.

On the other hand, the evolution of the number of complaints filed with the Customer Service Department from the beginning of its activity, in 2004 and until 2018, continues to be an insignificant figure, remaining stable despite the growth experienced by the Entity and its business figures.

TABLE 4. Trend in Claims – Bank of Spain Classification

Bank of Spain criterion		2018	2017	2016	2015
Other Investment Services	Commissions and expenses	3	8	10	13
	Discrepancies in entries	10	11	8	2
	Ex Ante	1	2	2	2
	Ex Post	2	1	2	
	Miscellaneous	14	3	4	9
UCITS-related	UCITS-related		5	1	9
	Discrepancies in entries	2	-	-	-
	Ex-ante	2	-	-	-
	Others	1	-	-	-
Total		**35**	**30**	**27**	**35**

In addition, it should be noted that the Customer Service Department, as it has been doing since the beginning of its activity, in each of the complaints received it has gathered as much information as it has deemed appropriate from the different areas of the Entity, in order to know all the aspects relating to the complaints, in order to be able to issue an appropriate resolution or to urge the parties to reach an agreement. In this process, this Service, together with other Renta 4 areas, has promoted and carried out modifications to the procedures in order to correct any specific incidents that might have occurred and to implement improvements in operations and in the information available. All this with the aim of reducing incidents, improving the quality of the provision of financial services and increasing transparency towards the customer, offering better and more complete information on products, their risks, operations and other specific characteristics.

In this way, in addition to the functions assigned, the Customer Service Department is intended to be a means of communication between customers and the different entities of the Renta 4 Group, in order to improve the procedures and practices of the Renta 4 Group and offer a higher quality service to all customers.

07 Annex

Renta 4 Banco, S.A.
Annual Banking Report

Financial year 2018

On 27 June 2014, Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, transposing Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business 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, was published in the Official State Gazette.

In compliance with the provisions of Article 87.1 and the Twelfth Transitional Provision of Law 10/2014, of 26 June, credit institutions shall be obliged to publish, specifying by countries where they are established, the following information on a consolidated basis corresponding to the last closed financial year:

a. Name, nature and geographical location of the activity
b. Turnover and number of full-time employees.
c. Gross profits before tax and income tax
d. Subsidies and public aid received
e. On the basis of the foregoing, the information required, as mentioned above, is set out below:

a) Name, nature and geographical location of the activity

Renta 4 Banco, S.A. is the entity resulting from the merger by absorption, which took place on 30 March 2011, of Renta 4 Servicios de Inversión S.A., (absorbing entity) and Renta 4 Banco, S.A. (absorbed entity), the latter previously known as Banco Alicantino de Comercio, S.A., the change of name of the latter having been registered in the Mercantile Registry on 8 June 2011. In addition, during the merger process, the absorbing company's bylaws were amended, changing its trade name from Renta 4 Servicios de Inversión, S.A. to Renta 4 Banco, S.A. and extending its corporate purpose to include banking activities, as well as the investment and ancillary services of investment service companies. The Parent Company is registered on the Mercantile Registry and on the Special Registry of Credit Entities of the Bank of Spain under code 0083.

The corporate purpose of Renta 4 Banco, S.A. consists of the activities of credit institutions in general, including the provision of investment services, as well as the acquisition, holding, enjoyment, administration and disposal of all types of transferable securities, and in particular those specified in article 175 of the Commercial Code and other legislation in force relating to the activity of such entities.

The activity or activities constituting the corporate purpose may be carried out by the Company totally or partially, indirectly, through the ownership of shares or ownership interest in companies with an identical or similar corporate purpose. In addition to the operations it carries out directly, the Bank is the head of a group of subsidiaries which engage in various activities and which, together with it, constitute Renta 4 Group.

As a result, the Parent Company is required to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements. The Parent has its registered office at Paseo de la Habana 74, Madrid.

The Group operates mainly in Spain. The activities, name, nature and geographical location of the subsidiaries are included in Annex I to these notes to the consolidated financial statements.

b) Turnover and number of full-time employees.

This heading provides information on turnover and the number of full-time employees by country at the end of 2018 and 2017, on a consolidated basis.

Thousands of euros)

	Turnover		Employee number (full time)	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Spain	137.276	133.309	456	427
Chile	1.470	2.059	22	22
Colombia	105	7	13	8
Peru	157	250	12	11
Luxembourg	1.671	1.620	2	1
TOTAL	**140.679**	**137.245**	**505**	**469**

Turnover was considered to be the number of fees and commissions received, as shown in the Group's consolidated income statement, at the end of 2018 and 2017:

c) Gross profits before tax and income tax

This heading shows the information relating to consolidated profit before tax and consolidated income tax as included in the Group's consolidated income statement at 2018 and 2017 year-end:

d) Subsidies or public aid received

No public subsidies or aid were received during the financial years of 2018 and 2017.

e) Return on assets

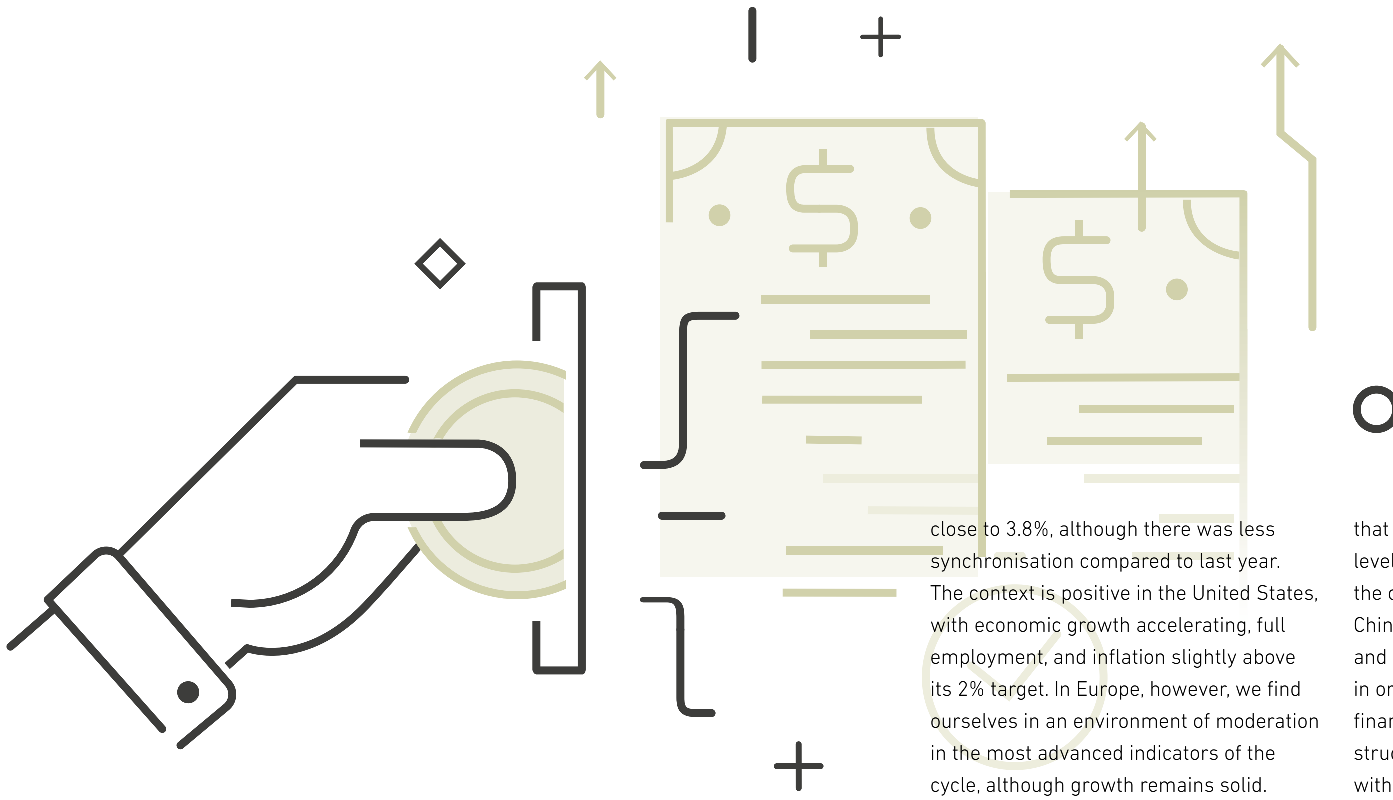
The return on assets calculated as the net profit divided by the balance sheet total is 1.17% (2017:1.33%).

thousands of euros

	Profit before tax		Income tax	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Spain	23.048	23.815	-5.960	-7.278
Chile	-566,00	-293	-189,00	75
Colombia	-1.076,00	-759	-26,00	-37
Peru	-457,00	-422	0,00	-6
Luxembourg	1.066	1.188	-79,00	-2
TOTAL	**22.015**	**23.529**	**-6.254**	**-7.248**

3 Consolidated Management Report

3.1 Economic environment and financial markets



Financial year 2018 has shown a negative behaviour as regards risky assets, with few exceptions.

In Europe, the Eurostoxx 50 fell by 3.1%, and the Stoxx 600 by 2.4%, with the German DAX (-4.7%) and the Ibex 35 (-4.2%) performing worse and the French CAC (+0.2%) better. Profitability was also uneven from a sector standpoint, with oil companies (+10%) and technology (+7%) standing out, and banks (-12%), telecommunications (-11%) and cars (-11%). Asian and emerging markets also fell (Nikkei -2%, Hang Seng -3.2%, Shanghai -14%, MSCI Emerging Markets -7.7%), with the exception of the US indices, which closed the half year in a positive direction (S&P 500 +1.7%, Nasdaq Composite +8.8%), thanks largely to the performance of the dollar and the continued good performance of technology companies.

The second quarter of the year performed better than the first in variable income, showing a recovery in April and May thanks mainly to good business results. However, increased trade and geopolitical tensions, expectations of monetary normalization, doubts in the economic cycle and falls in emerging markets led to profit taking in the last weeks of the quarter.

In terms of the fixed income, the rise in IRRs and the widening of credit spreads cause losses during the year. At the corporate level, there have been falls in both investment grade and high yield. As regards government debt, the German Bund closed the semester at 0.30% (vs. 0.43% at the end of 2017, although it reached 0.76% at the beginning of February), and the Spanish 10-year bond closed at 1.32% (vs. 1.57% at the end of 2017). The spread between Spain and Germany was 101 basis points and between Italy and Germany 244 basis points, affected by the political situation in Italy. The American T bond closed the half-year at 2.86% (after exceeding 3.1% in mid-May).

With respect to other assets, the revaluation in crude oil is significant (Brent +19% in the half year, up to USD 79.5/barrel), where supply factors have supported this positive evolution. It contrasts with the negative performance of other raw materials, such as copper (-11%), aluminium (-3%), silver (-6%) or gold (-4%). Among metals, nickel stands out positively, with a 16% revaluation in the first half. In foreign currencies, the USD has appreciated against the EUR by around 3% so far this year. It also highlights the depreciation of Latin American currencies, and the depreciation of the yuan in the last weeks of the semester.

From the macroeconomic point of view, global growth remained stable, with an annualised quarterly increase close to 3.8%, although there was less synchronisation compared to last year. The context is positive in the United States, with economic growth accelerating, full employment, and inflation slightly above its 2% target. In Europe, however, we find ourselves in an environment of moderation in the most advanced indicators of the cycle, although growth remains solid. The manufacturing sector, especially in Germany, remains the main focus of weakness. There are risks derived from a very open economy that is negatively affected by increased trade tensions. General inflation is picking up, although the underlying rate is still far from the 2% target. With respect to China, data on real economic activity remain firm, although there is a high sensitivity to trade tensions with the United States.

With regard to monetary policies, the US Federal Reserve raised rates on 13 June to 1.75-2.0%. This is the second rate hike in 2018, and the seventh since the start of the process in Dec-15. Estimates point to 4 increases in 2018, 3 in 2019 and 1 in 2020, reaching a level of 3.25-3.50% in 2020. With regard to the ECB, at its meeting on 14 June it announced a reduction in its bond purchase plan, from 30,000 million eur monthly until September, to 15,000 million eur/month in the October-December period, thus ending the QE at the end of 2018, provided that the data available confirm the ECB's medium-term inflation expectations (2% target). Interest rates remain unchanged (repo at 0% and deposit at -0.4%), and the consensus is that interest rates will remain at current levels at least until September 2019. In the case of China, the People's Bank of China intends to implement a prudent and neutral policy in a timely manner, in order to create an environment of financial moderation that facilitates structural reforms on the supply side. The withdrawal of global liquidity therefore continues. However, only the United States is on a clearly hardening path.

On the business side, first quarter results were clearly positive, especially in the United States, thanks to the evolution of the dollar and the tax reform. So far this year, the consensus has revised upwards its aggregate earnings per share estimates: +2% in Europe and +8% in the United States, and aims for 2018 growth (compared to 2017) of 9% in the Stoxx 600 and 21% in the S&P 500. From a sectoral point of view, the highest growth in profits will be seen in energy, technology and materials, and the lowest in telecommunications and utilities.

3.2 Evolution of the sector

Financial year 2018 has been a negative year for savings. Few assets have been appreciated, and the historical benefits of diversification have not worked.

In a current scenario marked by uncertainty, one of the clearest aspects is that 2018 will be remembered as the year in which volatility has returned to the financial markets, along with a greater role for geopolitics. The macro context has gone from synchronized global growth and gradual normalization in monetary policies, to fears about economic contraction, trade wars and possible mistakes by central banks.

In **variable income** the global MSCI fell 9.7% in dollars in 2018, with the worst performance in Europe (Eurostoxx 50 -14.3%, Stoxx 600 -13.6%) against the United States (S&P 500 -6.2% in dollars). Within Europe, the worst performance was seen in the DAX (-18.3%), the Italian MIB (-16.2%), and the Ibex 35 (-15.4%). All sectors in Europe have fallen, with the best performance in utilities (-2%), health (-3%) and media (-4%), and the worst in banks (-28%), cars (-28%), and construction (-19%). In the United States, after hitting all-time highs in September, the S&P 500 fell 14% in the last quarter, with a 9.2% selloff in December, the largest monthly fall since February 2009 (global financial crisis) and the worst since December 1931 (Great Depression). Thus, US stock markets close 2018 with their worst performance since 2008. Other major exchanges such as Japan (-12%) and China (-25%) also accumulated double-digit declines. However, there are exceptions in emerging regions such as Brazil, with Bovespa +15% (in a year with political uncertainty), or India, with Sensex +6%.

Several factors explain the negative evolution of the equity markets in 2018. These include the tightening of monetary conditions in the United States (at a time of high corporate debt), doubts about the evolution of the economic cycle, with downward revisions to expectations (mainly in the second half of the year) derived mainly from the trade tensions unleashed between the United States and China and the slowdown in growth in China. In the Eurozone, uncertainty has come from Italy and its 2019 budgets, as well as the rise of populism in different countries. The Brexit process has not contributed either, without a definitive solution in the talks with Europe. Global geopolitical tensions and the holding of elections that have led to changes of government in countries such as Brazil or Mexico have also imprinted volatility and uncertainty on the markets.

In a context of normalisation of monetary policy, business results that grew to a high digit in sales and EPS in the case of Europe (and a high double digit in EPS in the United States), macroeconomic data that continue to show that the economy continues to be relatively solid, as well as the M&A processes that have taken place in the market, have done nothing to offset these negative factors. To all this is added the greater complexity in price formation, in many cases explained by algorithms and trading in ETFs, with increasing weight. The result of all these factors is a generalised multiple contraction in the different stock market indexes, which reflects the greater uncertainty described and the increase in the risk premium.

The synchronized growth acceleration phase of 2017 and 1H18 has given way to a **global economic slowdown**. The IMF estimates that GDP growth in developed countries in 2019 will be 2.1%, compared to the 2.4% expected for 2018, levels that show a mild slowdown. Despite recent negative data (especially in the Eurozone and emerging economies), forward cycle indicators remain compatible with strong global economic growth. A very gradual monetary normalisation means that financial conditions remain favourable for growth in historical terms. **High indebtedness,** however, it remains the main ballast for greater global economic growth. The 10 years of "experiment" of monetary stimulus programmes (QE or "quantitive easing"), together with the boom in China fed to a certain extent by indebtedness, has left the world with a high bill to repay. Given the high levels of debt in the world economy, a complete return to the situation of the previous cycle (rates around 4.5%) would be difficult to digest. While aggregate global interest rates have risen from 1.2% to 2.2% in the last two years, going further could trigger a new financial crisis, something that major central banks do not want.

With regard to the **fixed income** in 2018 we witnessed high volatility, highlighting also the divergent evolution between European bonds, in which the Bund acted as a refuge asset, thus ending the year at close to 0.20%, levels not seen in 18 months, and US bonds, whose profitability maintained a constant upward trend in the first three quarters.

Thus, in Europe, the economic growth figures recorded during the year, the risks presented by the Italian government's challenge to the EU's budgetary stability rules and the uncertainty about how the *Brexit* caused investors to seek refuge in the German Bund, which moved from yields above 0.7% in February, when the European economy was still optimistic, to close the year at 0.20% next year, as we pointed out. Special mention should be made of Italy, where the challenge of the populist government formed by La Lega and the 5 Stars Movement to the European Union resulted in an increase in the Italian risk premium, with the 10-year bond yield reaching levels of around 3.6% in October, to fall back and close the year at around 2.7%, thanks to the revision of the budget deficit targets to levels that have been accepted by the European Commission. It should also be noted that on this occasion the Italian situation has not spread to the debt of other "peripheral" countries.

On the contrary, in the US, the dynamism shown by the US economy and the strong growth of business results, driven by the tax reform carried out by the Trump Administration, sustained a strong recovery in the US economy. **An increase in the yield on the 10-year US bond,** from levels slightly below 2.5% to levels above 3.2% in October, while the US Federal Reserve maintained a stable path of quarterly rate hikes of 0.25 basis points throughout the year. However, from the October highs, fears of an economic slowdown, exacerbated by the US-China trade war, led to a downward revision of the Federal Reserve's rate hike expectations and the subsequent fall in bond yields to levels around 2.7%.

For its part, in **private fixed income EUR** the search for refuge by investors, the worsening economic outlook and the completion of the ECB's asset purchase programme by the end of 2018 has resulted in a widening of credit spreads to levels not seen since mid-2016.

As far as the **foreign exchange market,** the euro depreciated by 4.5% against the dollar to levels of 1.14 USD/EUR, in the face of the aforementioned risks to the euro area (mainly Italy and Brexit). The pound remained relatively stable at around 0.85-0.90 GBP/EUR despite the scenario of growing uncertainty surrounding the Brexit. in emerging currencies, we

witnessed a sharp depreciation of the Argentine peso, Brazilian real and Turkish lira in a context of structural imbalances and with rate rises in the euro area (mainly Italy and Brexit). In emerging currencies, we witnessed a sharp depreciation of the Argentine peso, Brazilian real and Turkish lira in a context of structural imbalances and with rate rises in the euro area.

Within the **raw materials**, we highlight the behaviour of crude oil. After reaching annual highs in October at 85 USD/barrel (Brent), it has recorded a fall of close to 40%, making the year as a whole record a decline of 20%. The rise in the first ten months of the year was sustained by robust macroeconomic data that supported solid demand, inventory levels at minimum levels, as well as production problems in Saudi Arabia and Venezuela, along with fears of sanctions being imposed on Iran; however, its fall in recent months has been due to growing doubts of lower demand due to the risk of economic slowdown, to which is added a supply that has been high during 2H18. Even so, if we confirm that the economic cycle is not as weak as the market seems to be advancing, and add to it the cut in production decided by OPEC + non-OPEC for H119 (-1.2 million b/day), we consider that the price of crude should tend to register a certain recovery.

2019 OUTLOOK

In the face of **2019, we expect an economic slowdown scenario** although we foresee a low probability of a recession. The high point of the cycle is behind us, but solid levels of activity remain, led by emerging markets and supported by favourable financial conditions. Economic growth is on its way to a new level of 3-3.5%, below the 5% expansions of the beginning of the century, but still at the historical average. The main drag on further growth remains high global indebtedness. In the case of developed countries, we expect a mild slowdown led by lower growth in the United States (end of the effect of the tax reform). In the eurozone, moderate growth could continue, with a slight slowdown if the risks of Italy and Brexit are saved, and Germany resumes normalized growth rates. Emerging regions continue to increase their weight in world GDP, with an orderly slowdown in China, offset by acceleration in other countries (Brazil, Mexico).

Respect **to inflation,** we expect a stable core inflation, with a good tone of the economic cycle compensated by deflationary pressures derived from globalization and technology ("Amazonisation" of economies). General inflation, on the other hand, could moderate in view of the fall in the price of crude oil (-30% from highs due to oversupply of 1-1.5 million b/d, and fears of lower demand due to the moderation of the global economic cycle).

With regard to **monetary policies** we expect a gradual normalization. **In the case of the FED,** approaching a neutral level of rates (low in historical terms), and with additional increases that will be a function of the evolution of macro data and signs of deceleration of the cycle. Rate hikes would have a possible brake if the economic slowdown is excessive, with downward pressure on inflation due to falls in the price of crude oil and appreciation of the dollar. The market discounts only 2 more increases (up to 2.50%-2.75%). **In the case of the ECB**we expect a very gradual normalisation in the face of moderate growth, contained inflation and political risks. With the end of the QE in December 2018, the market expects the first rate hike in 4Q19e (deposit rate), although the ECB will maintain accommodative conditions so that inflation continues to converge to its target. The main risk in this scenario is the absence of room for manoeuvre in future decelerations. In other central banks, in the case of the Bank of England, the situation is to "wait and see" the effects of Brexit on growth and inflation. In the case of the Bank of Japan, we believe it will maintain a broadly expansive monetary policy for the time being. As a conclusion, a **very gradual withdrawal of stimuli**, with a gradual reduction of the aggregate balance sheets of central banks and interest rates still at historically low levels.

With respect to currencies, after a depreciation of the Euro by 5% vs. the dollar in 2018, we expect the Euro to move in the range 1.10-1.20 USD/EUR by 2019 with gradual appreciation as: 1) the ECB enters into the normalisation of its monetary policy vs. the FED approaching its neutral rate, 2) the political risk is reduced in the Eurozone (Italy, Brexit), 3) the current account surplus of the Eurozone and fiscal and current account deficits is collected in the United States.

As for crude oil, we believe that its price should tend to stabilize at levels around 60-70 USD/b (Brent) seem reasonable in the medium term if, as we expect, demand is not so weak (moderate deceleration of the global economic cycle), which is added to a cut in production (OPEC + non-OPEC) to curb the fall in prices.

The **business results** should be slowed down, in line with the described macro scenario, however the consensus is expected **relatively solid growth (EPS 2019e +7%/+9%),** supported by the evolution of the global economic cycle and still favourable financial conditions. The already very moderate rise in interest rates and certain inflation in personnel costs may reduce margins, especially in the US, reducing the rate of rise in profits, which are at maximum levels and 35% above trend levels. However, we do not see sufficient cost pressures to derail the earnings cycle in the coming quarters. In Europe, profits still have the potential to recover from the trend line, but structural factors such as increased protectionism or political divergences can affect growth.

In this scenario, there are **reasons to be constructive in variable income** 1) attractive valuations both absolute (PER 19e 12x in Europe, with RPD >4%, discount against history) and relative to public debt and credit ("yield spread" at highs in Europe); 2) good macroeconomic performance (deceleration, not recession); 3) expected improvement in business results; 4) gradual normalisation of monetary policies (which should support flows from fixed income to variable income); 5) corporate movements (low rates, need to grow inorganically, gain scale); 6) stock buybacks; 7) gradual resolution of political risks (Italy, Brexit).

However **there are risks, which will increase volatility and risk premium at certain times** and that make it essential to choose both the timing of entry / exit, as well as the appropriate selection of sectors and companies. The most important of these can be grouped into: 1) deceleration of the global economic cycle, with possible focuses on trade war (United States-China), Brexit (negotiations and impact) or China (high debt); 2) de-synchronisation of monetary policy in the face of an economic cycle (excessive interest rate rises in a context of high world debt, and their potential effect on growth, emerging countries and companies); 3) geopolitical risks (Italy, Brexit, increase in populism).

Despite this scenario, a situation at an advanced part of the cycle is still positive for risky assets, and high market volatility can create interesting dislocations and offer interesting purchase and sale opportunities to add value. In the current context, we see quality companies at reasonable prices, well positioned in growth sectors (health, technology, consumer, infrastructure), with visibility of cash flows and good management teams. And at the same time we see value in companies in somewhat more cyclical sectors such as raw materials, oil, cars or chemicals.

As far as the **fixed income**, it is necessary to distinguish between public debt and credit. In public debt, the rise in interest rates in the US (already in its final phase) and in Europe (possibly starting from 4Q2019) means that the expected yields are negative. Furthermore, in Europe, the withdrawal of the ECB, which was one of the main buyers of Debt, will cause the debt rates of those countries with the worst fundamentals to increase sharply, in addition to the rise in rates.

In **credit**, investment-grade corporate bonds offer very low expected returns so we think it makes sense to invest in short-term carry debt, including High Yield, albeit very selective, especially in cyclical sectors. In the financial part, we expect volatility in the AT1 with the possibility that some call will not be executed, so we would focus on top quality issuers with high coupons. For its part, we consider that LT2 is very punished and we consider that at present there are opportunities; we would also watch the call in the short term.

In **emerging fixed income,** we overweight Short Term Fixed Income investments in Hard Currency, which are not so exposed to short term fluctuations and offer an attractive carry. The volatility of some currencies last summer makes us more cautious

In conclusion, we believe **that volatility, which has returned to the markets in 2018, is here to stay** (and it may not be a negative aspect in the medium - long term). The false sense of calm in 2017 was an anomaly, and the volatility we see today is in line with what we have seen in the markets historically. Uncertainty leads to over-reactions to events that overshadow the short and medium term outlook, but as investors, it is important to have a broad perspective and a long term investment horizon. If we are prepared for episodes of volatility, we are less likely to be surprised when they happen and more likely to act rationally. The **current scenario offers greater potential opportunities for active management, and the correct selection of securities** becomes more important in 2019 and beyond, as we move forwards in terms of monetary normalisation of central banks.

3.3 Evolution of the entity

In 2018, Renta 4 Banco obtained a net profit attributable to the Group of 16.1 million euros compared to 16.5 million euros in 2017, a fall of 2.5%.

Return on equity (ROE) was 18.07%, a return on capital invested far above the industry average.

The evolution of the business and the result obtained in the main operating variables was satisfactory despite the situation of the markets, which closed the year with negative results across all asset classes.

The assets of customers in the Group's own network stood at 11,127 million euros, up 2.6% on 2017. The assets of customers under management amounted to 9,329 million euros, a slight decrease of 2.9%. In both cases the figure is affected by the lower valuation of assets due to the fall in the market.

Net fee income, including exchange differences, rose 8.0% to 74.0 million euros compared to the same period last year.

This growth only partially offset the fall in the profit from financial operations due to the situation in the markets and the new accounting regulations.

The profit from operating activities, excluding extraordinary results, fell by 3.5% compared to the 22.0 million euro obtained in 2017.

Relevant Data

Operating Magnitudes	12/31/2018	12/31/2017	%
No. of Clients Own Network	**81.144**	**75.642**	**7,3%**
Total Assets (millions of euros)	**19.938**	**19.967**	**-0,1%**
Stock Exchange	8.922	8.789	1,5%
Investment Funds (own and third party)	4.780	5.074	-5,8%
Pension Fund	3.504	3.370	4,0%
SICAVs	1.045	1.166	-10,4%
Others	1.687	1.568	7,6%
Assets Own Network (millions of euros)	**11.127**	**10.846**	**2,6%**
Third Party Network Assets (millions of euros)	**8.811**	**9.121**	**-3,4%**
Results *(thousands of euros)*	**12/31/2018**	**12/31/2017**	**%**
Commissions Collected	140.679	137.245	2,5%
Commissions Paid	-71.502	-71.753	-0,3%
Net Commissions Collected	69.177	65.492	5,6%
Exchange rate differences	4.789	2.998	59,7%
Net commissions collected + Exchange differences	73.966	68.490	8,0%
Financial Margin	3.306	3.037	8,9%
Profit or Loss from financial operations	2.612	7.765	-66,4%
Operating Costs (Operating Expenses + Other Operating Charges)	-58.946	-57.199	3,1%
Profit from operations	22.015	22.809	-3,5%
Workforce (period average)	**12/31/2018**	**12/31/2017**	**%**
Average workforce in the period	495	465	6,5%
Commercial network (abroad)	256 (46)	244 (43)	3,7%
General services	239	221	8,1%
Number of offices	66	65	1,5%
Renta 4 Share	**12/31/2018**	**12/31/2017**	**%**
Ticker (Reuters/Bloomberg/Adrs)	**RTA4.MA**	**RTA4.MA**	
Market price(€)	**7,84**	**6,79**	**15,5%**
Market Cap(€)	**326.124.371**	**282.446.999**	**15,5%**
No. of Outstanding Shares	40.693.203	40.693.203	

Operational Data

The total volume of assets administered and managed amounted to 19,938 million euros, of which 11,127 million euros correspond to the Group's own network and 8,811 million euros to third party networks. Total equity decreased slightly by 0.1% in comparison with 2017, due to the lower value of assets as a consequence of the collapse of the financial markets.

Clients' equity in the company's own network, which is at 11,127 million, has increased by 2.6% in the last twelve months, representing in absolute terms a growth of 281 million euros. This growth is particularly noteworthy considering the aforementioned drop in asset prices recorded in all markets

The assets of clients under management (Investment Funds, SICAVs and Pension Funds) amounted to 9,329 million euros, down by 2.9% from the figure for 2017.

In Renta 4 Gestora's Investment Funds, the equity under management amounted to 3,473 million euros, down by 7.6% from last year.

As regards Funds from other asset managers, the volume marketed is 1,307 million euros, equivalent to a slight drop of 0.7% in the last twelve months.

With respect to SICAVs, the equity under management amounted to 1,045 million euros, down by 10.4% from financial year 2017.

The equity in Pension Funds amount to 3,504 million euros, an increase of 4% over the previous year.

The net acquisition of clients' equity was 1,245 million euros. The company's own network recorded a net cash flow of 726 million euros in 2018.

The incorporation of new clients has maintained at a steady rate. The total number of own network accounts sits at 81,144 in comparison with 75,642 from the previous year.

Consolidated Financial Statement 2018 (January-December)

Concept	12/31/2018	12/31/2017	%
Interest and similar income	4.636	3.737	**24,1%**
Interest and similar charges	-1.330	-700	**90,0%**
INTEREST MARGIN	**3.306**	**3.037**	**8,9%**
Return on capital instruments	368	371	**-0,8%**
Results of equity method	0	0	**-**
Commissions collected	140.679	137.245	**2,5%**
Commissions paid	-71.502	-71.753	**-0,3%**
Results of financial transactions	2.612	7.765	**-66,4%**
Exchange rate differences (Net)	4.789	2.998	**59,7%**
Other operating products	262	453	**-42,2%**
Other operating charges	-2.513	-2.869	**-12,4%**
GROSS MARGIN	**78.001**	**77.247**	**1,0%**
Administrative expenses:	-51.199	-49.352	**3,7%**
a) Personnel Expenses	-31.637	-31.168	**1,5%**
b) Other administrative overhead expenses	-19.562	-18.184	**7,6%**
Amortization	-5.234	-4.978	**5,1%**
Provisions (net)	-413	-128	**-**
Impairment losses on financial assets (net)	860	20	**-**
OPERATING INCOME	**22.015**	**22.809**	**-3,5%**
Impairment losses on other assets (net)	0	0	**-**
Profit/(Loss) on derecognition of ownership interest	0	720	**-100%**
PROFIT BEFORE TAXES	**22.015**	**23.529**	**-6,4%**
Taxes on profit-	-6.254	-7.248	**-13,7%**
CONSOLIDATED PROFIT FOR THE FINANCIAL YEAR	**15.761**	**16.281**	**-3,2%**
PROFIT ATTRIBUTABLE TO THE PARENT ENTITY	**16.095**	**16.513**	**-2,5%**
Profit attributable to minority interests	-334	-232	**44,0%**

Profit and main items of income and expenses

Net income attributable to the Group in 2018 was 16.1 million euros, down by 2.5% from the figure obtained in 2017.

During the year, the commissions obtained have grown in all business lines.

Gross fees and commissions (fees received, profit from entities accounted for using the ownership interest and other operating income) increased by 2.4% to 141 million euros, compared to 137.7 million euros in 2017.

Management fees amounted to 71.6 million euros, 2.2% more than the previous year.

The Gross Intermediation Fees increased slightly by 1%, closing the period at 56 million euros.

Particularly noteworthy was the increase in fee income in the Corporate Services area, with fee income up 9.3% to 13.3 million euros.

Net Fees (Gross Fees-Commissions paid) rose by 5.6% to 69.2 million euros, in comparison with 65.5 million euros in 2017.

Net interest income was 3.3 million euros, compared to 3.0 million euros the previous year (an increase of 8.9%).

Profit from financial transactions fell by 66.4% to 2.6 million euros, compared to 7.8 million in 2017, due largely to the decline in the valuation of assets on the balance sheet.

On the cost side, Operating Expenses and Depreciation and Amortisation (Overhead Expenses, Personnel Expenses and Depreciation and Amortisation) amounted to 58.9 million euros, an increase of 3.1% in the last twelve months. The increase in operating expenses has essentially been associated with the digital transformation and adaptation to the new regulations that came into force this year, which have required and will continue to require a special effort on the part of the IT department.

Personnel expenses increased by 1.5% to 31.6 million euros and administrative overhead expenses increased by 7.6% to 19.6 million euros, compared to 18.2 million the previous year.

The result of the registered operating activity amounted to 22 million euros, compared to 22.8 million the previous year (a decrease of 3.5% in comparison).

3.4 Foreseeable evolution of the company

After a 2018 very marked by the adaptation to new regulations and by the challenge of digital transformation, in 2019, in addition to continuing to devote much effort and resources to these two issues, we will have to face a more complex market environment than in previous years.

An environment marked by the global economic slowdown, less expansionary monetary policies, political risks and greater volatility in financial markets in response to all of the above.

Renta 4 Banco is prepared to manage and overcome these challenges, and to grow in an environment of uncertainty, as it has done in previous similar periods, in which it has gained market share in more complex situations.

To this end, we will remain faithful to a positioning based on specialisation, technological excellence, quality of service, and closeness and transparency in the relationship with the client, and to a highly disciplined management model, based on permanent attention to costs and rigorous risk control.

Our objective and our commitment is to continue to maintain profitable growth, in any market context, in order to offer adequate shareholder remuneration on the basis of client satisfaction.

3.5 Management policy and risks

Information on the entity's risk management policies is disclosed in detail in Note 5 of the financial statements from the financial year 2018.

3.6 Acquisition of treasury shares

Information on treasury shares is disclosed in detail in Note 18 of the financial statements from the financial year 2018.

3.7 Environmental impact

In view of the activities in which the Entity is involved, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or profits or losses. For this reason, no specific breakdowns are included in the notes to the financial statements with respect to information on environmental issues.

In addition, in financial years 2018 and 2017, the Entity had no greenhouse gas emission rights.

3.8 Research and development

In 2018, R&D efforts have been channelled into digital development.

3.9 Events occurring after the close of the financial year

The events subsequent to the balance sheet date are detailed in Note 24 of the financial statements from the financial year 2018.

3.10 Information on human resources

Information on matters relating to the entity's personnel is disclosed in Notes 4.p) and 22.d) of the financial statements from the financial year 2018.

Approval of the 2018 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 2018 consolidated annual financial statements approved at the meeting held March 11, 2019 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	**D. Pedro Ángel Navarro Martínez**
Chairman	Deputy Chairman
D. Juan Luis López García	**D. Santiago González Enciso**
CEO	Board member
D. Jesús Sánchez Quiñones	**D. Francisco García Molina**
Board member	Board member
D. Eduardo Trueba Cortés	**D. Pedro Ferreras Díez**
Board member	Board member
Fundación Obra Social Abogacía	**D. Jose Ramón Rubio Laporta**
Rafael Navas Lanchas | Board member	Board member
Dª. Inés Justo Bellosillo	**D. Eduardo Chacón López**
Board member	Board member
Mutualidad de la Abogacía	**Dª Sarah Marie Harmon**
Antonio de Arcos Barazal | Board member	Board member

Annual corporate governance report of listed public limited companies

End date of reported year:
31/12/2018

Issuer identification
C.I.F. A- 82473018
Company name:
RENTA 4 BANCO, S.A.
Ps. de la Habana, 74
28036 Madrid

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
27/09/2011	18,311,941.35	40,693,203	40,693,203

Indicate whether different types of shares exist with different associated rights:

Yes **No** ✓

A.2. State the direct and indirect holders of a significant stake at year-end, excluding directors:

	% of voting rights attached to the shares		% of voting rights through financial instruments		
Name or company name of the shareholder	Direct	Indirect	Direct	Indirect	Total % of voting rights
INDUMENTA PUERI S.L.	0.00	5.59	0.00	0.00	5.59
MARIA BEATRIZ LOPEZ PERERA	0.00	5.02	0.00	0.00	5.02

Details of the indirect stake:

Name or company name of the indirect holder	Name or company name of the direct holder	% of voting rights attached to the shares	% of voting rights through financial instruments	Total % of voting rights
INDUMENTA PUERI S.L.	GLOBAL PORTFOLIO INVESTMENTS SL	5.59	0.00	5.59
MARIA BEATRIZ LOPEZ PERERA	CONTRATA Y SERVICIOS EXTREMEÑOS, S.A.	5.02	0.00	5.02

Indicate the most significant movements in the shareholderstructure during the year:

Most significant movements
COn 29/12/2017 the company GLOBAL PORTFOLIO INVESTMENTS SL agreed to carry out a capital increase in the form of a contribution in kind that was subscribed by INDUMENTA PUERI SL by contributing the 2,131,232 shares it owned in Renta 4 Banco. Upon this capital increase, the shareholder of Renta 4 Banco became GLOBAL PORTFOLIO INVESTMENTS SL.

A.3. Fill in the following tables on the members of the company's Board of Directors who own voting shares in the company:

	% of voting rights attached to the shares		% of voting rights through financial instruments			% of voting rights that may be transferred through financial instruments	
Name or company name of director	Direct	Indirect	Direct	Indirect	Total % of voting rights	Direct	Indirect
DON JOSE RAMON RUBIO LAPORTA	0.91	0.00	0.00	0.00	0.91	0.00	0.00
DON JUAN CARLOS URETA DOMINGO	31.20	13.50	0.00	0.30	44.70	0.00	0.30
DON EDUARDO TRUEBA CORTÉS	0.18	0.00	0.00	0.00	0.18	0.00	0.00
DON PEDRO ANGEL NAVARRO MARTINEZ	0.39	0.11	0.00	0.00	0.50	0.00	0.00
DON JUAN LUIS LOPEZ GARCIA	0.19	0.00	0.02	0.00	0.19	0.02	0.00
DON FRANCISCO DE ASIS GARCÍA MOLINA	0.08	0.11	0.00	0.00	0.19	0.00	0.00
DON JESÚS SANCHEZ- QUIÑONES GONZALEZ	0.73	0.00	0.00	0.00	0.73	0.00	0.00
DON SANTIAGO GONZALEZ ENCISO	1.39	3.02	0.00	0.00	4.41	0.00	0.00
DON PEDRO FERRERAS DIEZ	0.20	0.00	0.00	0.00	0.20	0.00	0.00
MUTUALIDAD GENERAL DE LA ABOGACIA	6.88	0.00	0.00	0.00	6.88	0.00	0.00
DOÑA SARAH MARIE HARMON	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DOÑA INES JUSTE BELLOSILLO	0.01	0.00	0.00	0.00	0.01	0.00	0.00
DON EDUARDO CHACON LOPEZ	0.01	0.00	0.00	0.00	0.01	0.00	0.00

% of total voting rights held by the Board of Directors	58.91%

Details of the indirect stake:

Name or company name of the director	Name or company name of the direct holder	% of voting rights attached to the shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that may be transferred through financial instruments
MR JUAN CARLOS URETA DOMINGO	INVERSIONES FINANCIERAS E INMOBILIARIAS A.R. SANTAMARIA. SL	5.84	0.00	5.84	0.00
MR JUAN CARLOS URETA DOMINGO	SURIKOMI S.A	5.19	0.30	5.19	0.30
MR PEDRO ANGEL NAVARRO MARTINEZ	KURSAAL 2000 SICAV. S.A	0.11	0.00	0.11	0.00
MR FRANCISCO DE ASIS GARCÍA MOLINA	HELP INVERSIONES SICAV. S.A	0.11	0.00	0.11	0.00
MR SANTIAGO GONZALEZ ENCISO	IGE-6. S.L	0.64	0.00	0.64	0.00
MR SANTIAGO GONZALEZ ENCISO	FUNDACION GONZALEZ ENCISO	1.11	0.00	1.11	0.00

Ms Sarah Marie has been included as the direct owner of a percentage that makes up 0.003% of voting rights attached to the shares, but the real percentage cannot be included in the table above because the system only allows two decimal places.

Mr Eduardo Chacón has been included as the indirect owner of a percentage that makes up 0.001% of voting rights attached to the shares, but the real percentage cannot be included in the table above because the system only allows two decimal places

With regard to Juan Carlos Ureta Domingo (indirect stake) and Mr Juan Luis López García (direct stake), we have reported their positions in CFDs on the Renta 4 Banco security for the purposes of consistency of the information entered into the CNMV records. Nevertheless this position in CFDs does and will not grant its holder any voting rights on the Renta 4 Banco security as the CFDs are a synthetic financial instrument that is always settled by differences (not deliverable).

A.4. Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant stakes, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities, except for those reported in section A.6:

Name or company name of the related party	Type of relationship	Brief description
No data		

A.5. Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant stakes, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Name or company name of the related party	Type of relationship	Brief description
No data		

A.6. Describe the relationships, unless insignificant for both parties, between the significant shareholders, or represented shareholders, on the Board and the directors, or their representatives, when the administrators are a legal entity.

Explain, where appropriate, how the significant shareholders are represented. In particular, specify any directors who have been appointed to represent significant shareholders, those whose appointment was promoted by significant shareholders, or those who were related to significant shareholders and/or entities in their group, indicating the nature of such relationship. In particular, indicate, where appropriate, the existence, identity and position of Board members or directors' representatives of the listed company who are also members of the management body, or their representatives, in companies with a significant stake in the listed company o in companies of the group of such significant shareholders:

Name or company name of the director or representative, related	Name or company name of the significant related shareholder	Company name of the significant shareholder's group company	Description of the relationship/ position
MR EDUARDO CHACON LOPEZ	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	CHAIRMAN - CEO

A.7. Indicate whether the company has been notified of any shareholders' agreements pursuant to Articles 530 and 531 of the Spanish Limited Liability Companies Law. If so, provide a brief description and list the shareholders that are party to the agreement:

Yes **No** ✓

Indicate whether the company is aware of the existence of any joint actions among its shareholders. Give a brief description as applicable:

Yes **No** ✓

Expressly indicate any amendments to or termination of such covenants, agreements or joint actions during the year:

None.

A.8. Indicate whether any individual or legal entities currently exercise control or could exercise control over the company pursuant to Article 5 of the Securities Market Law. If so, identify:

Yes ✓ No

Name or company name
JUAN CARLOS URETA DOMINGO

The direct and indirect stake in the share capital is 44.702%.

A.9. Complete the following tables on the company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares(*)	Total % out of share capital
116,852		0.29

(*) Through:

Name or company name of the direct holder of the stake	Number of direct shares
No data	

A.10. Give details of the applicable conditions and current timeline for the general meeting to authorise the Board of Directors to issue, buy back or transfer treasury shares:

On 27 April 2018, the General Meeting of Shareholders adopted the following resolution: "The Board of Directors is authorised, with express powers of substitution, -even if this could lead to self-hiring or despite opposing interests- to carry out the derivative purchase of the Company's treasury shares, directly or indirectly through the Company's group companies, and as deemed convenient in the light of the circumstances, subject to Article 146 and the following articles in the revised text of the Spanish Limited Liability Companies Law and other applicable regulations. The minimum buying price or consideration will be equal to the par value of the treasury shares purchased, and the maximum buying price or consideration will be equal to the quoted price of the treasury shares purchased in an official secondary market on the date of purchase. At no time may the par value of the shares directly or indirectly purchased, added to those already held by the Company and its subsidiaries, exceed 10% of the subscribed share capital or the maximum amount that may be established by law. The types of purchase may include sale and purchase, swap, donation, allocation or payment in kind or any other type of transaction for consideration according to the circumstances. This authorisation is granted for a period of five years. The authorisation granted provides that the shares purchased may be used in whole or in part for allocation or transfer to the directors or employees of the Company or companies in the Company's group, directly or as a result of them exercising option rights, within the scope of the Company's share price-based compensation systems approved appropriately. For this, the Board of Directors is authorised, with express power to substitute the members of the Board as deemed convenient, included the Secretary and the Vice Secretary of the Board, as extensively as necessary to apply for authorisations and adopt as many resolutions as necessary or convenient under the current regulations to execute and successfully deliver this agreement."

A.11. Estimated floating capital:

Estimated floating capital	%
	35.86

A.12. Give details of any restrictions (statutory, legal or otherwise) on the transfer of securities and/or voting rights. In particular, detail the existence of any kinds of restrictions that could hinder the company takeover through the purchase of its shares in the market, as well as any prior authorisation or communication rules that, with regard to the purchase or transfer of financial instruments in the company, would be applicable under the industry regulations.

Yes ✓ No

Description of the restrictions

Renta 4 Banco, S.A., as a credit entity, is subject to Article 17 of the Spanish Law 10/2014, of 26 June on the organisation, supervision and solvency of credit entities and the regulations that develop it, including Royal Decree 84/2015 of 13 February that develops the Spanish Law 10/2014 of 26 June on the organisation, supervision and solvency of credit entities and Circular 5/2010 of 28 September issued by the Bank of Spain. In this regard, when a person (natural or legal, alone or jointly with other persons) decides to purchase (directly or indirectly) a significant stake in a credit entity and will thereby acquire a percentage of voting rights or owned share capital equal to or above 20, 30 or 50% or if by virtue of the purchase such person will gain control of the credit entity as described in Article 42 of the Commercial Code, such person will be required to notify this to the Bank of Spain beforehand and will need prior authorisation to purchase/transfer their stake in the share capital of the credit entity.

A.13. Indicate whether the general meeting has resolved to adopt neutralisation measures to address a takeover bid by virtue of the provisions of Law 6/2007.

Yes **No** ✓

If applicable, explain the measures approved and the terms under which these restrictions may be non-enforceable:

A.14. Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes **No** ✓

Where applicable, state the various classes of shares, and the rights and obligations attached to each class:

B. SHAREHOLDERS MEETING

B.1. B.1. Indicate and state, if any, the differences with respect to the minimums stipulated in the Spanish Limited Liability Companies Law (LSC) with regard to the quorum required for the constitution of the general meeting:

Yes **No** ✓

B.2. B.2. Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the Spanish Limited Liability Companies Law (LSC):

Yes **No** ✓

B.3. B.3. Indicate the rules governing amendments to the company's bylaws. In particular, indicate the majorities required to amend the bylaws and, if applicable, the rules for protecting shareholders' rights when the bylaws are amended.

Pursuant to Article 21 of the Company Bylaws ("Bylaws"), "any amendments to the Company Bylaws, will require, on first call, the attendance of shareholders, in person or represented, with at least fifty percent (50%) of the subscribed capital with voting rights and, on second call, the attendance of twenty-five percent (25%) of such capital", foreseeing, for the valid adoption of the corresponding resolution, that when on second call the meeting is attended by shareholders who make up twenty-five percent (25%) or more of the subscribed capital with voting rights but less than fifty percent (50%), the resolutions will only be validly adopted with the vote in favour of two thirds of the share capital, present or represented at the General Meeting.

These rules are also set forth in Article 12 of the Regulations of the General Meeting of Shareholders (the "General Meeting Regulations"), Its Article 25.3.c) that provides that the amendment of the Bylaws should be put to vote to the shareholders separately to allow the shareholders to exercise their voting preferences individually, and this should apply to all other matters that are materially independent, including amendments to the Bylaws.

Lastly, Article 26 of the General Meeting Regulations sets forth that in order to agree the amendment of the Bylaws, if the capital present or represented at the meeting exceeds fifty percent (50%), the resolution may be adopted with an absolute majority. The vote in favour of two thirds of the capital present or represented at the General Meeting shall be required when the meeting, on second call, is attended by shareholders representing twenty-five percent (25%) or more of the subscribed capital with voting rights, but less than fifty percent (50%).

B.4. Indicate the attendance figures for the general meetings held during the year and those of the two previous fiscal years:

	Attendance information				
			% remote voting		
Date of General Meeting	% of attendance in person	% in represente	Electronic voting	Other	Total
29/04/2016	42.65	18.04	7.09	0.00	67.78
Of which Floating Capital	2.13	5.60	7.09	0.00	14.82
28/04/2017	47.24	22.22	0.00	0.00	69.46
Of which Floating Capital	1.09	9.78	0.00	0.00	10.87
27/04/2018	42.81	28.12	0.00	0.00	70.93
Of which Floating Capital	1.58	9.89	0.00	0.00	11.47

B.5. Specify if there have been any items on the agenda at the General Meetings held during the year that, for whichever reason, were not adopted by the shareholders:

Yes **No** ✓

B.6. Indicate whether the bylaws contain any restrictions with respect to a minimum number of shares required to attend general meetings or to vote remotely:

Yes **No** ✓

B.7. Indicate if there is a rule establishing that certain decisions, other than those established by Law, that involve the purchase, disposal, contribution to another company of key assets or other similar corporate operations, should be put to vote at the General Meeting of Shareholders:

Yes **No** ✓

B.8. Indicate the address and mode of accessing corporate governance content on the company's website, as well as other information on general meetings which must be made available to shareholders on the Company website:

Página web corporativa: https://www.renta4banco.com/es/

The information on the corporate governance and other information on the general meetings is on the corporate website, in the menu at the top of the website under the section "Corporate Governance" that includes all corporate information on this matter in accordance with the current laws.

C. STRUCTURE OF THE COMPANY'S GOVERNING BODY

C.1. Board of Directors

C.1.1 The maximum and minimum number of directors stipulated in the Company Bylaws and the number stipulated by the General Meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors stipulated by the General Meeting	14

C.1.2 Fill in the following table with the Board members' particulars:

Name or company name of the director	Representative	Category of the director	Position on the Board	Date of first appointment	Date of last appointment	Appointment procedure
MR JUAN CARLOS URETA DOMINGO		Executive	CHAIRMAN	20/08/1999	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR PEDRO ANGEL NAVARRO MARTINEZ		Other External	VICE PRESIDENT	20/08/2000	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR JUAN LUIS LOPEZ GARCIA		Executive	CEO	27/09/2011	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR EDUARDO TRUEBA CORTÉS		Independent	INDEPENDENT LEAD DIRECTOR	29/09/2007	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR JOSE RAMON RUBIO LAPORTA		Independent	DIRECTOR	28/04/2015	28/04/2015	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR FRANCISCO DE ASIS GARCÍA MOLINA		Independent	DIRECTOR	29/07/2008	27/04/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ		Executive	DIRECTOR	26/05/2000	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR SANTIAGO GONZALEZ ENCISO		Executive	DIRECTOR	20/08/1999	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MR PEDRO FERRERAS DIEZ		Other External	DIRECTOR	18/07/2005	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	MR RAFAEL NAVAS LANCHAS	Proprietary	DIRECTOR	27/11/2012	27/04/2018	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
MUTUALIDAD GENERAL DE LA ABOGACIA	MR ENRIQUE SANZ FERNANDEZ-LOMANA	Proprietary	DIRECTOR	24/05/2011	28/04/2017	RESOLUTION OF THE GENERAL MEETING OF SHAREHOLDERS
DOÑA SARAH MARIE HARMON		Independent	DIRECTOR	29/04/2016	29/04/2016	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA INES JUSTE		Independent	DIRECTOR	28/04/2017	28/04/2017	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON EDUARDO CHACON LOPEZ		Proprietary	DIRECTOR	28/04/2017	28/04/2017	ACUERDO JUNTA GENERAL DE ACCIONISTAS

Total number of directors	14

Indicate the directors who have left by resignation, removal or any other cause, from the Board of Directors during the reporting period:

Name or company name of the director	Category of the director when they left	Date of last appointment	Date of departure	Special committees the director was a member of	Indicate whether the director left before the end of their office
No data					

Reason for leaving and other observations

No directors have left during the reporting period.

Antonio de Arcos Barazal left as representative of the Director Mutualidad General de la Abogacía on 21 December 2018.

C.1.3 Complete the following tables on board members and their respective categories:

EXECUTIVE DIRECTORS

Name or company name of the director	Position in the company organisation chart	Profile
MR JUAN CARLOS URETA DOMINGO	CHAIRMAN	Mr Ureta has a degree in Law-Economy (Lawyer specialising in Economics) by Deusto University. As State Attorney (1980 examination), he worked for the Ministry of Economy and Treasury (1980 -1984). He has been a Stockbroker of the Madrid Stock Exchange since 1986 (number 1 in his year). Mr Ureta was the Chairman of the Instituto Español de Analistas Financieros from 2010 to 2016 and of the Fundación de Estudios Financieros from 2010 to 2016. Furthermore, he has been a member of the Board of Directors of Saint Croix Holding Immobilier, Socimi, S.A. and a member of the Board of Directors and of the Standing Committee of the Governing Body of the Madrid Stock Exchange since 1989. Between 1996 and 2003 he was a member of the Board of Directors of the Servicio de Compensación y Liquidación de Valores (Iberclear) and was the chairman of such service in 2002. Mr Ureta is also a member of the Board of Directors of Bolsas y Mercados Españoles (BME) from 2002 until 2006 and from 2018, member of the Board of Directors of Indra Sistemas (1998- 2007) Spanish leading company in information technology; and member of the Advisory Board of Lucent Technologies in Spain (1996 and 2001). Besides publishing countless papers on legal and financial matters, Mr Ureta is a consultant for several Spanish and foreign business groups.

Name or company name of the director	Position in the company organisation chart	Profile
MR JUAN LUIS LOPEZ GARCIA	CEO	Mr López García has a degree in Economic and Business Sciences by the Complutense University of Madrid. Between 1980 and 1986 he worked as a financial analyst for BANIF. He then moved to the Banco Hispano Urquijo in London (Risk Department) for 10 months. In 1987 he joined Urquijo Gestión de Patrimonios acting as portfolio manager and manager of Collective Investment Undertakings. Subsequently (1988-1991) he worked as portfolio manager for GESBANZANO, SGIIC (Banco Zaragozano Group) to then become an independent professional advising entities, especially non-profit-making organisations (1991-1997). In 1997 he joined Renta 4 where he was appointed as General Manager in March 2004. From 2006 until 2007 he was Chairman of Renta 4 Pensiones EGFP S.A. Until March 2011 he was Chairman and CEO of Renta 4 Gestora, SGIIC, S.A. and General Manager of Renta 4 Servicios de Inversión, S.A. where he has taken on different functions. At present, Mr Juan Luis López is a member of the Board of Directors of Renta 4 Pensiones SGFP, S.A. and Renta 4 Banco, S.A. and has also been CEO of the latter since January 2015.
MR JESÚS SANCHEZ-QUIÑONES GONZALEZ	GENERAL MANAGER	Mr Sánchez-Quiñones has a degree in Business Management and Administration by ICADE and a Master's degree in Tax and Economic Studies by CECO. He was in charge of the management (and attendance) of all courses and seminars organised by Aula Financiera & Fiscal from 1991 to 2004. He speaks English and Spanish. Since 2012, Mr Sánchez-Quiñones has been a Director and General Manager of Renta 4 Banco and is in charge of the areas of Business, Markets, Asset Management, Online Brokerage, Corporate Finances, Research, Marketing and Private Banking. From 2006 to 2012, he was Director and General Manager of Renta 4 S.V. leading the areas of Business, Markets, Asset Management, Online Brokerage, Corporate Finances, Research, Marketing and Private Equity Management. Since 2000 he has been Director of Renta 4 Servicios de Inversión (Holding) where he played a major role in the company's IPO (2007). In 1991 he founded (and was the Administrator of) Aula Financiera & Fiscal, S.L. a company specialising in training professionals from the Private Banking and Equity Management sector in tax and financial matters, most of them inspectors from the General Tax Department. Between 2004-2006 he was Chairman of Renta 4 S.G.I.I.C., S.A. and General Manager of Renta 4 S.V. In 1996 (until 2000) he was Assistant Manager of the Chairman of Renta 4 S.V. and had previously worked as Manager of the analysis department, Operator of the table of derivates and international contracting and Analyst of the Corporate Finance department. Besides being the coauthor of many publications and taking part in different work teams (e.g. CNMV and BME), he is a member of, among other organisations, the Grupo de Asesores Económicos, the Instituto Español de Analistas Financieros and frequently gives lectures at courses and seminars organised by different institutions (e.g. the Economy and Financial Politics Committee of the CEOE). .
MR SANTIAGO GONZALEZ ENCISO	GENERAL MANAGER	After training as a lawyer, his career has been linked to the business world, taking on management roles and being part of governing bodies in different companies, mainly within the financial and real-estate market. In this field, he joined Manglo, S.A. as Sales Manager in 1982 where he supervised the Finances and HR Department. Mr González was then appointed Director from 1985 until 1996. He was also Sole Director of Miralpáramo, S.L. He joined Renta 4 in 1991 as Regional Manager of Renta 4 SV in Valladolid and Regional Manager of Castilla y León for Renta 4 SV. He is currently the Manager of Renta 4 Valladolid; Regional Manager of Renta 4 Castilla y León; Director of the company Renta 4 Banco; Director of the company Renta 4 S.V., S.A; Chairman of the Board of Directors of Auditórium Privatum S.L; and CEO of I.G.E-6,S.L. Furthermore, Mr González Enciso is a financial advisor and trustee of several non-profit-making foundations and associations, and member of the Social Board of the University of Valladolid.
Total number of executive directors		4
% out of the total of the board		28.57%

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of the director	Name or company name of the significant shareholder they represent or who has proposed their appointment	Profile
MUTUALIDAD GENERAL DE LA ABOGACIA	MUTUALIDAD GENERAL DE LA ABOGACIA	Mutualidad General de la Abogacía was established in 1948 as an institution for the professional security of lawyers. It is a non-profit-making private insurance entity and mainly provides an insurance that is voluntary, alternative and complementary to the mandatory Social Security system with the contribution of fixed premiums by the insured or other companies or protectors. Mutualidad General de la Abogacía is part of the Board of Directors of Arcalia Private Equity SCR of simplified regime S.A., and is represented on the Company's Board of Directors by Mr Enrique Sanz Fernández-Lomana, who has a degree in Law by the University of Valladolid and has taken part in many courses on finances and insurance. Since 1977, Mr Sanz has been working as a lawyer, mostly in the areas of civil law, commercial law and bankruptcy law. In 2008, through a merger with another law firm, he founded the firm Sanz Lomana, Puras y Asociados, S.L.P. Mr Enrique also sits on several Boards of Directors. Furthermore, he has been a member of the Governing Body of the Professional Association of Lawyers in Valladolid and was the Dean of this Association from 2000 to 2008 and in this capacity was a member of the CGAE for which he was Vice President and Chairman of the Board formed to draw up the New General Rules of the legal profession, being a member of the Standing Committee. Mr Sanz also acted as Chairman of the Board of the Honourable Associations of Lawyers in Castilla y León (2001-2002). At the end of his position as Dean, he was elected as Director of the CGAE and appointed Treasurer (2011-2017), sitting on its Standing Committee and of its Advisory Board. Since 2011, Mr Enrique has been a member of the Board of Trustees of the Fundación Abogacía Española and from 2006 until 2016 he was a member of the Governing Body of Mutualidad General de la Abogacía, becoming Chairman of the Audit Committee when it was established in 2013 and up until 2016. Since 2016, he has been Chairman of Mutualidad General de la Abogacía (and remains in such position to date). Additionally, he is the Chairman of the Board of Trustees of the Fundación Mutualidad Abogacía. From 1999 to 2008 he was a lecturer at the Legal Practice School of Valladolid and Vice President of its Governing Body from 2000 until 2008. He was also Manager of the Legal and Tax Department of the MBA given at the CEU San Pablo Castilla y León university from 2004 to 2008. Besides giving talks at different conferences and seminars, he is a full member of the Valladolid Royal Academy of Law and Jurisprudence and has received the Great Cross for his Services to the Legal Profession; the Cross of San Raimundo de Peñafort; and the Great Cross for his Services to the Legal Profession in Castilla y León.
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	MUTUALIDAD GENERAL DE LA ABOGACIA	Mr Navas Lanchas (natural person representing the Foundation) has a degree in Economic Sciences (1986) and Insurance Actuary (1986) by the Complutense University. He has also taken several courses on the Liquidation of Insurance Companies in UNESPA (July 1991); insurance and reinsurance in general and other specific courses on life insurance and pension funds; and Internal Control and solvency II of insurance companies. Basic skills in office software, Internet, email and actuary calculation software (ACTUS). Since 2013, he has been the General Manager of Mutualidad General de la Abogacía, having acted as Assistant General Manager the previous year. From 2006 to 2012 Mr Navas was Deputy General Manager of Mutualidad General de la Abogacía (since 2008 Deputy General Manager of the Financial Area of Mutualidad General de la Abogacía in charge of the departments of Financial Investments, Real-estate investments, Accountancy and Actuary Department; and from 2006 to 2008, Deputy General Manager coordinating all the departments in Mutualidad). He was also the Head of the Technical Actuary Department of Mutualidad General de la Abogacía (1991-2006). Previously Mr Navas had worked at Ernst Young as an auditor (insurance and finance sector, 1990-1991) and at Espacontrol Deloitte where he also worked as an auditor (1987-1990).

MR EDUARDO CHACON LOPEZ	CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	Mr Chacón has a degree in Business and Economics Sciences by the University of Extremadura (1995) having studied the first two years at the University of Valladolid and has a degree in Business Senior Management by the San Telmo Business School, Seville (1997). He also attended a course on Senior Management, PAD (2008) by the Extremadura Business School of which he is founder and owner. Since 1995 he has been CEO of a group of family businesses from Extremadura that specialise in managing different services: street cleaning, maintenance, upkeep and cleaning of property, car parks and signposting, with a workforce of about eight hundred people, of which an approximate ten percent is disabled. Since 1997 he has sat on the Business Advisory Board of Mutua Fremap in Extremadura and is a Director of the Parking, S.L. organisation in Cáceres. Mr Chacón has been a member of the Governing Board of Caja Rural de Almendralejo, cooperative credit organisation since December 2013. He has also taken other courses on different subjects including Environment, Urban Waste Management and Treatment, trained to transport goods by road and other courses on Family business management, Leadership skills and Technical analysis of financial markets. He regularly attends high-level training courses and is especially interested in matters related to business strategy, team management, family businesses and the parallelism between the management of the sports world and the business world.

Total number of proprietary directors	3
% out of the total of the board	21.43

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the director	Profile
MR FRANCISCO DE ASIS GARCÍA MOLINA	He has a degree in Economic and Business Sciences by the Autónoma University of Madrid. After working for Unilever/Elida Gibbs in Spain and London for nearly nine years in the Marketing Department, he took on the role of Marketing Manager of the Koipe Group from 1985 to 1989. Between 1990 and 1991 he was General Manager of Neisa, S.A. before moving on to IDV as Marketing and Strategy Manager in Spain firstly, and then Marketing Manager for Europe later on. In 1995 he joined Diageo España as General Manager and took the position of non-executive Chairman of the Board of Directors from 2003 until 2005. Since 2005 he has been non-executive Director of the Board of Directors of several companies, including Bodegas LAN and VIESA, a company that belongs to the VARMA Group. Furthermore, Mr Francisco de Asis now sits on the Discipline Committee of the Asociación AUTOCONTROL de Publicidad.
MS SARAH MARIE HARMON	She passed her degree in Journalism by Kansas University in 1990 and a Master's degree in Healthcare Management by the North Carolina University in 1995. From 1995 until 1998 she was Manager of Customer Support at United Healthcare. From 1998 to 2000 Ms Harmon was Senior Manager for Cerner Corporation. She took on the position of Practice Manager at EHealth (Entensity Inc.) from 2000 to 2001 when she joined Medem, Inc. as Business Development Manager until 2003. In 2004 she joined Microsoft Ibérica where she held different posts until she became Business Development Manager from 2011 until 2013. Since 2013 she has held the position of General Manager in Linkedin Iberia.
MR EDUARDO TRUEBA CORTÉS	He has a degree in Law and in Business Management by ICADE. He worked as Financial advisor for Merrill Lynch from 1986 until 1987. After working for Merrill Lynch he became a Director of Inversión, S.A. for two years and then spent three years in the company Urquijo Gestión as Investment Manager managing Collective Investment Undertakings. In 1992 Mr Trueba began to head the Family Office of the Pino Family. He is in charge of Asset Allocation and of the investment decision-making for the Chart, Allocation and Beeper SIMCAVs.
MS INES JUSTE BELLOSILLO	She finished her degree in Business Sciences by the Autónoma University of Madrid in 1997 and her MBA by the Instituto de Empresa in 1998. In 1999 she became exports manager in charge of the European market and of opening new markets, meeting new trade partners and attending international fairs for Perfumería GAL, S.A. From 1999 until 2001 she was external consultant at DPB Consultores and was the Financial Head of the NGO-German Agro Action (Luanda, Angola) from 2003 to 2004. In 2011 (to date) she was appointed Chairwoman of the JUSTE Group which is a Spanish industrial group with family capital and over 90 years' experience in research, development, manufacturing and selling pharmaceutical and chemical-pharmaceutical products.
MR JOSE RAMON RUBIO LAPORTA	Mr Rubio has held different leading positions during his career. In particular, he started his career working in the headquarters of Marks & Spencer in London. From 1975 until 1982 he was General Secretary and Secretary to the Board of Directors as well as Manager of the Legal Counsel department for a group of family businesses in the building, property development, mining and electric supply sector with over 700 employees. In 1982 he became a founding partner of the law firm "Mateu de Ros, Ramón y Cajal Rubio y asociados", that later became "Ramón y Cajal Abogados". There he remained until 1994 in the international business, taking part in different IPO operations of Spanish companies in London, filing foreign investors in Spanish listed companies, organising the filing of statements at the Spanish Chamber of Commerce in London, giving advice to different companies, including BNP Securities, Ask Securities and Map Securities, all based in London. He has been a Director of several companies, including Mediterranean Fund management by Lombard Odier y Cia, and Secretary to the Board of Directors of Ascorp, S.A. a listed company of Grupo Cooperativo Mondragón. He has also been a Director for other companies devoted to strategic management, real-estate services and healthcare. From 1995 until 1998 he was CEO of the insurance group Previasa. Since 1998 he has been Vice President and CEO of the Grupo Hospitalario Quirón. In June 2012 he was appointed Chairman of the Institute for development and integration of Healthcare (IDIS) and in July 2012 he became Vice President of USP Hospitals. Mr Rubio has a degree in Law by the Complutense University of Madrid (1974) and furthered his studies with different courses on Politics by the Complutense University of Madrid (1975) and on Urban Planning Law. He speaks English and German.

Total number of independent directors	5
% out of the total of the board	35.71

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior officer of an entity which maintains or has maintained this relationship.

If applicable, include a statement from the board detailing the reasons why it believes this director may carry out duties as an independent director.

Name or company name of the director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and explain why these directors may not be considered proprietary or independent directors, and what their connection is with the Company, its managers or its shareholders:

Name or company name of the director	Reason	Company, director or shareholders to which this person is linked	Profile
MR PEDRO ANGEL NAVARRO MARTINEZ	Has exceeded the 12-year limit to hold the position of independent Director.	RENTA 4 BANCO S.A.	Mr Navarro is an industrial engineer by the Polytechnic University of Barcelona. He also has an MBA by ESADE and a Master's degree in Finances by the Texas Tech University (USA). He began his career by working for two years and a half at Texas Instruments Inc. in Dallas (USA) and Nice (France). Mr Navarro then worked for a year at Honeywell Bull Spain. In 1972 he joined Accenture (formerly Arthur Andersen) where he remained until 2001. In Accenture he held the positions of Office Managing Partner in the office in Barcelona, then Chairman for Spain, CEO for Southern Europe and CEO of the Financial Entities sector for Europe, Latin America and Africa. He was a member of the World Board for ten years, from 1990 until 2000. At present, Mr Navarro is an independent Director of Renta 4 Banco, S.A. and Jazztel PLC; Executive Vice President of the Board of Trustees of ESADE and Vice President of CEDE (Spanish Confederation of Managers and Executives). Mr Navarro also belongs to the Círculo de Empresarios and the Instituto de Consejeros-Administradores (ICA).
MR PEDRO FERRERAS DIEZ	Has exceeded the 12-year limit to hold the position of independent Director.	RENTA 4 BANCO S.A.	Mr Ferreras has a degree in Law by the University of Oviedo (1977). Before joining the State Attorney Office in 1984 he was a lecturer in Administrative Law at the University of León (1978-1982). Since 1985 he has been working as a lawyer and is a Managing Partner of Ferreras Abogados. Mr Ferreras has been Chairman of SEPI (1996-2001) and a Director in different companies, including Repsol, Telefónica, SEPPA, the European Aeronautic Defense and Space Company, and is also Chairman of the Board of Directors of Aluminios de Cataluña, S.A. (ALCASA), and is a Director of Abertis Telecom, S.A.. Likewise, he is a member of the Governing Board of the APD (Spanish Association for the Progress of Management) and a member of the Economic and Social Board of the International University of Catalunya. In September 2001 he resumed his activity as a lawyer.

Total number of other external directors	2
% out of the total of the board	14.29

Indicate any changes in the status of each director that may have occurred during the year:

Name or company name of the director	Date of change	Prior category	Current category
No data			

C.1.4 Complete the following table with the information on the number of female directors over the past 4 years and their category:

	Number of female board members				% of total directors of each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	2	2	1		40.00	40.00	16.66	0.00
Other External Female Directors					0.00	0.00	0.00	0.00
Total	2	2	1		14.29	14.29	8.33	0.00

C.1.5 Indicate whether the company has diversity policies in place for its Board of Directors with regards to age, gender, disability, education or work experience, among other matters. Small and medium businesses, as described by the Auditing Law, should at least report about the policy they have established to ensure gender diversity.

Yes No **Partial policies** ✓

If this is the case, describe the diversity policies, their targets, measures and the way they have been implemented and their outcome in the fiscal year. Also indicate the specific measures taken by the Board of Directors and the Appointments and Remuneration Committee to ensure a balanced and diverse ratio of directors.

Should the company not have a diversity policy in place, explain the reasons for it.

Description of policies, targets, measures and way they have been implemented, as well as their outcome.

Article 9.5 of the regulations of the Board of Directors (the "Board Regulations"), in accordance with Article 33.2 of the Bylaws sets forth that the Board of Directors should ensure that the procedures employed to select its members promote diversity in terms of gender, experience and knowledge and are free of any implicit bias that may entail discrimination and, in particular, facilitate the selection of female directors. The Board of Directors has entrusted this function to the Appointments and Remuneration Committee ("ARC") as described in Article 32.3(g) of the Board Regulations, where it indicates, among other functions assigned to the ARC, that it should "Ensure that the director selection procedures do not discriminate in terms of gender, set a representation target for the least represented gender and prepare guidelines on how to reach such target".

During 2018, the ARC developed part of its activity by focusing on the implementation of these policies, studying and analysing different female candidates as potential members of the Board of Directors for the next years. The Company is applying this same policy in other areas, including the Management Committee, which has incorporated two new female members.

C.1.6 Explain any measures that may have been agreed by the appointments committee to prevent any implicit bias in selection procedures to hinder the selection of female board members, and for the company to deliberately strive to include women who meet the professional profile sought among the candidates and that will enable a balanced ratio of men and women:

Explanation of the measures

rticle 9.5 of the Board Regulations provides that the Board of Directors will ensure that the procedures for selecting its members promote diversity of gender, experience and knowledge and are free of any implicit bias that may entail discrimination and, in particular, facilitate the selection of women directors.

In this regard, the Board has entrusted the ARC with the function of ensuring that the director selection procedures do not discriminate in terms of gender, set a representation target for the least represented gender and prepare guidelines on how to reach such target in accordance with Article 32.3.g) of the Regulations of the Board of Directors.

Likewise, Article 32 of the Board Regulations and, for the purposes of avoiding any implicit bias in the selection procedure applied to the members of the Board of Directors that will hinder and/or prevent the selection of female members, sets forth that the ARC should:

(i) Evaluate the skills, knowledge and experience required of the Board of Directors, consequently define the roles and capabilities required of the candidates to fill each vacancy and decide on the time and dedication necessary for them to perform their duties appropriately. Any Director may request that the ARC take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable; and

(ii) Ensure that the director selection procedures do not discriminate in terms of gender, set a representation target for the least represented gender and prepare guidelines on how to reach such target.

The ARC has aimed to, by establishing the goals and basic principles applied to the director selection process and a series of conditions that the candidates must meet, in line with the director Selection Policy:

(i) Encourage the diversity and integration of knowledge, experience and gender, aiming to have at least 30% of female directors out of the total members on Board by 2020; and

(ii) Reach a suitable balance on the Board of Directors that will enrich the decision-making and contribute plural points of view to the debates on the matters under its domain; and

(iii) Ensure that the proposals for the appointment or re-election of directors are based on a preliminary analysis of the needs of the Board of Directors. As a result of the above, the ARC proposed a director Selection Policy based on the principles of diversity and balanced composition of the Board of Directors and this was adopted by the Board of Directors. In order to apply such policy, the ARC started in 2018 a process to assess female candidates to join the Board of Directors in the future.

When, despite the measures adopted, there are few or no female directors, explain the reasons:

Explanation of the reasons
The reason for the lower percentage of female representation on the Board is not owed to gender discrimination or bias in the director selection procedure that will hinder their selection. In particular, in 2018, the ARC developed part of its activity by focusing on the implementation of these policies, studying and analysing different female candidates as potential members of the Board of Directors for the next years.

C.1.7 Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. And, specifically, how this policy addresses the objective of female directors accounting for at least 30% of the total number of members of the Board of Directors by 2020.

In 2016, the Appointments and Remuneration Committee set the basic principles and guidelines as the foundations for the director appointment policy and these are included in the proposal of the director Selection Policy that was adopted by the Board of Directors. Such Policy, based on the principles of diversity and balance in the composition of the Company's Board of Directors is expressly focused on encouraging the diversity and integration of knowledge, experience and gender, aiming to achieve at least 30% of female representation on the Board of Directors by 2020. The members of the ARC issued a positive report on the Company's corporate governance policy, which expressly foresees that the Committee should ensure that the director selection procedure should foster diversity of gender, experience and knowledge, and be free of any implicit bias that may lead to discrimination and, in particular should facilitate the selection of female directors. The ARC developed part of its activity by focusing on the implementation of these policies, studying and analysing different female candidates as potential members of the Board of Directors for the next years.

C.1.8 Explain any reasons for which proprietary directors have been appointed at the behest of shareholders accounting for less than 3% of share capital:

Name or company name of the shareholder	Justification
No data	

Provide details of any rejections of formal requests for board representation from shareholders whose shareholding is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been granted:

Yes **No** ✓

C.1.9 Indicate, if any, the powers delegated by the Board of Directors to directors or to Board committees:

Name or company name of the director or committee	Brief description
JUAN LUIS LOPEZ GARCIA	All the powers granted to the Board of Directors, except those that cannot be delegated by Law or the Company Bylaws.

C.1.10 Identify any Board members working as managing directors, representatives of managing directors or executives at other companies that are part of the listed company's group:

Name or company name of the director	Group company name	Position	Has executive duties?
MR JUAN CARLOS URETA DOMINGO	RENTA 4 GLOBAL FIDUCIARIA, S.A.	MIEMBRO DE LA JUNTA DIRECTIVA	NO
MR JUAN LUIS LOPEZ GARCIA	RENTA 4 GLOBAL FIDUCIARIA, S.A.	MIEMBRO DE LA JUNTA DIRECTIVA	NO
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 CORPORATE, S.A.	CONSEJERO	NO
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 S.V., S.A.	CONSEJERO	NO
MR JESÚS SANCHEZ- QUIÑONES GONZALEZ	RENTA 4 CORPORATE, S.A.	PRESIDENTE - CONSEJERO DELEGADO	SI
MR JESÚS SANCHEZ- QUIÑONES GONZALEZ	RENTA 4 S.V., S.A.	CONSEJERO	NO
MR SANTIAGO GONZALEZ ENCISO	RENTA 4 S.V., S.A.	CONSEJERO	NO
MR PEDRO FERRERAS DIEZ	RENTA 4 CORPORATE, S.A.	CONSEJERO	NO
MR JUAN LUIS LOPEZ GARCIA	RENTA 4 PENSIONES S.G.F.P S.A	CONSEJERO	NO

C.1.11 Identify any directors, or representatives of directors who are legal entities, at your company who are also members of the Board of Directors, or representatives of directors who are legal entities, in other companies listed on official securities markets other than your group, which have been notified to the company:

Nombre o denominación social del consejero	Denominación social de la entidad cotizada	Cargo
DON JUAN CARLOS URETA DOMINGO	SAINT CROIX HOLDING IMMOBILIER SOCIMI SA.	CONSEJERO
DON JUAN CARLOS URETA DOMINGO	BME BOLSAS Y MERCADOS ESPAÑOLES	CONSEJERO

C.1.12 Indicate and, explain where appropriate, whether the company has established rules on the maximum amount of company boards the company's directors may sit on, identifying, if any, where these rules are established:

Yes **No** ✓

C.1.13 Specify the amounts of the following items regarding the global remuneration of the Board of Directors:

Remuneration accrued by the Board of Directors during the fiscal year (thousands of euros)	1.910
Amount of pension rights accumulated by the current directors (thousands of euros)	4
Amount of pension rights accumulated by the former directors (thousands of euros)	

C.1.14 List any members of the senior management who are not also executive directors and state the total remuneration accrued by them during the year:

Name or company name	Position(s)
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	CHAIRMAN/GENERAL MANAGER OF RENTA 4 S.V., S.A.
Total remuneration of senior executives (thousands of euros)	213

C.1.15 Indicate whether any amendments have been made to the Board regulations during the fiscal year:

Yes ✓ No

Description of changes

On 13 March 2018, the Board of Directors agreed to change Article 12 of the Board Regulations in order to make the most of the knowledge and experience of the Board members of Renta 4 Banco S.A., on the industry and market and on the Company itself so as to maximise efficiency and excellence in the operations developed by Renta 4 Banco, S.A. For such purposes, the members' age is limited to 80 years.

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

The General Meeting is in charge of the appointment of the Directors without prejudice to the right to proportional representation the shareholders are entitled to under the terms of the Spanish Limited Liability Companies Law.

In the event of a vacancy during the term for which the Directors were appointed, the Board may appoint a replacement by co-option to fill in the vacancy until the first General Meeting, unless such Meeting has already been called. In this case, the Board may appoint a Director until the next General Meeting following the one that had already been called.

The proposals to appoint, ratify or re-elect Directors should refer to people who are known for their integrity, solvency, technical skills and experience and will be approved by the Board upon the proposal made by the ARC for Independent Directors or upon the proposal of the Board, based on the ARC's report, for all other Directors. In any case, the proposal or the report made by the ARC should assign the new Director to one of the director classes foreseen in the Company's Board Regulations. Proposals must be accompanied by a supporting report from the Board that assesses the competence, experience and merits of the proposed candidates, which will be attached to the minutes of the General Meeting or the Board meeting. When the Board diverges from the ARC's proposals, it must provide its reasons for the decision and these must be included in the minutes. The Directors may be individuals or legal entities. If a legal entity, it must appoint a single individual to permanently exercise the functions inherent in the office. The individual should meet the legal requirements set for the directors and will be subject to the same duties and will be jointly and severally liable alongside the legal entity Director. The proposed representative will be subject to the ARC's report. Should the legal entity Director revoke its proxy, this will not come into effect unless a substitute has been assigned.

From the moment the call is announced and until the General Meeting takes place, the Company the following minimum details on the persons proposed to be appointed, ratified or re-elected as members of the Board should remain published on the Company's website: identity, curriculum vitae, and director class they belong to, as well as the proposal and reports mentioned above. In the case of a legal entity, the information shall include information on the individual to be appointed to permanently act under the title proposed.

Persons who hold representation or management positions or functions in other credit entities or a significant stake in their share capital may not be appointed as directors unless expressly authorised by the Board.

Once a year, the Board will assess (i) its performance and the quality of its work, (ii) the Chairman's and CEO's performance of their roles based on the ARC's report, (iii) the performance and composition of its Committees, based on their reports, (iv) the diversity in the composition and competences of the Board, based on the ARC's report and (v) the performance and contribution made by the Directors, with special focus on the heads of the different Board Committees, based on the reports produced by the Committees. For such purposes, the Chairman will organise and coordinate the assessment of the Board with the Chairmen/Chairwomen of the Committees.

The Directors will remain in office for four years unless the General Meeting agrees to remove them or they resign from the position and they may be re-elected more than once for four-year terms.

The Directors will leave their position when, at the end of the term they were appointed for, the General Meeting is held or the time set to hold the General Meeting that is to agree the previous year's financial statements has passed, or when so agreed by the General Meeting by virtue of the powers granted by Law or the Company Bylaws.

The ARC may propose the removal of independent Directors before the end of the statutory term for which they were appointed, if the ARC deems that there are reasonable grounds to do so. In particular, there will be reasonable grounds for removal when the Director fails to carry out the duties attached to his/her position or when he/she is under whichever circumstances described in Article 9.2.a of the Board Regulations that prevent his/her appointment as independent Director when the Director takes on a new position or new duties that prevent him/her from devoting the necessary time to carry out his/her role as Director.

The removal of directors may also be proposed as a result of public buy-outs, mergers or other similar corporate transactions implying a change in the structure of the Company's capital, where such changes in the Board structure are due to the proportionality criterion in the Board Regulations..

When a Director leaves his/her position before the end of his/her office by resignation or otherwise, he/she must explain the reasons behind such decision in a letter to be sent to all the Board members.

C.1.17 Explain to what extent the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

There have been no changes as the result of the self-assessment was satisfactory.

Describe the assessment procedure and the areas assessed by the Board of Directors with the support, if any, of an external consultant, regarding the performance and composition of the Board and its committees and any other area or aspect that has been assessed.

Description of the assessment procedure and areas assessed

The Board of Directors has assessed its composition and competences, the performance and composition of its Committees and the performance of the Chairman, CEO, Independent Lead Director and Secretary of the Company by sending all directors the relevant assessment surveys regarding the Board of Directors, Appointments and Remuneration Committee ("ARC") and the Audit and Control Committee ("ACC"). For the assessment we have counted on the advice of an external expert, Mr Salvador Montejo Velilla.

Once the answers were received, the ARC prepared the related reports assessing the Board of Directors, Chairman, CEO, Independent Lead Director and the Secretary of the Board. In addition, the ARC prepared a report assessing its own composition, competences and performance. The ACC also prepared a report assessing its own composition, competences and performance.

Subsequent to the evaluation, the Board of Directors approved the assessment reports for the Board and its committees, the Chairman, CEO, Independent Lead Director and Secretary, finding that:

(i) The Board of Directors has an appropriate composition and effectively takes on and exercises the powers and competences granted to it by the Bylaws and the regulations of the Board of Directors, always acting in the Company's interest and to maximise the Company's economic value;

(ii) The ARC and the ACC each have an appropriate composition and effectively take on and exercise the powers granted to them by the current regulations and the Company's different corporate texts; and

(iii) The Chairman, CEO, Independent Lead Director and the Secretary of the Board have effectively and diligently discharged their duties.

C.1.18 Detail, as appropriate, for the years in which the assessment was supported by an external consultant, any business dealings that the consultant or any company in its group have with the Company or any company in its group.

The business relations between the Company and/or any other group company and the consultant/external advisor only consisted of advice related to assessing the Board, Committees, Chairman, Independent Lead Director and Secretary.

C.1.19 Indicate the cases in which the directors must resign.

In accordance with Article 12.2 of the Board Regulations, "The Director should hand in their resignation in the following events:

a) At the age of 80.

b) When they leave the job, position or function linked to their appointment as executive directors.

c) In the case of proprietary Directors, when the shareholder who proposed the appointment transfers their entire shake in the Company or reduces it to an extent that entails the reduction of the number of its proprietary Directors.

d) When subject to one of the cases of incompatibility or bans foreseen by Law, the Company Bylaws or herein.

e) When the Board so requests it by majority of, at least, two thirds of its members because the Director has breached his/her duties, with a prior proposal or report by the Appointments and Remuneration Committee, or if remaining in his/her office would entail a threat to the Company's credit or reputation.

f) When the Director has received a serious caution from the Audit and Control Committee.

g) At the end, for whichever reasonable grounds, of the contractual or organic relationship with the Company's shareholder that had given rise to the Director's appointment."

Section 3 indicates that "Should an individual representing a legal entity Director be the object of the cases foreseen in section 2 above, he/she will be promptly replaced by the legal entity Director".

C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?:

Yes **No** ✓

If applicable, describe the differences.

C.1.21 State whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors:

Yes **No** ✓

C.1.22 Indicate whether the Bylaws or the board regulations set any age limit for directors:

Yes ✓ No

	Age limit
Chairman	80
CEO	80
Director	80

C.1.23 Indicate whether the Bylaws or the Board regulations set a limited term of office or other stricter requirements for independent directors other than those established by the regulations:

Yes **No** ✓

C.1.24 Indicate whether the Bylaws or Board regulations stipulate specific rules to delegate votes on the Board of Directors to other directors, the procedures thereof and, in particular, the maximum number of proxy votes a director may hold. Also indicate whether there is any limit as to the categories in which it is possible to delegate votes, beyond the limits provided in Law. If so, give brief details.

Proxy voting is described in Article 38.2 of the Company Bylaws whereby "[...] all Directors may be represented by another Director. Proxy will be granted expressly for the relevant meeting of the Board of Directors and may be notified by whichever means foreseen in section 2 in the article above. Non-executive directors may only be represented by another non-executive director.

As for the means allowed to notify the proxy, Article 37.2 of the Company Bylaws sets forth that "The meetings of the Board of Directors will be called by letter, fax, telegram, e-mail or any other means and will be authorised with the signature of the Chairman or the Secretary or Vice Secretary by order of the Chairman. The meeting will be called in due time to ensure that the Directors receive it at least three days before the meeting date save for emergency meetings that may be called to be held immediately. This will not apply to those cases where the Regulations of the Board of Directors require a specific time to call a meeting. The call must always include, unless reasonably justified, the Agenda for the meeting and will attach, where appropriate, any information deemed necessary," including the procedure to nominate a proxy, that will be in writing and specifically for each meeting.

C.1.25 Indicate the number of board meetings held during the fiscal year. Also state, if

Number of board meetings	12
Number of Board meetings without Chairman's attendance	0

applicable, the number of occasions on which the Board met without its Chairman in atten-

Number of meetings	5

Number of meetings of the AUDIT AND CONTROL COMMITTEE	8
Number of meetings of the APPOINTMENTS AND REMUNERATION COMMITTEE	6

dance. Attendance shall also include proxies appointed with specific instructions.

Indicate the number of meetings held by the Independent Lead Director with the other directors without the attendance, in person or by proxy, of an executive Director:

Indicate the number of meetings of the various board committees held during the year:

Number of meetings where at least 80% of directors attended in person	12
% of attendance in person out of the total votes during the fiscal year	100.00
Number of meetings where all the directors attended in person or by proxy with precise instructions	12
% of votes cast with attendance in person, or by proxy with precise instructions, out of the total votes during the fiscal year	100.00

C.1.26 Indicate the number of meetings held by the Board of Directors during the fiscal year and the attendance data of its members:

C.1.27 Indicate whether the consolidated and individual annual financial statements submitted to the Board for their preparation are certified beforehand:

Yes **No** ✓

Identify, where applicable, the person(s) who certified the Company's individual and consolidated annual financial statements to be prepared by the Board:

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent qualified auditors' reports on the separate and consolidated financial statements prepared by it from being submitted at the General Meeting.

The Audit and Control Committee analyses the quarterly, half-yearly and yearly financial statements and has regular meetings with the External Auditor reviewing, where necessary, any changes in the accountancy criteria that would affect the financial statements, ensuring that there are no qualifications by the Auditor and that the Board of Directors prepares the statements without qualifications.

For such purposes, as described in Article 31 of the Regulations of the Board of Directors, the Audit and Control Committee is in charge of reviewing the Company's financial statements, enforcing compliance with legal requirements and correctly applying the standard accountancy principles, as well as providing information on the proposals made by the management to change accountancy principles and criteria.

C.1.29 Is the secretary to the board a director?

yes **No** ✓

If the secretary is not a director complete the following table:

Name or company name of the secretary	Representative
MR PEDRO ALBERTO RAMON Y CAJAL AGÜERAS	

C.1.30 Indicate the specific methods established by the company to protect the independence of the external auditors, as well as the methods, if any, employed to protect the independence of the financial analysis, of investment banks and of credit rating agencies, including how the legal provisions have been effectively implemented.

In accordance with Article 31.3.b) of the Board Regulations, the Audit and Control Committee is the body in charge of ensuring the External Auditors' independence by establishing, inter alia, the duty, as regards the external auditor, to:

(i) Present before the Board of Directors, to then be put forward to the General Meeting of Shareholders, the proposals to select, appoint, re-elect or replace the external auditor, as well as the terms of his/her contract, the scope of the auditor's professional office and the revocation or renewal of his/her appointment;

(ii) Regularly gather information from the external auditor about the audit plan and protect his/her independence -ensuring that the compensation given to the external auditor for his/her work does not compromise the quality of his/her work or his/her independence- and about matters that may threaten his/her independence and the results of the audit, to be examined by the Committee, and any other information related to the accounts audit. It should also receive information and exchange communications with the external auditor as foreseen by the laws on accounts audits and the auditing regulations, and it should check that the senior management takes into account the auditor's suggestions;

(iii) Once a year, the Committee must receive from the external auditors the declaration of their independence in relation to the Company or companies directly or indirectly related to it, and information concerning additional services of any kind that have been provided and the fees received by the external auditor or by persons or companies related to it, in accordance with the provisions of the audit legislation and, for such purposes, ensure that the Company reports any changes of auditor as a regulatory announcement to the CNMV alongside

a statement on the possible existence of disagreements with the outgoing auditor and, if any, with the contents. Should the external auditor resign, the Committee will examine the circumstances surrounding this decision;

(iv) Every year issue, prior to the issue of the auditors' report, a report expressing an opinion on the independence of the auditors. Such report should always include the assessment of the provision of the additional services referred to above, considered separately or jointly, other than the legal audit and connected to the independence system or with the audit regulations, ensuring that the Company and the external auditor observe the current regulations on providing non-audit services, the limits on the auditor's business concentration and, in general all other rules on auditor independence;

(v) Encourage the Company's auditor to take on the auditing of the companies that, if any, make up the group; and

(vi) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

In practice, in 2018, the ACC has performed all the duties foreseen and with the diligence required to keep the external auditor's independence.

C.1.31 Indicate whether the company changed its external auditors during the fiscal year. Where appropriate, identify the incoming and outgoing auditors:

Yes **No** ✓

Explain any disagreements with the outgoing auditor and the reasons for the same:

Yes **No** ✓

C.1.32 Indicate whether the audit firm performs other non-audit work for the company and/or its group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the company and/or its group:

Yes ✓ No

	Company	Group companies	Total
Amount of non-audit work (thousands of euros)	48	14	62
Amount of non-audit work/Amount of audit work (as a %)	39.34	38.89	39.24

C.1.33 Indicate whether the audit report for the annual financial statements of the previous fiscal year included any reservations or qualifications. Indicate the reasons given by the Chairman of the audit committee to the shareholders of the General Meeting to explain the contents and scope of the reservations or qualifications.

Yes **No** ✓

C.1.34 Indicate the number of consecutive years that the current audit firm has been auditing the Company's individual and/or consolidated annual financial statements. Likewise, indicate for how many years the current firm has been auditing the annual financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	2	2

	Individual	Consolidated
Number of years audited by the current audit firm/number of years the company or its group has been audited (as a %)	21.42	21.42

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the management bodies sufficiently in advance, and if so, give details:

Sí ✓ No

Detail of the procedure

The Directors' right to information regarding the meetings of the Board of Directors is acknowledged in Article 22 of the Board Regulations. Directors have the duty to request and the right to obtain from the Company any information they need to discharge their Board responsibilities. In this respect, Directors may obtain information on any aspect of the Company and its subsidiaries and may examine their books, records, documents and any other records of corporate operations and inspect all their facilities.

They may also communicate with the Company's senior officers. Likewise, Directors are entitled to receive regular information on the movements in the shareholding and on the opinions that significant shareholders, investors and rating agencies have of the Company and its group.

So as to not disturb the Company's ordinary management, all rights to information will be exercised through the Chairman of the Board of Directors who will address the Directors' requests and will provide them with the information directly or with suitable contacts at the relevant company level.

The Chairman, in collaboration with the Secretary, will ensure that the Directors have all the information required sufficiently in advance to deliberate and adopt resolutions for the matters on the agenda.

Based on Article 28 of the Company Bylaws, the call for the Board of Directors meeting will attach all information required for such meeting.

C.1.36 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to report and, where applicable, resign in any circumstances that might jeopardise the company's credit or reputation:

Yes ✓ No

Explain

As described in the Board Regulations, in Article 12, "1. The Directors will leave their position when, at the end of the term they were appointed for, the General Meeting is held or the time set to hold the General Meeting that is to agree the previous year's financial statements has passed, or when so agreed by the General Meeting by virtue of the powers granted by Law or the Company Bylaws, and should resign: "a) At the age of 80. b) When they leave the job, position or function linked to their appointment as director. c) In the case of proprietary Directors, when the shareholder who proposed the appointment transfers their entire shake in the Company or reduces it to an extent that entails the reduction of the number of its proprietary Directors. d)When subject to one of the cases of incompatibility or bans foreseen by Law, the Company Bylaws or herein. e) When the Board so requests it by majority of, at least, two thirds of its members because the Director has breached his/her duties, with a prior proposal or report by the Appointments and Remuneration Committee, or if remaining in his/her office would entail a threat to the Company's credit or reputation. f) When the Director has received a serious caution from the Audit and Control Committee. g) At the end, for whichever reasonable grounds, of the contractual or organic relationship with the Company's shareholder that had given rise to the Director's appointment."

"Of any legal, administrative or other proceedings lodged against the Director that, due to their relevance or nature, could have a serious impact on the Company's reputation. In particular, all Directors should inform the Company, through the Chairman, if they are charged, put on trial or subject to an order to proceed to a hearing for any of the offenses detailed in Article 213 of the revised text of the Spanish Limited Liability Companies Law. In such event, the Board will examine the case as soon as possible and will make the decisions it deems convenient in the Company's interest".

C.1.37 Indicate whether any of the members of the Board of Directors have informed the company of any indictments or the commencement of oral proceedings against him/her for any of the offences specified in Article 213 of the Spanish Limited Liability Companies Law:

Yes **No** ✓

C.1.38 Detail any significant agreements entered into by the company which will come into force, are amended or terminated in the event of a change of control of the company following a takeover bid and the effects thereof.

None.

C.1.39 Identify, separately when referring to directors and aggregated when referring to all other cases and provide detailed information on agreements between the company and its officers, executives and employees that provide for indemnities or guarantee or golden parachute clauses when the resign or are wrongfully dismissed or if the contractual relationship ends due to a takeover or another kind of transaction.

Number of beneficiaries	Type of beneficiary	Description of the agreement
3	The CEO (Mr Juan Luis López García), the Director and General Manager (Mr Jesús Sánchez-Quiñones Gonzalez); Member of the Management Committee, Chairman of Renta 4 Gestora SGIIC SA and Renta 4 Pensiones EGFP SA (Mr Antonio Fernández Vera)	In the event of their wrongful dismissal, the CEO and the Director and General Manager would be entitled to receive compensation equivalent to the legal compensation provided for wrongful dismissal under the ordinary employment laws. On the other hand, the member of the Management Committee, Chairman of Renta 4 Gestora SGIIC and Renta 4 Pensiones EGFP, S.A, is entitled to, in the event of his wrongful dismissal or removal, to compensation equal to the compensation provided for unfair dismissal under the ordinary employment laws.

Indicate whether, beyond the assumptions foreseen by the regulations, these agreements must be reported to and/or authorised by the governing bodies of the company or its group. If this is the case, specify the procedures, assumptions foreseen and nature of the bodies in charge of their approval or their communication:

	Board of Directors	General Meeting
Body which authorises the clauses	Yes	No

	Yes	No
Is the General Meeting informed of the clauses?		X

C.2. C.2. Board Committees

C.2.1 Give details of all board committees, their members and the proportion of executive, proprietary, independent and other external directors that form them:

Name	Position	Category
MR JOSE RAMON RUBIO LAPORTA	CHAIRMAN	Independent
MR FRANCISCO DE ASIS GARCÍA MOLINA	MEMBER	Independent
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	33.33
% of independent directors	66.67
% of other external directors	0.00

Explain the functions, including any added functions that are not legally foreseen, if any, conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

A. Composition. It is composed of at least 3 Directors who will be appointed by the Board of Directors at the proposal of its Chairman, chosen from among its non-executive members, and at least two of them should be independent. The Committee will appoint, from among its members, the Chairman, who will always be an Independent Director and will be replaced every 4 years, without prejudice to his/her continuity or re-election as a member of the Committee. Furthermore, the Committee will appoint its Secretary and, where appropriate, a Vice President. Likewise, all members of the Audit and Control Committee should have the necessary knowledge, professional experience and devotion to carry out the functions they are entrusted with.

B. Competences. The Committee's functions are set forth in Article 42 of the Company Bylaws and Article 31 of the Board Regulations.

C. Workings. The Committee will meet at least once every quarter and, in any case, every time it is called by its Chairman or at the request of the Chairman of the Board of Directors. The conclusions drawn from each meeting will be included in the minutes that will be reported at the Board meeting. Any members of the management team, Company employees or auditors requested to do so will be obliged to attend the Committee meetings and to collaborate and provide the information they have.

In 2018, the ACC carried out the following functions inter alia:

• Acted as a communication channel between the Board and the external auditor, assessing the results of each audit.

• Authorised KPMG Abogados, S.L. to provide professional consultancy services in preparing and filing the 1042-S forms for 2017.

• Issued, prior to the auditors' report, a report on whether the independence of the auditors or audit firms was jeopardised.

• Approved the internal audit action plan for 2018.

• Supervised the effectiveness of the Company's internal control, internal audit and risk management systems, and discussed with the auditor any significant weaknesses detected in the internal control system.

• Approved the risk management and control policy, corporate governance and treasury share reports to be submitted to the board.

• Monitored compliance with the rules of the internal codes of conduct and its corporate social responsibility policy.

• Approved, to then be presented before the Board, the Self-Assessment Report on the Risk of Money Laundering; the best practices policy; the Guide on the Filing Procedures of Collective Investment Undertakings; and the reports on the monitoring of the recovery plan and conflicts of interest.

• Oversaw the reporting and submission of regulatory financial information, in particular the separate and consolidated financial statements.

• Reported on the annual corporate governance report

• Evaluated its own performance within the framework of the self-assessment of the performance of the Board of Directors and its internal Committees.

Identify the directors who are members of the audit committee appointed with regard to his or her knowledge and experience in accounting, auditing or both, and indicate the date when the Chairman of the committee was appointed as such.

Names of directors with experience	MR JOSE RAMON RUBIO LAPORTA
Date the Chairman was appointed as such	23/02/2016

Name	Position	Category
MR EDUARDO TRUEBA CORTÉS	CHAIRMAN	Independent
MR PEDRO ANGEL NAVARRO MARTINEZ	MEMBER	Other External
MS SARAH MARIE HARMON	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions, including any added functions that are not legally foreseen, if any, conferred to this Committee and describe the procedures and rules of its organisation and operation. For each of these functions, indicate the more relevant actions during the fiscal year and how it effectively carried out each of the functions conferred to it by Law or Bylaws or other corporate agreements.

A. Composition. It is made up of at least 3 members who should all be non-executive Directors -at least a third of them should be independent Directors- who will leave their position once they stop being Directors or when agreed by the Board of Directors. The Board of Directors will appoint its Chairman from among its members, always an independent Director, and its Secretary.

B. Competences. The Committee's functions are set forth in Article 32 of the Regulations of the Board of Directors.

C. Workings. The Committee will meet as frequently as necessary to carry out its functions. It should also meet when called by its Chairman, the Chairman of the Board of Directors and at least once every quarter. The Appointments and Remuneration Committee will be validly called to order when the majority of its members is present. The Committee will have access to all the information and d ocumentation required to perform its duties. The conclusions drawn in each meeting will be registered in the minutes ledger that will be signed by the Chairman and the Secretary

In 2018, the ARC carried out the following functions, inter alia::

• Ensured that the remuneration policy established by the Company was observed.

• Directed the process of evaluating its own performance, the performance of the board and the discharge of duties by the chairman, secretary, lead independent director and CEO, and reported to the board on the findings reached.

• Proposed the 2018 Remuneration Policy to the Board.

• Proposed the contents of the Annual Report on Directors' Remuneration to the Board.

• Proposed to the Board the re-election of Mr Francisco García Molina as independent Director of the Company and the re-election of Fundación Mutualidad de la Abogacía (formerly called Fundación Obra Social de la Abogacía), as proprietary Director of the Company.

• Presented the Board with a positive report on the assessment of Mr Enrique Sanz Fernández –Lomana as the new individual representative of Mutualidad General de la Abogacía.

C.2.2 Fill in the following table with the information on the number of female directors sitting on the Board Committees at the end of the last four years:

Number of female board members

	2018		2017		2016		2015	
	Número	%	Número	%	Número	%	Número	%
AUDIT AND CONTROL COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	1	33.33%	1	33.33%	1	33.33%	1	33.33%

C.2.3 Indicate, where applicable, the existence of regulations governing the Board Committees, where they can be accessed, and any amendments thereto during the fiscal year. Also state whether any voluntary annual reports have been produced on the activities of each committee.

APPOINTMENTS AND REMUNERATION COMMITTEE

The ARC is governed by Article 42 bis in the Company Bylaws and by Article 32 of the Board Regulations. Both corporate texts are available on the Company's website.

The Board of Directors, pursuant to its duty as per Article 28 of the Board Regulations that includes Recommendation 36 of the Code of Good Governance of Listed companies of February 2015 passed by the Board of the Spanish Securities Market Commission (CNMV), assesses once a year (i) its own performance and the quality of its work, (ii) the Board Chairman's and Company CEO's performance of their roles based on the ARC's report, (iii) the performance and composition of its Committees, based on their reports, (iv) the diversity in the composition and competences of the Board of Directors, based on the ARC's report and (v) the performance and contribution made by the Directors, with special focus on the heads of the different Board Committees, based on the reports produced by the Audit and Control Committee and the Appointments and Remuneration Committee in each case.

In this respect, each Board Committee has prepared a report on its own performance to help the Board assess their performance during the year.

AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee is governed by Article 42 in the Company Bylaws and by Article 31 of the Board Regulations. Both corporate texts are available on the Company's website.

The Board of Directors, pursuant to its duty as per Article 28 of the Board Regulations that includes Recommendation 36 of the Code of Good Governance of Listed companies of February 2015 passed by the Board of the Spanish Securities Market Commission (CNMV), assesses once a year (i) its own performance and the quality of its work, (ii) the Board Chairman's and Company CEO's performance of their roles based on the ARC's report, (iii) the performance and composition of its Committees, based on their reports, (iv) the diversity in the composition and competences of the Board of Directors, based on the ARC's report and (v) the performance and contribution made by the Directors, with special focus on the heads of the different Board Committees, based on the reports produced by the Audit and Control Committee and the Appointments and Remuneration Committee in each case.

In this respect, each Board Committee has prepared a report on its own performance to help the Board assess their performance during the year..

In this regard, the Committee has prepared a yearly report on its activities in compliance with the aforementioned provisions.

D. RELATED-PARTY TRANSACTIONS AND INTRACOMPANY TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies for the approval of related-party transactions and intracompany transactions.

Pursuant to Article 5 in the Board Regulations, the Board of Directors will be in charge of "adopting agreements on all kinds of matters that are not assigned to the General Meeting by Law or the Company Bylaws, and will have full powers to manage, run and represent the Company in court or otherwise. Notwithstanding this, the Board will fundamentally focus its activity on the supervision and control of the Company's running and ordinary management entrusted to the executive Directors and senior management, and will consider any matters that are especially relevant to the Company or that are necessary for the appropriate performance of the aforementioned general supervisory function."

"2. In any case, the following matters that may not be delegated will be reserved to the Board of Directors meeting: [...] t) The approval, with a prior positive report from the Audit and Control Committee, of the operations that the Company may run with Directors, under the Spanish Limited Liability Companies Law, or with Shareholders who own, individually or jointly with others, a significant stake, including shareholders represented on the Company's Board of Directors or with persons related to them. The Directors affected or representing or related to the affected shareholders should refrain form taking part in the deliberation and vote of the resolution in question. Only the operations that meet all three of the following characteristics will be excluded: i) carried out by virtue of contracts whose conditions are standardised and are applied in mass to a large number of clients; ii) carried out at prices or rates set on a general basis by the supplier of the good or service in question; and iii) when their value does not exceed one percent (1%) of the Company's yearly revenue.

[...]

3. The competences mentioned in the section above may be carried out, in an emergency, by the Executive Committee or, if appropriate, by the CEO, to the extent permitted by Law, to then be ratified at the Board meeting.

4. The Board of Directors will develop its functions with a common purpose and independent judgement, providing the same treatment to all shareholders who are in the same position, in the Company's interest, which will not prevent the consideration of all other legal, public or private interests, that converge in the course of all business operations, and especially the interests of the employees. In this context, it will be understood as a corporate interest, as the achievement of a profitable and sustainable business in the long run that will promote its continuity and maximise the Company's financial value."

D.2. State any operations which are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and significant shareholders of the company:

Name or company name of the significant shareholder	Name or company name of the company or company in its group	Type of relationship	Type of operation	Amount (thousands of euros)
CONTRATAS Y SERVICIOS EXTREMEÑOS, S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS S.A.	Corporate	Dividends and other distributed profits	654
CONTRATAS Y SERVICIOSEXTREMEÑOS, S.A.	CONTRATAS Y SERVICIOS EXTREMEÑOS S.A.	Contractual	Others	514
GLOBAL PORTFOLIO INVESTMENTS SL	INDUMENTA PUERI S.L.	Corporate	Dividends and other distributed profits	728
CONTRATAS Y SERVICIOSEXTREMEÑOS, S.A.	CONTRATAS Y SERVICIOSEXTREMEÑOS SA	Contractual	Services provided	3
GLOBAL PORTFOLIO INVESTMENTS SL	INDUMENTA PUERI SL	Contractual	Others	13
GLOBAL PORTFOLIO INVESTMENTS SL	INDUMENTA PUERI SL	Contractual	Services provided	13

D.3. State any operations that are significant in terms of their value or relevant due to their contents, carried out between the company or companies in its group, and company directors or executives:

Name or company name of the directors or managers	Name or company name of the related party	Link	Type of transaction	Amount (thousands of euros)
MUTUALIDAD GENERAL DE LA ABOGACIA	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	13
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	1
MR EDUARDO TRUEBA CORTÉS	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	1
MR SANTIAGO GONZALEZ ENCISO	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	2
MR JUAN LUIS LOPEZ GARCIA	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	2
MR JOSE RAMON RUBIO LAPORTA	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	2
MR PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	4
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CONTRACTUAL	Services received	30
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Interests paid	2

Name or company name of the directors or managers	Name or company name of the related party	Link	Type of transaction	Amount (thousands of euros)
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Interests paid	3
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CONTRACTUAL	Interests paid	3
MR SANTIAGO GONZALEZ ENCISO	RENTA 4 BANCO S.A.	CONTRACTUAL	Interests paid	3
MR PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Interests paid	17
MUTUALIDAD GENERAL DE LA ABOGACIA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	896
MR SANTIAGO GONZALEZ ENCISO	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	181
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	25
MR JESÚS SANCHEZ- QUIÑONES GONZALEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	95
MR JOSE RAMON RUBIO LAPORTA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	118
MR JUAN LUIS LOPEZ GARCIA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	25
MR PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	49
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	4.037
MR PEDRO FERRERAS DIEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	26
MR EDUARDO CHACON LOPEZ	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	1
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	10
MS SARAH MARIE HARMON	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	2
MS INES JUSTE BELLOSILLO	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	1
MR EDUARDO TRUEBA CORTÉS	RENTA 4 BANCO S.A.	CORPORATE	Dividends and other distributed profits	24
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	405
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	198
MR PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	789
MR SANTIAGO GONZALEZ ENCISO	RENTA 4 BANCO S.A.	CONTRACTUAL	Financing agreements: loans	607

Name or company name of the directors or managers	Name or company name of the related party	Link	Type of transaction	Amount (thousands of euros)
MS INES JUSTE BELLOSILLO	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	1
MR PEDRO FERRERAS DIEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	2
MR JESÚS SANCHEZ- QUIÑONES GONZALEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	3
MR EDUARDO TRUEBA CORTÉS	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	3
MR EDUARDO CHACON LOPEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	7
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	14
MR JUAN CARLOS URETA DOMINGO	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	16
MR JUAN LUIS LOPEZ GARCIA	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	25
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	93
MR JOSE RAMON RUBIO LAPORTA	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	614
MUTUALIDAD GENERAL DE LA ABOGACIA	RENTA 4 BANCO S.A.	CONTRACTUAL	Others	642
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 SV SA	CONTRACTUAL	Financing agreements: loans	26
MR JOSÉ IGNACIO GARCÍA-JUNCEDA FERNÁNDEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Guarantees and bonds	610
MR FRANCISCO DE ASIS GARCÍA MOLINA	RENTA 4 BANCO S.A.	CONTRACTUAL	Guarantees and bonds	329
MR PEDRO ANGEL NAVARRO MARTINEZ	RENTA 4 BANCO S.A.	CONTRACTUAL	Guarantees and bonds	2.147
MR SANTIAGO GONZALEZ ENCISO	RENTA 4 BANCO S.A.	CONTRACTUAL	Guarantees and bonds	1.171

D.4. Indicate any significant operations carried out by the Company with other companies in the same group, provided that they are not eliminated when reporting the consolidated financial statements and are not part of the Company's usual business in terms of purpose and conditions.

In any case, all intracompany operations with companies established in countries or jurisdictions considered as a safe haven must be reported:

Corporate name of the company in the group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.5. Detail any significant operations carried out between the company or group companies and with other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
PILAR MURO NAVARRO	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	135
MATILDE FERNANDEZ DE MIGUEL	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	116
MATILDE FERNANDEZ DE MIGUEL	OTHERS	8
MATILDE FERNANDEZ DE MIGUEL	GUARANTEES AND BONDS	274
SANTIAGO GONZALEZ- ENCISO FERNANDEZ	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	10
MARIA GONZALEZ- ENCISO FERNANDEZ	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	10
CRISTINA GONZALEZ- ENCISO FERNANDEZ	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	10
IGNACIO GONZALEZ-ENCISO FERNANDEZ	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	10
MATILDE GONZALEZ- ENCISO FERNANDEZ	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	10
MATILDE ESTADES SECO	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	316
MATILDE ESTADES SECO	OTHERS	13
MATILDE URETA ESTADES	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	2
MATILDE URETA ESTADES	OTHERS	6
JUAN CARLOS URETA ESTADES	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	3
INÉS ASUNCIÓN URETA ESTADES	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	1
INÉS ASUNCIÓN URETA ESTADES	OTHERS	6
ARBARIN SICAV SA	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	165
KURSAAL 2000, SICAV S.A.	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	14
KURSAAL 2000, SICAV S.A.	SERVICES PROVIDED	23
KURSAAL 2000, SICAV S.A.	INTERESTS PAID	1
KURSAAL 2000, SICAV S.A.	OTHERS	61
KURSAAL 2000, SICAV SA	SERVICES PROVIDED	21
SURIKOMI S.A.	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	676
SURIKOMI S.A.	SERVICES PROVIDED	18
SURIKOMI S.A.	OTHERS	187
HELP INVERSIONES, S.I.M.C.A.V S.A.	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	15
HELP INVERSIONES, S.I.M.C.A.V S.A.	SERVICES PROVIDED	18
HELP INVERSIONES, S.I.M.C.A.V S.A.	RECEPCIÓN DE SERVICIOS	5
HELP INVERSIONES, S.I.M.C.A.V S.A.	OTHERS	386
HELP INVERSIONES, S.I.M.C.A.V., S.A.	SERVICES PROVIDED	14
CARTERA DE DIRECTIVOS 2011 S.A.	SERVICES PROVIDED	52
CARTERA DE DIRECTIVOS 2011 S.A.	INTERESTS PAID	12
CARTERA DE DIRECTIVOS 2011 S.A.	OTHERS	508
QUALIFIED INVESTOR SICAV	SERVICES PROVIDED	24
QUALIFIED INVESTOR SICAV	RECEPCIÓN DE SERVICIOS	1
QUALIFIED INVESTOR SICAV	INTERESTS PAID	1
QUALIFIED INVESTOR SICAV	OTHERS	415
QUALIFIED INVESTOR SICAV	SERVICES PROVIDED	14
INVERCYSEX, S.L.	SERVICES PROVIDED	1
INVERCYSEX, S.L.	RECEPCIÓN DE SERVICIOS	12
INVERCYSEX, S.L.	OTHERS	5
MOBEL LINEA S.L.	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	301
MOBEL LINEA S.L.	SERVICES PROVIDED	1
MOBEL LINEA S.L.	OTHERS	896
I.G.E.6, S.L.	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	83
SDAD. VASCO MADRILEÑA DE INVERSIONES S.L.	INTERESTS PAID	6
SDAD. VASCO MADRILEÑA DE INVERSIONES S.L.	OTHERS	10
SDAD. VASCO MADRILEÑA DE INVERSIONES S.L.	REPAYMENT OF FINANCIAL LOAN	1.500
INVER. FINAC. E INMOB. AR SANTAMARIA S.L.	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	761
INVER. FINANC. E INMOB. AR SANTAMARIA S.L.	SERVICES PROVIDED	106
INVER. FINANC. E INMOB. AR SANTAMARIA S.L.	INTERESTS PAID	12
INDUMENTA PUERI S.L.	SERVICES PROVIDED	4
INDUMENTA PUERI S.L.	OTHERS	5
INDUMENTA PUERI S.L.	SERVICES PROVIDED	12
FUNDACION GONZALEZ ENCISO	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	145
THE BANK OF NEW YORK MELLON SA NV	DIVIDENDS AND OTHER DISTRIBUTED PROFITS	264

D.6. State the methods established to detect, determine and resolve any conflicts of interest between the company and/or the group, directors, executives or significant shareholders.

The Board Regulations establishes in Article 17 that there is a conflict of interest in situations where the Company's or its Group's interest clashes, directly or indirectly, with the Director's personal interest, when the matter affects him/her or a person related to him/her.

The following are persons related to the individual Director: a) spouse or persons with a marriage-like relationship; b) the ancestors, descendants and siblings of the director or his/her spouse (or person with a marriage-like relationship); c) Spouses of the ancestors, descendants or siblings; d) Companies in which, itself or through a third party, fall into one of the situations described in Article 42.1 of the Spanish Commercial Code.

In connection to a legal entity Director: a) partners who fall, with regard to the legal entity Director, into one of the situations described in Article 42.1 of the Spanish Commercial Code; b) companies in the same group and their partners; c) individual representative, directors, in

law or in fact, liquidators and general proxies of the legal entity Director; d) persons who, in connection with the Director, are considered related persons in accordance with the aforementioned paragraphs a) and d).

Situations of conflict of interest will be governed by the following rules: a) Disclosure: the Director will inform all other Directors and, if appropriate, the Board, through the Chairman or the Secretary, of any conflict of interest pertaining the Director or his/her related persons; b) Abstention: the Director may not carry out any professional or commercial transactions, whether directly or indirectly, with the Company unless he/she has first disclosed the conflict of interest and the Board has approved the transaction. The Director will refrain from attending and taking part in the deliberation and vote for such matters. Regarding proprietary Directors, these must refrain from taking part in the vote for matters that could entail a conflict of interest between the shareholders they represent and the Company; c) Transparency: Disclose in the annual report and in the Annual Corporate Governance Report of any conflicts of interest.

The Internal Conduct Regulations (ICR) governs conflicts of interest in Articles 21, 22 and 23. In this regard, there will be a conflict of interest between the Company and one of its clients or between two of the Company's clients when, in a given situation, the Company may gain a benefit, provided that there is also a potential correlative damage to the client, or when the client could gain a profit or avoid a loss and there is the chance that another client will suffer a loss as a result.

To identify these situations, it will be determined whether the Company, a person subject to the ICR ("Person subject to ICR") or another person directly or indirectly related to such person through a position of control, falls into any of the following situations: a) The Company or the relevant person may gain a financial benefit or avoid a financial loss at the client's expense; b) Has an interest in the outcome of the service provided or the operation executed at the client's expense, other than the client's own interest; c) Has financial or other incentives to favour the interests of third-party clients, to the detriment of the interests of the client in question; d) The professional activity is identical to the client's; e) Receives or will receive from a third party an incentive based on the service provided to the client, in cash, kind or services, other than the usual fee or compensation for the service in question.

The Company may determine other conflicts of interest in which the Persons subject to ICR may be involved on account of family, financial, professional or other links. All employees and Persons subject to ICR should inform the Company, through the Body monitoring compliance with the ICR, of any personal, family, financial or other situation that may entail a conflict of interest between such person and a Company's client or the Company itself.

There will be a conflict of interest when the Person subject to ICR, or a person or entity who is a relative or is closely related to such person, falls into one of the following cases: a) Is a member of the Board of Directors or senior management of a company whose business purpose is the same as the Company's; b) Significant stake in companies whose business purpose is the same as the Company's; c) Significant stake or another type of personal interest in a client of the Company.

Persons subject to ICR will refrain from taking part in preparations and in the decision or vote, and will inform the people who will be taking the relevant decision. Furthermore, they will inform portfolio management clients of any conflicts that may arise inthe course of their activity. When in doubt on the existence of a conflict of interests, Persons subject to ICR are required to inform about this to the Body in charge of ensuring compliance with the ICR, as well as the specific circumstances of the operation to allow the Body to determine the appropriate steps.

Conflicts of interest will always be solved under the following principles: 1. Always give priority to the clients' legitimate interests notwithstanding the respect to market integrity. 2. Try to minimise the conflicts between clients and between the Company and its clients. 3. Not place the Company's interests above the clients' interests in operations with identical characteristics. 4. Not favour a client when there is a conflict between several clients. 5. Not multiply transactions if not necessary or beneficial to the client.

D.7. Is more than one Group company listed in Spain?

Yes **No** ✓

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Describe the Risk Management and Control System in place at the company, including tax risks:

The different risks involved in the operations conducted by the Renta 4 Group are managed under the principle of prudence to preserve its solvency level, profitability, efficiency and appropriate liquidity. Renta 4 Group has an ongoing management and control system for the risks taken in its business, expanding to all the companies in the Group, as well as all the areas or business units, with special focus on those that are more sensitive to the risks inherent in the business.

E.2. Identify the bodies responsible for preparing and implementing the Risk Management and Control System, including tax risks:

BOARD OF DIRECTORS

Description of its functions:

• Approval of the risk control and management policy, including tax risks, identifying the main risks faced by the Company and implementing, supervising and monitoring the internal information and control systemss.

AUDIT AND CONTROL COMMITTEE

Description of its functions:

• Supervise the efficiency of the Company's internal control, the risk management systems, including tax risks, the management of internal audit services that ensure the good performance of the internal information and control systems, especially related to the reporting processes in terms of accuracy and filing the regulated financial information on the Company and its group, check compliance with the regulatory requirements, the appropriate limits on the scope of consolidation and the right use of the accounting criteria, reporting this to the Board of Directors. The person in charge of the internal audit is required to present before the Committee his/her guidance and work planning for their approval and make sure that the activity is fundamentally focused on the material risks faced by the Company and directly inform the Committee of any incidents that may arise in its course, as well as present the Committee with a report on its activities at the end of each fiscal year. Furthermore, the Audit and Control Committee will discuss with the Auditor any material weaknesses identified in the internal control system during the audit.

• Supervise the procedure followed to prepare and file the regulatory financial information and the internal risk management and control systems related to the Company's significant risks for them to be identified (operational, technological, financial, legal or reputational), managed and reported appropriately, setting the risk level tolerated by the Company, the measures needed to minimise the impact of the risks identified, and determine the control and information systems to be used to control and manage them, ensure the independence and efficiency of the internal auditing unit, propose the selection, appointment, re-election and removal of the head of the internal audit service, and the budget of such service, receive regular information on its activities and check that the senior management takes into account the conclusions and recommendations in the reports.

• Supervise the development of the functions assigned to the area in charge of preventing money laundering and know the reports and proposals presented in this regard.

INTERNAL AUDIT

Description of its functions:

• Description of its functions.

RISK DEPARTMENT

Description of its functions:

• his body reports to the Board of Directors.

• The Risk department carries out its functions on all the entities included in the scope of consolidation of the Renta 4 Group and is in charge of monitoring the established risk control systems.

REGULATORY COMPLIANCE DEPARTMENT.

Description of its functions:

• This body reports to the Board of Directors.

• The regulatory compliance department regularly identifies and appraises the risks of regulatory incompliance in the different business areas and helps manage this efficiently.

E.3. Specify the main risks, including tax ones and, when significant, those derived from corruption (as described in the Spanish Royal Decree 18/2017) that may jeopardise the business targets:

The Renta 4 Group consists of a group of companies devoted to providing special services for savings and investments and is independent of any other financial or industrial group. For this reason, it is particularly exposed to the progress of the financial industry as it can have a significant impact on its results.

In accordance with the above, the basic risks that may affect the Renta 4 Group are as follows:

1. Credit risk: Credit risk is defined as the possibility of experiencing losses when a debtor violates its contractual duties, including the counterparty risk.

2. Market risk: Market risk is the possibility of experiencing losses on account of adverse fluctuations in the price of the assets that make up the trading portfolio of the Renta 4 Group.

3. Operational risk: Operational risk refers to potential loss arising from inadequate or failed procedures, employee mistakes and internal system errors or due to external events, in particular, natural catastrophes, mistakes made by price and information suppliers or hacking into technological systems that could jeopardise the infrastructure of the Renta 4 Group.

4. Liquidity risk: Liquidity risk refers to, as its name indicates, a shortage of cash, usually resulting from an imbalance in cash inflows and outflows.

5. Regulatory risk: This risk refers to the likelihood of experiencing loss as a result of failing to adjust Renta 4 Group's policies to the regulations governing its operations, of poorly documented operations or of claims and actions against the Group.

6. Reputational risk: Reputational risk arises from Renta 4 Group's actions that could lead to negative publicity regarding its business practices and connections. This could entail the loss of trust in the Group and therefore impact its solvency.

7. Tax risk: Tax risk is the threat of a negative impact on the financial statements and/or the Renta 4 Group's reputation as a result of tax-related decisions made by the entity or the legal or tax authorities.

E.4. State whether the company has risk tolerance levels, including tax risks:

Renta 4 Group's risk management strategy is based on implementing measures that will minimise or dilute the risks defined, setting specific limits for each business line, market and product.

The purpose of this system is to protect the Group's solvency and liquidity ensuring that the exposure to the risk is within the predefined limits and has a balanced profile.

The Renta 4 Group has a Risk Appetite Framework that establishes limits for the main risks attached to its operations.

E.5. Identify any risks, including tax risks, which have occurred during the fiscal year:

No risks materialised during the fiscal year.

E.6. Explain any response and supervision plans in place for the company's main risks, including tax risks, as well the procedures followed by the company to ensure that the Board of Directors can respond to coming challenges:

The measures taken to minimise the impact of the basic risks that may affect Renta 4 Group, should they materialise, are as follows:

1. Credit risk: To minimise this risk, there are procedures and specific limits in place that try to avoid a shortage of cash and/or certificates in brokerage and the settlement of operations with clients. Nevertheless, there may be certain situations where this shortage is allowed when duly authorised. In any event, these situations are limited based on the client's collateral and are monitored by the Risk Department and the Audits Unit.

Exposure to the credit risk in balance-sheet exposure is largely focused on cash investments (current accounts, deposits and Spanish short-term sovereign debt) all this in line with the limits on portfolio concentration set forth in the current regulations. The assessment of the counterpart risk against credit entity institutions is based on the credit ratings given by the main agencies that supply this information and choosing those with the highest solvency, experience and reputation in the markets.

2. Market risk: In order to contain this risk, limits are set to ensure that, despite market price fluctuations, losses are limited to the predefined maximum levels. The limits are set depending on the conditions of the different assets and the relevance of the risk attached to each market. Within this type of risk, the VaR (Value at Risk or maximum loss that a portfolio may experience under the current market conditions) is especially relevant and is factored into the risk detection systems. The Risk Department and Audits Unit supervise that the limits set are adequately observed.

3. Operational risk: In order to minimise this risk, the Company has implemented a series of minimum requirements in employee qualifications as well as basic checks on the different jobs to integrate control routines into each role. The improvements made to computer systems contribute to tighten the control and cut down manual processes which in turn reduces the likelihood of human error.

The Risk Department and the Audits Unit are constantly monitoring and assessing the materialisation of risks derived from possible mistakes, mainly arising from brokerage operations for clients, checking that the control system works as expected.

4. Liquidity risk: In order to control this risk and ensure compliance with all the requirements set by Law in terms of legal ratios and payments due to third parties, we check the maturity dates of the assets and liabilities. The monitoring and control of the liquidity risk is undertaken by the Cash and Banks Department on a daily basis working with the Finances Department and supervised by the Risk Department in the Renta 4 Group. In any case, the policy to minimise this risk focuses on the current policy for the investment in short-term and liquid assets that may be available in the event of difficulties.

5. Regulatory risk: The Renta 4 Group has a Regulatory Compliance Unit that is in charge of adjusting the procedures to the regulations and monitoring and checking their adequate implementation.

6. Reputational risk: The Renta 4 Group has established a series of regulatory compliance policies used to carry out a direct follow-up of the most significant aspects that may cause the materialisation of this risk, including but not limited to: Prevention of money laundering. • Code of conduct in the securities market (Internal Code of Conduct). • Product marketing and MIFID, MIFIR and PRIIPs regulations. • Market abuse in brokerage operations in capital markets. • Claims by clients.

7. Tax risk: The impact of this risk is minimised by resorting to independent experts within the framework of financial audits, asking for tax opinions regarding relevant operations and, ultimately, by interacting with the Tax Agency.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that comprise the risk control and management systems in relation to internal control over financial reporting (ICFR) at your company.

F.1. The company's control environment.

Provide information, stating the main features, on at least the following:

F.1.1 Which bodies and/or units are responsible for (i) the existence and maintenance of a proper ICFR system; (ii) its implementation; and (iii) its supervision.

BOARD OF DIRECTORS.

The Board of Directors of Renta 4 Banco is ultimately in charge of the implementation and maintenance of an appropriate and effective ICFR which, in line with its Regulations, it entrusts to the Audit and Control Committee.

AUDIT AND CONTROL COMMITTEE.

The Regulations of the Board of Directors of Renta 4 Banco, in their Article 31, foresee that the basic duties of the Audit and Control Committee in connection with the internal information and control systems are as follows:

1. Supervise the effectiveness and the management of the internal auditing services in the Company that will ensure the good performance of the internal information and control systems, especially related to the preparation processes in terms of accuracy and filing the regulated financial information on the Company and its group, checking compliance with regulatory requirements, the appropriate limits on the scope of consolidation and the right use of the accounting criteria, and reporting this to the Board of Directors. The person in charge of the internal audit is required to present before the Committee his/her yearly work planning and directly inform the Committee of any incidents that may arise in its course, as well as report to the Committee on its activities at the end of each fiscal year.

2. Supervise the procedure followed to prepare and file the regulatory financial information and the internal risk management and control systems related to the Company's significant risks for them to be identified (operational, technological, financial, legal or reputational), managed and reported appropriately, setting the risk level tolerated by the Company, the measures needed to minimise the impact of the risks identified, and determine the control and information systems to be used to control and manage them, ensure the independence and efficiency of the internal auditing unit, propose the selection, appointment, re-election and removal of the head of the internal audit service, and the budget of such service, receive regular information on its activities and check that the senior management takes into account the conclusions and recommendations in the reports.

3. Check the Company's accounts, ensure compliance with the legal requirements and the right use of the standard accounting principles, and inform about the proposals to change the accounting principles and criteria suggested by the management.

4. Previously review and report to the Board of Directors about: (i) financial information that, being listed, the Company is to disclose on a regular basis, making sure that the interim statements are prepared following the same accounting criteria as the yearly statements and, for such purposes, consider if it is convenient to request a limited review from the Company's external auditor; (ii) the issue or purchase of shares in entities with a special purpose or based in countries or jurisdictions that are considered tax havens, as well as any other transaction or operation of a similar nature that, due to its complexity, could hinder the transparency of the Company's group; (iii) and of linked operations.

5. Receive from employees, confidentially but not anonymously, written communications on possible irregularities with a potential relevance, especially financial or accounting ones, that they may detect in the Company or its group companies.

6. Ensure compliance with the internal codes of conduct and the rules of corporate governance as well as the regulations on markets in the industry..

7. Supervise the development of the functions assigned to the area in charge of preventing money laundering and know the reports and proposals presented in this regard. Members of the Audit and Control Committee are appointed taking into account their knowledge and experience in accountancy, auditors and risk management. All its members will be external Directors and are duly kept abreast of any regulatory changes that may take place in those areas. From among its members, the Board of Directors appoints a Chairman who will be an independent Director and will remain in office for no longer than four years without prejudice to his/her 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. Below are some of the functions undertaken by the Internal Audit area:

1. Supervise compliance and the effectiveness of the internal control systems and procedures, as well as supporting the organisation in improving such systems and procedures as well as the control activities.

2. Ensure that all financial and management information is sufficient, accurate and reliable.

3. Examine the established systems to ensure compliance with the internal rules and external regulations in force, assessing their suitability and effectiveness.

So as to meet its goals, this area combines in-person audits with remote audits.

MANAGEMENT COMMITTEE.

The tasks assigned to the Management Committee are the management, control and monitoring of the Bank and the Group; the monitoring, control and assessment of the business areas; the establishment of the sales strategy and follow-up of its activity; the implementation of targets and a common sales policy; the assessment of investments, operations in securities markets and the financing structure; the analysis of prices and intragroup proposals for prices and rates; the changes in the Group's technological needs and proposals to improve the system; the coordination of the Bank with the different areas in the Group; and, lastly, the implementation of policies on the management of subsidiaries and the follow-up of the results.

REGULATORY COMPLIANCE UNIT.

The Renta 4 Gropu has an independent unit in charge of the regulatory compliance that, through the right policies and procedures, detects and handles the risk of non-compliance with the organization's duties, whether internal or external, in this respect. Furthermore, the unit reports and advises the management and employees about, and monitors compliance with, the internal rules across the organisation. The risk of non-compliance with the regulations could have an impact on the financial information.

Furthermore, the Renta 4 Group provides its clients with a Customer Service to learn, study and solve any complaints and claims they may have regarding the operations, agreements and financial services and, generally, their experience with the different entities making up the Renta 4 Group. This Customer Service is an extra control tool to detect any possible errors in the financial information after analysing the claims received.

ADMINISTRATION AND ACCOUNTANCY AREA.

The Administration and Accountancy Area of Renta 4 Banco is the area in charge of preparing and directly controlling the financial information, reporting directly to the senior management and the Board of Directors.

This area is in charge of the following tasks for the financial reporting:

1. Accountancy: in charge of the Bank's accountancy and ensuring compliance with the procedures set to control the quality and reliability of the information produced by the different areas in the Group.

2. Consolidation: in charge of consolidating and following up the information on subsidiaries and affiliates.

F.1.2 If any, especially in connection with the financial reporting process, the following elements:

Departments and/or mechanisms tasked with: (i) devising and reviewing the organisational structure; (ii) clearly defining the boundaries of responsibility and authority, with proper distribution of tasks and functions; and (iii) ensuring that sufficient procedures are in place to spread awareness of this across the company:

The devising and reviewing of the organisational structure as well as the drawing up of responsibilities and authority is undertaken by the Board of Directors by means of the CEO and the Appointments and Remuneration Committee (body made up of external members of the Board of Directors) with the support of the Management Committee.

The CEO and the Appointments and Remuneration Committee determine the assignment of tasks and functions, ensuring a suitable distribution of functions and a series of coordination systems between the different departments that will guarantee the efficiency of the operations.

Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record-keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

The Renta 4 Group has an Internal Code of Conduct adopted by the Board of Directors. This applies to all employees, proxies, executives, directors and representatives of the Group and it sets forth the principles and values that should govern the Group's actions. This Internal Code of Conduct sets a framework for action in the event of breach by the people subject to the Code.

Renta 4 Banco delivers this Internal Code of Conduct to all people affected by it, who in turn acknowledge its receipt and personally accept that they know, understand and accept the ICC as well as all the commitments contained therein.

The Regulatory Compliance unit is the body in charge of ensuring the appropriate distribution of this Code and its compliance. It will report to the Audit and Control Committee any non-compliances or bad practices detected and will propose the relevant disciplinary actions that should be then ratified by the appropriate governing body.

Whistleblowing channel to report any financial and accounting irregularities to the audit committee, in addition to any breaches of the code of conduct and irregular activities within the organisation, reporting whether this is confidential, as the case may be:

Any financial or accounting irregularities are reported to the Audit Committee through the Internal Auditor who attends all the Committee meetings and informs the Committee Chairman of such irregularities for them to be studied and remedied.

Furthermore, the Group has a whistleblowing channel where customers, employees and suppliers can inform of any alleged irregular conduct, non-compliance or illegal act committed in the course of the operations run by the companies making up the Renta 4 Group that could entail a criminal offence. This whistleblowing channel is confidential.

The Compliance Unit (made up of the Head of Internal Audit, the Head of Risks and the Head of Regulatory Compliance) is the body that reports to the Audit and Control Committee and receives and analyses all the complaints. It has independent power to investigate and solve each case. The Compliance Unit reports its activity in handling the claims to the Board's Audit and Control Committee.

Training programmes and regular refresher courses for personnel involved in the preparation and review of financial information and the assessment of ICFR, covering at least accounting standards, auditing, internal control and risk management:

The Group develops training schemes for the entire staff, including employees who are directly involved in the financial reporting.

These schemes include permanent updates on regulatory changes in the operations conducted by the different companies in the Group, including the knowledge of the International Rules on Financial information and the applicable regulations enforced by the Bank of Spain, CNMV and the General Directorate of Insurance.

F.2. Assessment of risks related to financial information.

Report, at least, on:

F.2.1 The main characteristics of the process for identification of risks, including the risk of error or fraud, as follows:

Whether the process exists and is documented:

The Management of Renta 4 Bank is in charge of keeping an adequate internal control on the financial reporting. This internal control on the financial information is overseen by the Chairman of the Board and of the Audit and Control Committee so as to provide a reasonable level of assurance of the reliability of the financial information and the preparation of the published consolidated financial statements of the Group that are reported under the rules in force at the time.

The main risks in the financial reporting process are:

• Errors from misapplying the accounting principles.

• Fraudulent financial information.

• Deficiencies in breaking down the information.

In order to minimise these risks in the financial reporting, the Renta 4 Group has automated practically all the accounting of the operations with clients.

With regard to the processes with a manual element in financial reporting, we have identified the risks and controls or the minimising factors related to them so as to assess, supervise and conclude, for each of these and for the financial information as a whole, that they are reasonably free of material errors.

In addition to this, we run a series of conciliations to guarantee that the accounting information matches the information provided by third parties.

The Audit and Control Committee supervises the process followed to identify the risks pertaining the financial information as part of its duties to supervise and control the financial information.

Whether the process covers all financial reporting objectives (existence and occurrence, completeness, measurement, presentation, disclosure and comparability, and rights and obligations), whether it is updated and how often:

This process covers all financial information and especially focuses on identifying risks of material error based on the complexity of the transactions, the quantitative and qualitative relevance, the complexity of the calculations and the application of judgements and estimates. This process is updated depending on the change in the level of exposure to the risks inherent in the operations run by the Renta 4 Group.

The existence of a process to identify the scope of the consolidated group, considering aspects such as the possibility of complex corporate structures or special-purpose vehicles:

The scope of consolidation of the Renta 4 Group is determined by the Administration and Accounting Area in line with the criteria foreseen by the relevant regulations.

The scope of consolidation is also supervised by the internal audit unit and by the external auditors.

Whether the process takes into account other types of risks (operational, technology, financial, legal, tax, reputational, environmental risk etc.), which may affect the financial statements:

The process takes into account the main risks affecting the Renta 4 Group, including operational, technological, financial, legal, reputational and other risks.

Which of the entity's governing bodies supervises the process:

This internal control on the financial information is overseen by the Chairman of the Board and of the Audit and Control Committee so as to provide a reasonable level of assurance regarding the reliability of the financial information and the preparation of the disclosed consolidated financial statements of the Group that are reported under the rules in force at the time.

F.3. Control activities.

Specify, indicating any salient features, if it has at least:

F.3.1 Procedures to review and authorise the financial reporting and description of the ICFR to be disclosed in the securities markets, indicating the people in charge and the documents describing the work flows and controls (including those related to fraud risk) of the different types of transactions that may have a material impact on the financial statements, including the procedure for the year-end closing and the special reviewing of the relevant judgements, estimates, assessments and forecasts

There are a series of checks in place for the transactions that could have a material impact on the financial statements.

These checks are fundamentally based on the following aspects:

• Confirmation of transactions: checks to ensure the completeness and accuracy of the transactions recorded.

• Checks based on the conciliation of relevant transactions, positions and parameters.

• Assessment: running checks on the assessment methods, hypothesis and inputs used to estimate the fair value of the financial instruments.

• Taxes: internal checks to ensure that the tax calculations are appropriate and the balances are duly posted in the financial statements with the help of the Group's external tax consultancy firm.

• Adjustments based on estimates: checks to ensure that the techniques used to prepare the estimates are based on previously disclosed and authorised judgements.

• Checks on the consolidation and other processes in the year-end closing: The checks on the consolidation include, among other measures, verifying the accounting entries posted to eliminate inter and intra-group operations and the review of the adjustments made after the year-end closing.

• Filing and breaking down the financial statements: final review of the financial statements by the Group's senior management, especially by the financial area with prior checks run by the Administration and Accounting area and the Audits Unit.

F.3.2 Internal control policies and procedures for IT systems (including access security, control of changes, system operation, continuity and separation of duties) giving support to key Company processes involved in the preparation and publication of financial information.

The Renta 4 Group keeps different levels of access security on the IT systems that support the preparation and disclosure of the financial information to guarantee the right segregation of the functions within the accounting process, and to avoid intrusions in this regard.

The IT systems are exposed to the business continuity risk that arises from possible contingencies due to failed communications, power cuts, faulty hardware or software and other unexpected events or disasters.

The Renta 4 Group has a business continuity plan in accordance with the applicable regulations and it translates into different plans to tackle the aforementioned risks.

F.3.3 Internal control policies and procedures designed to supervise the management of third-party subcontracted activities, in addition to any evaluation, calculation or appraisal tasks entrusted to independent experts that may have a material impact on the financial statements.

The Renta 4 Group does not outsource any relevant activities that would have a material impact on the Group's financial statements.

F.4. Information and reporting.

Specify, indicating any salient features, if it has at least:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and resolving queries or settling disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The Administration and Accounting Area is responsible for the appropriate application of the accounting rules in financial reporting. Along with preparing the accounting records, their functions are:

- Defining the Group's accounting policies and procedures.
- Analysing any given operations and/or transactions to be posted accordingly.
- Assessing the potential impacts of plans to change regulations.
- Solve any in-house doubts.

The Administration and Accounting Area is in contact with the external auditors for any doubts about the posting of operations and/or transactions.

F.4.2 Mechanisms to capture and prepare the financial information with consistent formats, to be implemented and used by all units in the Company or group, which support the main financial statements and the notes, in addition to any information provided on the ICFR.

The main computer systems used for the financial reporting by the Renta 4 Group are centralised and linked.

There are procedures and checks in place to ensure the adequate development and maintenance of such systems and their correct operation, continuity and security.

When consolidating and preparing the financial information the company uses the financial statements reported by the Group's subsidiaries as input with the predefined formats as well as any other financial information required for the accounting reconciliation and to meet the information requirements.

F.5. Supervision of system operation.

Provide information, stating the main features, on at least:

F.5.1 ICFR supervisory activities conducted by the audit committee and whether the entity has an internal audit department whose competences include supporting the committee in its oversight of the internal control system, including ICFR. Likewise, specify the scope of the ICFR assessment conducted during the year and the procedure followed by the person in charge of the assessment to report the findings, whether the entity has an action plan detailing the corrective measures, and whether their impact on the financial information has been taken into account.

The Audit and Control Committee oversees that the financial reporting runs smoothly by directly supervising the internal audit unit and the work performed by the external auditors.

In parallel, the Audit and Control Committee may ask for help from the employees in the different areas in the Group to gather information on the existence of weaknesses that may have a significant impact on the financial information.

The Group does not have a specific self-assessment procedure. Nevertheless, the Group's senior management, based on the information received from the audit areas, both internal and external, and the information on inspection procedures followed by regulatory bodies, will assess the effectiveness of the ICFR.

F.5.2 Whether the company has a discussion procedure whereby the accounts auditor (in accordance with what is set forth in the NTAs), the internal audit staff and other experts are able to inform senior management and the audit committee or company directors of any significant weaknesses in internal control identified during the processes of review of annual financial statements or any others entrusted to them. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Internal Audit unit informs the senior management and the Audit and Control Committee of any relevant weaknesses in the internal control identified during the year's reviews.

Furthermore, the Group's accounts auditor is in direct contact with the Group's senior management and holds regular meetings with them to obtain the information needed for his/her work and to report any weaknesses in the control detected in the course of his/her duties. Regarding the weaknesses, the external auditors provide the senior management with yearly and half-yearly reports detailing the weaknesses in the internal control found in the course of his/her duties.

The accounts auditor will also inform the Audit and Control Committee of the findings of his/her review of the Group's financial statements including any aspects that he/she may deem relevant.

The Internal Audit area regularly follows up the action plans resulting from the external auditor's recommendations and informs the Audit and Control Committee of their progress at least once a year depending on the relevance of the situation.

F.6. Other significant information.

No additional issues to be disclosed have been identified.

F.7. External auditor's report.

Report:

F.7.1 If the ICFR information supplied to the market has been reviewed by the external auditor, the corresponding report should be attached. If this is not the case, it should explain why.

The Renta 4 Group deemed that a report from the external auditor on the ICFR would be redundant, mainly because the external auditors conduct, on a half-yearly basis, an audit on the consolidated financial statements or a limited review of the summarised interim consolidated financial statements within the framework of the auditing regulations, and discusses with the Audit and Control Committee any relevant aspects or incidents.

G. EXTENT TO WHICH THE CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Please indicate the extent to which the company has followed the recommendations of the Code of Good Governance of Listed Companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by acquiring shares on the market.**

Compliant ✓ Explain

2. **When a dominant and a subsidiary company are listed on the stock market, the two should provide detailed disclosures on:**

a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Compliant Partially compliant Explain **Not applicable** ✓

3. **3. During the ordinary general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report, and in particular:**

a) Of the changes that have occurred since the last ordinary general meeting.

b) Of the specific reasons why the company is not following certain recommendations of the Code of Corporate Governance and, if any, the alternative rules applied to this matter.

Compliant ✓ Partially compliant Explain

4. **The company will define and promote a policy of communication and contact with shareholders, institutional investors and proxy advisors, respecting the rules on market abuse and treating shareholders who are in the same position equally.**

And the company should make this policy public via its website, including information on the way it has been put into practice and identifying the interlocutors or persons responsible for carrying this out.

Compliant ✓ Partially compliant Explain

5. **That the Board of Directors does not submit to the general meeting a proposal of delegation of powers to issue shares or convertible securities excluding the right to preferential purchase, for an amount above 20% of the share capital at the time of delegation.**

And that when the Board of Directors approves any issue of shares or convertible securities excluding the right to preferential purchase, the Company should immediately publish on its website the reports on this exclusion as laid down in the companies' laws.

Compliant ✓ Partially compliant Explain

6. **The listed companies which produce the reports listed below, either in mandatory or voluntary form, publish them on their website with sufficient notice before the ordinary general meeting is held, although their dissemination is not mandatory:**

a) Report on the external auditor's independence.

b) Reports of proceedings of the audit committees and the appointments and remuneration committee.

c) Audit committee report on related-party transactions.

d) Report on the corporate social responsibility policy.

Compliant ✓ Partially compliant Explain

7. **The Company broadcasts live, via its website, the holding of general meetings of shareholders.**

Compliant ✓ Explain

8. **The Audit Committee ensures that the Board of Directors should seek to present the accounts to the General Meeting of Shareholders without limitations or qualifications in the audit report and, in exceptional cases where there are qualifications, both the chairman of the Audit Committee and the auditors should clearly explain to shareholders the contents and scope of such limitations or qualifications.**

Compliant ✓ Partially compliant Explain

9. **The Company should make public on its website, permanently, the requirements and procedures it will accept to prove ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of voting rights.**

And such requirements and procedures facilitate the shareholders' attendance and the exercise of their rights and are applied in a non-discriminatory manner.

Compliant ✓ Partially compliant Explain

10. **Where any legitimate shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or to submit new resolution proposals, the Company:**

a) a) Immediately disseminates such additional items and new resolution proposals.

b) Makes public the attendance card model or form of proxy or remote voting with the changes required so that the new items on the agenda and alternative resolution proposals can be voted on, in the terms proposed by the board of directors.

c) Submits all these items or alternative proposals to vote and the same voting rules are applied to them as those made by the board of directors, including, in particular, presumptions or inferences about the direction of the vote.

d) Announces, after the general meeting of shareholders, the breakdown of the vote on such additional points or alternative proposals.

Compliant ✓ Partially compliant Explain Not applicable

11. **In the event that the Company plans to pay premiums to attend the general meeting of shareholders, it will previously establish a general policy on such premiums and this policy is stable.**

Compliant Partially compliant Explain **Not applicable** ✓

12. **The Board of Directors will perform its duties with unity of purpose and independent judgment, and it will treat all shareholders who are in the same position equally and guide itself by the Company's interests which are understood as achieving a profitable and sustainable long-term business, to promote the Company's continuity and maximise its economic value.**

In pursuing the Company's interests, in addition to complying with laws and regulations and acting in good faith, ethically and respecting the commonly accepted uses and good practices, the Board of Directors will endeavour to reconcile the Company's interests with, where applicable, the legitimate interests of its employees, its suppliers, its customers and those of other stakeholders that may be affected, as well as the impact of the Company's activities on the community as a whole and in the environment.

Compliant ✓ Partially compliant Explain

13. The board of directors has enough members in order to implement efficient and participative proceedings, which makes it advisable that the board should have between five and fifteen members.

Compliant ✓ Explain

14. The Board of Directors approves a policy of selection of directors that:

a) Is specific and verifiable.

b) Ensures that proposals for appointment or reappointment are based on a preliminary analysis of the needs of the board of directors.

c) Promotes the diversity of knowledge, experience and gender.

The result of the previous analysis of the needs of the board of directors is collected in the committee's report justifying the appointments to be published when the general meeting of shareholders is called, in which the ratification, appointment or re-election of each director is submitted.

And the selection policy promotes the goal that by 2020 the number of female directors will represent no less than 30% of the total members of the Board of Directors.

The appointments committee will annually verify compliance with the policy of selection of directors and inform thereof in the annual corporate governance report.

Compliant ✓ Partially compliant Explain

15. The proprietary directors and independent directors constitute a significant majority of the Board of Directors and the number of executive directors is kept to the minimum necessary, having regard to the complexity of the corporate group and the percentage shareholding of the executive directors in the Company's share capital.

Compliant ✓ Partially compliant Explain

16. The percentage of proprietary directors over the total of non-executive directors is not higher than the proportion between the capital represented by such directors and the remainder of the Company's share capital.

This criterion may be reduced:

a) In large-cap companies where the shareholdings legally considered significant are low.

b) In companies where there is a diversity of shareholders represented on the board of directors and there are no links between them.

Compliant ✓ Explain

17. The number of independent directors represents at least half of all directors.

However, where the Company is not highly capitalised or where, being highly capitalised, it has a shareholder or several shareholders acting together, who control more than 30% of the share capital, the number of independent Directors should represent at least one third of the total members.

Compliant ✓ Explain

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional and biographical profile.

b) Other boards of directors on which they sit, whether or not these belong to listed companies, as well as other remunerated activities in which they may be involved.

c) The category to which the director belongs, where applicable, stating, in the case of proprietary directors, the shareholder they represent or to whom they have links.

d) Date when they were first appointed as a director of the company, as well as the dates of any subsequent reappointments.

e) Their holdings of company shares and their stock options.

Compliant ✓ Partially compliant Explain

19. The Annual Corporate Governance Report, with prior verification by the Appointments Committee, explains the reasons for the appointment of proprietary directors at the request of shareholders whose shareholding is less than 3% of the share capital; and reasons are given why formal requests for a seat on the board from shareholders with a stake equal to or greater than that of others, at whose request proprietary directors were appointed, have not been respected.

Compliant ✓ Partially compliant Explain Not applicable

20. Proprietary directors tender their resignation when the shareholders they represent sell their entire shareholding. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant ✓ Partially compliant Explain Not applicable

21. The Board of Directors shall not propose the removal of any independent Director before the statutory period for which they were appointed, except where just cause is found by the Board of Directors following a report from the Appointments Committee. It shall be understood that there is just cause when the director takes up a new post or takes on new duties that prevent him/her from devoting the necessary time to the performance of the duties associated with the directorship, when the director fails to carry out the duties inherent to his/her post or when the director is involved in circumstances which cause him/her to lose his/her independent status in accordance with the provisions of the legislation applicable.

The removal of independent directors from office may also be proposed as a result of public buy-outs, mergers or other similar enterprise-level transactions implying a change in the structure of the Company's capital, where such changes in the Board are due to the proportionality criterion in Recommendation 16.

Compliant ✓ Explain

22. 22. Companies establish rules obliging directors to provide information and, where appropriate, tender their resignation in cases where it is alleged they could prejudice the good name and reputation of the Company and, in particular, oblige them to inform the Board of Directors of any criminal lawsuits they may be involved in, as well as any subsequent legal proceedings.

In any event, if a Director were prosecuted or had a court order issued against him or her initiating trial proceedings for any of the offences defined in corporate law, the Board of Directors shall examine the case as soon as practicable and, in view of the particular circumstances, decide whether or not he/she should remain in office And the Board of Directors gives a reasoned account of such circumstances in the Annual Corporate Governance Report. The board of directors should also give a reasoned account of these circumstances in the annual corporate governance report.

Compliant ✓ Partially compliant Explain

23. **All directors clearly express their opposition when they consider that a proposal submitted to the Board for Directors for decision could be contrary to the Company's interests. Moreover, independent directors and other directors in particular, who are not affected by potential conflict of interest, should do the same in the case of decisions that could be detrimental to shareholders not directly represented on the Board of Directors.**

And when the Board of Directors adopts significant or repeated decisions on matters with regard to which the director has expressed serious reservations and subsequently opts to resign, the ensuing conclusions drawn and reasons for the resignation must be explained in the letter referred to in the following recommendation.

This recommendation also extends to the secretary to the board of directors, even if the secretary is not a director.

Compliant ✓ Partially compliant Explain Not applicable

24. **When, whether due to resignation or any other reason, a director leaves his or her position before the end of the term, the reasons are explained in a letter sent to all the members of the Board of Directors. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

Compliant ✓ Partially compliant Explain Not applicable

25. **25. In addition, the Appointments Committee will ensure that non-executive directors have sufficient time to properly perform their duties.**

and that the Board regulations sets the maximum number of boards of which the directors may form part.

Compliant **Partially compliant** ✓ Explain

The Company's Board Regulations do not specify a maximum number of boards on which the Company's directors may sit but such limit is set forth in the regulations applied to the Company as a credit entity. For this reason, the principle given by the recommendation is met. In other words, the directors should devote sufficient time to efficiently perform their duties and to know the Company's business and the governance rules that govern it and they meet its purpose despite not fully observing the recommendation and all the directors are aware of the limits set in the regulations in this regard.

26. **The Board of Directors holds meetings as frequently as required in order to carry out its role effectively, at least eight times a year, following the programme and agenda established at the start of the year, with each director able to propose for inclusion alternative items not originally on the agenda.**

Compliant ✓ Partially compliant Explain

27. **Directors' absences should be limited to the bare minimum and quantified in the Annual Corporate Governance Report. And, when they must occur, instructions are given to proxies.**

Compliant ✓ Partially compliant Explain

28. **When the directors or the secretary express concerns about a particular proposal or, in the case of the directors, about the Company's progress and such concerns are not resolved within the Board of Directors, this is recorded in the minutes at the request of whoever expressed such concerns.**

Compliant ✓ Partially compliant Explain Not applicable

29. **The Company will establish suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.**

Cumple ✓ Cumple parcialmente Explique

30. **In addition, regardless of the knowledge required of the Directors to perform their duties, the Company will also offer Directors refresher programmes when circumstances so warrant.**

Cumple ✓ Cumple parcialmente Explique

31. **The agenda of the sessions clearly indicates the points on which the Board of Directors will adopt a decision or agreement so that directors can study or seek, in advance, the information required for its adoption.**

When exceptionally, for reasons of urgency, the Chairman wishes to submit for the approval of the Board of Directors any decisions or agreements not included in the agenda, this will require the express prior consent of the majority of the directors present, which will be duly recorded in the minutes.

Compliant ✓ Partially compliant Explain

32. **Directors should be regularly informed of the movements in shareholdings and of the opinions that significant shareholders, investors and rating agencies have of the Company and its group.**

Compliant ✓ Partially compliant Explain

33. **The chairman, as the person responsible for the proper functioning of the board of directors, in addition to exercising the functions assigned to him by law and the bylaws, should prepare and submit to the board a schedule of dates and items to be discussed; organise and coordinate regular assessment of the board and, where applicable, assessment of the company's chief executive; take responsibility for management of the board and of the effectiveness of its functioning; ensure that sufficient time is allocated to discuss strategic issues, and agree and review programmes to update knowledge for each director, when circumstances so advise.**

Compliant ✓ Partially compliant Explain

34. **When there is an independent lead director, the Bylaws or regulations of the Board of Directors, in addition to the powers legally entitled, attribute him/her the following: chairing the Board of Directors in the absence of the Chairman and Vice-Chairmen, if any; echoing the concerns of non-executive directors; maintaining contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of the Company; and coordinate the Chair´s plan of succession.**

Compliant ✓ Partially compliant Explain Not applicable

35. The Secretary to the Board of Directors shall also ensure that the Board of Directors is aware of recommendations on good governance that apply to the Company and that are part of the Code of Good Governance for listed companies.

Compliant ✓ Explain

36. 36. The complete Board of Directors should evaluate, once a year, and adopt, where applicable, an action plan to correct deficiencies identified with respect to:

a) The quality and efficiency of operation of the board of directors.

b) The operations and the composition of its committees.

c) The diversity of Board membership and competences.

d) The performance of the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

e) The performance and contribution of each Director, paying particular attention to those who are in charge of the various board committees.

The evaluation of the various committees will be based on the reports they submit to the Board of Directors, and for the latter, evaluation will be based on the one submitted by the Appointments Committee.

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.

Business relationships that the consultant or any Company in its group have with the Company or any Company of its group should be detailed in the annual corporate governance report.

The process and the evaluated areas will be further described in the annual corporate governance report.

Compliant ✓ Partially compliant Explain

37. When an Executive Committee exists, the framework for the participation of the different categories of directors will be similar to that of the Board of Directors itself, and its Secretary will be the secretary to the board.

Compliant Partially compliant Explain **Not applicable** ✓

38. The Board of Directors is always aware of matters dealt with and decisions adopted by the Executive Committee and all the members of the board receive a copy of the minutes of the meetings of the Executive Committee.

Compliant Partially compliant Explain **Not applicable** ✓

39. The members of the Audit Committee, and especially its chairman, are appointed taking into account their knowledge and expertise in the field of accounting, audit or risk management, and the majority of such members are independent directors.

Compliant ✓ Partially compliant Explain

40. Under the supervision of the audit committee, there should be a unit that assumes the internal audit function to ensure the proper functioning of the information and internal control systems, which are functionally dependent on the non-executive Chairman of the Board or the Audit Committee.

Compliant ✓ Partially compliant Explain

41. The head of the division that fulfils the internal audit duties will present its annual work plan to the Audit Committee in which it directly reports any incidents that may have arisen during its implementation, submitting this information at the end of each year in an activity report.

Compliant ✓ Partially compliant Explain Not applicable

42. In addition to those as legally established, the Audit Committee is responsible for the following:

With regard to information systems and internal control:

a) Supervise the process of preparing and the integrity of the financial information on the Company and, where applicable, to the Group, reviewing compliance with the regulatory requirements, the proper delimitation of its scope of consolidation and the correct application of accounting principles.

b) Ensure the independence and effectiveness of the internal audit processes, proposing the election, appointment, re-election and removal of the head of the internal audit division in addition to proposing the budget for this service, approving both orientation and its operating plans, ensuring that their activity is focused mainly on the risks that are relevant to the Company, receiving regular information on their activities and verifying that senior management is taking into account the conclusions and recommendations of the Committee's reports.

c) Establish and supervise a method that allows employees to make confidential and, if possible and appropriate, anonymous statements on any irregularities, especially financial and accounting irregularities, that may potentially be important to the Company.

With regard to the external auditor:

d) Examine the circumstances behind the resignation of the external auditor, should this occur.

e) Ensure that the remuneration for the external auditor for his or her work does not compromise his or her integrity or independence.

f) Ensure that the Company notifies the change of auditor as a regulatory announcement to the CNMV and that this notification is accompanied by a statement citing any disagreements the Company may have had with the outgoing auditor and, if there were such disagreements, to discuss them.

g) Ensure that the external auditor annually holds a meeting with the full Board of Directors to report on the work done and the evolution of the Company´s accounting and risk situation.

h) Ensure that the Company and the external auditor adhere to current regulations regarding the provision of non-audit services as well as the limits on the auditor's business concentration and, in general, the other rules on auditor independence.

Compliant ✓ Partially compliant Explain

43. The Audit Committee may summon any employee or executive of the Company; this includes appearances without the presence of any other executive.

Compliant ✓ Partially compliant Explain

44. The Audit Committee should be informed of the operations of structural and corporate changes that the Company plans to carry out, for analysis and preliminary report to the Board of Directors on their economic conditions and their accounting impact, and especially, if any, on the proposed swap equation.

Compliant ✓ Partially compliant Explain Not applicable

45. 45. The control and risk management policy should specify at least:

a) The different types of financial and non-financial risks (including operational, technological, legal, business, environmental, political and reputational) that the Company faces, including financial and economic risks, contingent liabilities and other off-balance sheet risks.

b) Setting the level of risk that the Company considers acceptable.

c) The measures planned to mitigate the impact of identified risks, should they materialise.

d) The information and internal control systems to be used to control and manage the abovementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant ✓ Partially compliant Explain

46. Under the direct supervision of the Audit Committee or, if any, of a specialised committee of the Board of Directors, there is an internal function of risk control and management exercised by a unit or internal department of the Company that has expressly attributed the following functions:

a) Ensure the proper functioning of the control and risk management systems and, in particular, that all the important risks affecting the Company are adequately identified, managed and quantified.

b) Actively participate in the development of a risk strategy and take part in the important decisions concerning risk management.

c) Ensure that the control and risk management systems in place adequately mitigate the risks within the framework of the policy defined by the Board of Directors.

Compliant ✓ Partially compliant Explain

47. Members of the Appointments and Remuneration Committee – or both Committees if they were separate – are designated by ensuring that they have the knowledge, skills and experience appropriate to the duties that they are to perform and that most of these members are independent directors.

Compliant ✓ Partially compliant Explain

48. Highly-capitalized companies have an Appointments Committee and a separate Remuneration Committee.

Compliant Explain **Not applicable** ✓

49. The Appointments Committee should consult with the company's Chairman of the Board of Directors and chief executive, especially on matters relating to executive directors.

Any Director may request that the Appointments Committee take into consideration potential candidates to fill director vacancies if he/she feels that they are suitable.

Compliant ✓ Partially compliant Explain

50. 50. The duties of the remuneration committee must be exercised with independence and include, in addition to those indicated by law, the following:

a) a) Propose to the Board of Directors the standard conditions for senior officers' employment contracts.

b) Check compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy applied to directors and senior officers, as well as the remuneration systems that include shares and how they are implemented, in addition to guaranteeing that their individual remuneration is proportional to that which is paid to other directors and senior officers of the Company.

d) Ensure that any conflicts of interest do not interfere with the independence of the external advice given to the committee.

e) Verify the information on directors' and senior officers' remuneration found in various corporate documents, including the annual report on directors' remuneration.

Compliant ✓ Partially compliant Explain

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant ✓ Partially compliant Explain

52. The rules regarding the composition and proceedings of the supervisory and control committees should be listed in the Board Regulations and be consistent with those applicable to the legally mandatory committees under the foregoing recommendations, including the following:

a) They should be composed exclusively of non-executive directors, with a majority of independent directors.

b) The chairmen should be independent directors.

c) The board of directors should appoint the members of these committees, taking into account the knowledge, skills and experience of the directors and the responsibilities of each committee; deliberate on its proposals and reports; and, at the first plenary session of the board after their meetings, receive an account of their activity and a report on the work carried out.

d) The committees should seek external advice when they deem it necessary to perform their duties.

e) Minutes of meetings should be taken, and copies sent to all directors.

Compliant ✓ Partially compliant Explain Not applicable

53. The supervision of compliance with the rules of corporate social responsibility policy, the internal codes of conduct and the corporate governance policy is attributed to one or more committees within the Board of Directors; these committees may be the Audit Committee, the Appointments Committee, or the corporate social responsibility committee, if any, or a specialised committee created specifically for such duties by the Board of Directors; and these committees will have the following minimum duties:

a) Overseeing compliance with the Company's internal codes of conduct and its rules of corporate governance.

b) Supervising the Company's communication strategy and its relations with shareholders and investors, including small and medium shareholders.

c) Regular assessment of the adequacy of the Company's corporate governance system so that it may fulfil its mission of promoting its business activity and keep the legitimate interests of other stakeholders in mind.

d) Reviewing the Company's corporate responsibility policy, ensuring that it is aimed at creating value.

e) Monitoring the Company's social responsibility strategy and practices and assessing its degree of compliance.

f) Supervising and evaluating relations with different stakeholders.

g) Evaluating all matters that relate to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinating the process of reporting non-financial information and information on diversity, in accordance with applicable regulations and international reference standards.

Compliant ✓ Partially compliant Explain

54. The corporate social responsibility policy should include the principles or commitments, which the Company voluntarily undertakes in its relationship with the different stakeholders and identify at least:

a) The objectives of the corporate social responsibility policy and the development of support tools.

b) The corporate strategy related to sustainability, the environment and social issues.

c) Specific practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, tax responsibility, respect for human rights and the prevention of illegal conduct.

d) Methods or systems monitoring the results of the implementation of the specific practices identified in the previous point, the associated risks and their management.

e) The mechanisms for monitoring non-financial risk, ethics and business conduct.

f) The channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that prevent manipulation of information and protect integrity and honour.

Compliant ✓ Partially compliant Explain

55. The company should report in a separate document or in the management report on matters related to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant ✓ Partially compliant Explain

56. Directors' remuneration is what is necessary to attract and retain directors with a desirable profile, to compensate them for the dedication, qualifications and responsibility that the position entails, and to ensure that the amount does not interfere with the independence of non-executive directors' decisions.

Compliant ✓ Explain

57. Executive directors are restricted to variable remuneration linked to the performance of the Company and to their personal performance, as is the remuneration in the form of shares, stock options or rights to shares or instruments that are referenced to the value of the stock and long-term savings systems such as pension plans, retirement schemes or other social security systems.

Delivery of shares as remuneration can be contemplated for non-executive directors on condition that they hold them until they cease to be directors. The foregoing shall not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant ✓ Partially compliant Explain

58. In the case of variable remuneration, remuneration policies should include precise limits and technical safeguards to ensure they reflect the professional performance of the recipients and not only the general progress of the markets or the company's activity sector or circumstances of this kind.

And in particular, the variable components of remunerations:

a) Should be linked to performance criteria that are predetermined and measurable, and these criteria should consider the risk taken to obtain a result.

b) Should promote the sustainability of the Company and include non-financial criteria that are suitable for creating long-term value, such as compliance with internal rules and procedures of the Company and its policies for control and risk management.

c) Should be configured on the basis of a balance between compliance with short-term, medium-term and long-term objectives, to remunerate output for continuous performance over a period of time that is sufficient to appreciate the contribution to the sustainable creation of value, in such a way that the items measuring this performance do not focus only on sporadic, occasional or extraordinary facts.

Compliant ✓ Partially compliant Explain Not applicable

59. The payment of a significant part of the variable components of remuneration should be deferred for a period sufficient to ensure that the previously established minimum performance conditions have been met.

Compliant ✓ Partially compliant Explain Not applicable

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant ✓ Partially compliant Explain Not applicable

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments referenced to their value.

Compliant ✓ Partially compliant Explain Not applicable

62. Once the shares or options or rights over shares corresponding to the remuneration systems are allocated, directors will not be able to transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or to exercise the options or rights until at least three years have elapsed since they were allocated.

The foregoing will not apply to shares that the director needs to dispose of, if appropriate, to meet the costs related to acquisition.

Compliant ✓ Partially compliant Explain Not applicable

63. Contractual agreements include a clause that allows the Company to claim reimbursement of variable components of remuneration when payment has not been adjusted to the return conditions or when they have been paid based on data that are subsequently credited with inaccuracy.

Compliant Partially compliant **Explain** ✓ Not applicable

No more methods are planned other than those foreseen in the applicable commercial regulations.

64. Payments for contract termination do not exceed the established amount equivalent to two years of total annual remuneration and they are not paid until the Company has been able to verify that the director has met the performance criteria previously established.

Compliant **Partially compliant** ✓ Explain Not applicable

Severance payments for contract termination will be an amount equal to the accrued and vested part of the annual variable remuneration, as appropriate, and regarding the deferred part, the total amount of the deferred payment, and in the event of a resignation, the accrued and vested part of the annual variable remuneration, as appropriate, in accordance with the regulations, until the date of contract termination.

H. OTHER INFORMATION OF INTEREST

1. **1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.**

2. **Any other information, clarification or observation related to the above sections of this report may be included in this section insofar as they are relevant and not repetitive. Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.**

3. **Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the code and date of adoption. In particular, it will be specified whether the Company has adhered to the Code of Good Tax Practice of 20 June 2010**

C.1.12 The Company's Board Regulations do not specify a maximum number of boards on which the Company's directors may sit but such limit is set forth in the regulations applied to the Company as a credit entity. For this reason, the principle given by the recommendation is met. In other words, the directors should devote sufficient time to efficiently perform their duties and to know the Company's business and the governance rules that govern it and they meet its purpose despite not fully observing the recommendation and all the directors are aware of the limits set in the regulations in this regard.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held:

11/03/2019

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes **No** ✓

5 Annual report on remuneration of directors of listed public liability companies

Annual report on remuneration of directors of listed public liability companies

Reference reporting date 31/12/2018

Issuer identification

C.I.F. A- 82473018
Company name:
RENTA 4 BANCO, S.A.
Ps. de la Habana, 74
28036 Madrid

A. REMUNERATION POLICY OF THE COMPANY FOR THE YEAR IN PROGRESS

A.1. Explain the current policy for the remuneration of directors applicable to the year in progress. Where relevant, certain information may be stated in relation to the remuneration policy approved by the general meeting of shareholders, provided the addition is clear, specific and concrete.

SThere must be a description of any specific determinations for the year in progress, of the remuneration of directors in their capacity as such and for their performance of executive functions by the board pursuant to the provisions of the contracts signed with executive directors and with the remuneration policy approved by the general meeting.

The following aspects, at least, must be reported in any case:

- Description of the procedures and bodies of the company involved in determining and approving the remuneration policy and its conditions.

- State and, where appropriate, explain whether consideration have been given to comparable companies for the purposes of establishing the company's remuneration policy.

- Information as to whether an external advisor was involved and, should this be the case, the identity of the advisor.

The purpose of the directors' remuneration policy (the "Remuneration Policy") of Renta 4 Banco, S.A. (the "Company" or "Renta 4") is to align the interests of shareholders with those of the Company, seeking prudent management of the business and minimising the risks inherent in it by rewarding the work of the Company's personnel in achieving said purpose and endeavouring to ensure that remunerations are consistent with the market conditions of credit institutions of comparable size and with criteria of moderation and alignment with the Company's results All this in order to contribute to the Company meeting its strategic objectives within the framework in which it carries out its activity.

In this regard, and within the framework of the provisions of the 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 directors. In accordance with the best corporate governance practices, the Board of Directors of the Company has established, for the best performance of its duties, Committees that assist it in matters that are within its remit. Of these, the Appointments and Remuneration Committee (the "ARC") is the body that advises and informs the Board of Directors on remuneration issues, among others, assigned to it in the Board Regulations, ensuring compliance with the remuneration policy established by the Company's General Meeting of Shareholders and proposing, where appropriate, any modifications it deems appropriate.

For this reason, the Board of Directors, in the exercise of its functions, shall approve, at the proposal of the ARC, the Remuneration Policy for the year in progress and submit it to the Company's General Meeting for approval.

The Appointments and Remuneration Committee, under Article 32 of the Board of Directors Regulations, currently comprises three members appointed by the Board of Directors, Eduardo Trueba Cortes and Sarah Harmon, as independent directors and Pedro Navarro Martínez, as another external director.

This Committee meets as often as is necessary for the performance of its duties, convened by its Chairman or, as the case may be, by the Chairman of the Board, at least once a quarter.

In 2018, the ARC met six times to discuss issues within its remit.

Without prejudice to other duties that should be assigned to it by the Board, the ARC has, in relation to matters of remuneration, the following powers:

- ensure that the remuneration policy established by the Company is observed and, in particular, review it on a regular basis and propose to the Board of Directors the remuneration policy for directors, senior executives, executive committees, executive directors and, where appropriate, categories of employees who, owing to the duties they perform, are included in the remuneration policy by virtue of the applicable regulations, the application thereof, including share-based remuneration systems and their application, as well as to guarantee that individual remuneration is proportional to that paid to directors and senior executives;

-propose to the Board of Directors the individual remuneration and the terms and conditions of the contracts of executive directors and the basic conditions of the contracts of senior executives, all in accordance with the Remuneration Policy approved by the General Meeting;

- oversee the transparency of remuneration and the observance of the remuneration policy established by the Company.

In this regard, the ARC will propose, where appropriate, due modifications of the Remuneration Policy to the Board of Directors.

The Regulations of the Board of Directors, both with regard to the ARC itself and for directors in general, provide that all of them (the Committee or the members of the Board, as the case may be) may request external advisory on any matters they consider necessary (art. 29.2 of the Board Regulations).

Further, in accordance with Article 24 of the Regulations of the Board of Directors of Renta 4, the Board of Directors has endeavoured to ensure that the remuneration is guided by the market conditions of credit institutions of comparable size, ensuring that remuneration meets criteria of moderation and proportionality to the Company's results.

The Company's Corporate Governance rules have been configured so that proposals submitted for consideration by the Board of Directors in remuneration matters originate from the ARC, which analyses them beforehand, relying on the Company's internal services and external experts when necessary. In addition, all remuneration decisions affecting the directors have been submitted (or will be submitted) to an advisory vote of the Company's General Meeting of Shareholders, which ensures the appropriate decision-making process in relation to remuneration.

Relative importance of items of variable remuneration in relation to the fixed items (remuneration mix) and the criteria and objectives taken into account to determine them and to guarantee a proper balance between the fixed and variable components of remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and align it with the long-term objectives, values and interests of the company, including, where appropriate, a reference to measures envisaged to ensure that the remuneration policy takes into account the long-term results of the company, measures adopted in relation to categories of personnel whose professional activities have a material impact on the entity's risk profile and measures envisaged to avoid conflicts of interests, where appropriate.

Likewise, indicate whether the company has established a period for accrual or consolidation of certain items of variable remuneration, a deferral period for the payment of certain amounts or the delivery of financial instruments already accrued and consolidated, or whether a clause has been agreed which reduces deferred remuneration or obliges the director to return any remuneration received, when the remuneration has been based on data subsequently shown to be manifestly inaccurate.

The Remuneration Policy seeks to establish a remuneration scheme appropriate to the engagement and responsibility undertaken by the people to whom it applies, with the aim, first, of attracting, retaining and motivating the most outstanding professionals and, second, contributing to the Company being able to meet its strategic objectives within the framework in which it carries on its activity. For this reason, and as established in the Regulations of the Board of Directors, the remuneration will be adjusted to the market conditions of credit institutions of a size similar to Renta 4 and based on criteria of moderation and proportionality to the results of the Entity.

Therefore, the remuneration policy is based, inter alia, on the following principles:

(a) The Remuneration Policy applies both to executive and non-executive members of the Board of Directors of Renta 4, to senior executives, as well as to categories of employees of the Company whose professional activities have a material impact on the Company's risk profile and those who exercise control functions, as well as categories of employees of the Company who receive a global remuneration that includes them in the same scale of remuneration as that of senior executives and employees who take on risks, whose professional activities have a material impact on the Company's risk profile.

(b) The Remuneration Policy is compatible with appropriate and effective management of risk, and fosters such management in all circumstances, without offering, consequently, incentives for a assuming a level of risk that exceeds the level of risk tolerated by the Company.

(c) The Remuneration Policy is aligned and compatible with the Company's business strategy, objectives, values and long-term interests, and is subject to annual review, with the Board proposing, as appropriate, any modifications it deems appropriate.

(d) The remuneration paid by the Company in accordance with these principles follows criteria of moderation and proportionality to the Group's results, and favours sound and effective risk management that prevents conflicts of interests.

(e) In this sense, remuneration establishes an appropriate balance between the fixed and variable items, and takes into consideration the responsibility and level of commitment of each individual, as well as all types of current and future risks.

(f) The variable remuneration has sufficient flexibility that enables its modulation to the point that it is possible to completely eliminate variable remuneration.

(g) It assesses performance in order to calculate the variable items of remuneration or the funds to pay for these items; an adjustment is made for all types of current and future risks, and the cost of capital and liquidity required is taken into account.

(h) Variable remuneration is only paid if it is sustainable with the situation of the Company, and if it is justified based on the results of the Company, the business unit and the employee in question, and the Company may, for these purposes, retain part or even all of it. However, the remuneration of personnel who exercise control functions is not subject to the results of the business areas they control.

This assessment is part of a multi-year framework ensuring that the assessment process is based on long-term results and that the actual payment of variable items is spread over the period covered by the Remuneration Policy.

(i) Payments for early termination of a contract are based on the results obtained over time, established in such a way that they do not reward poor performance.

(j) The pension policy is compatible with the Company's business strategy, objectives and values and long-term interests.

(k) Any scheme for rights of widowhood, orphanhood and death that is established is consistent with the market and the provisions of applicable regulations.

Further, in relation to the relative weight of variable remuneration items in relation to fixed ones, the principles on which the Remuneration Policy is based state that it will establish an appropriate balance between the fixed and variable items, always taking into consideration the responsibility and level of commitment involved in the role that each individual is called upon to play, as well as all types of current and future risks, an aspect that is covered in the Policy. In this regard, the Company's executive directors currently receive variable remuneration based on the performance of their executive duties, as indicated in section A.1.6 below.

In relation to the measures envisaged to guarantee that the Remuneration Policy takes into account the long-term results of the Company, section A.1.6. below includes the objective criteria relating to the Company's results for determining directors' variable remuneration. Furthermore, the Company's Remuneration Policy provides for an adequate balance between the fixed and variable items of remuneration for, as noted in section A.1.6, below, variable compensation depends on the achievement of objective criteria established by the Board and linked to the Company's objective results.

The amount and nature of any fixed components expected to accrue in the course of the year to directors in their capacity as such.

The Company has devised a remuneration system that differentiates between the remuneration of executive directors and that of other directors.

Directors, by virtue of their status as such, shall receive annual remuneration appropriate to market standards for the performance of their duties as members of the Board of Directors, taking into account the duties and responsibilities exercised by each of the directors within the Board itself or its Committees.

The amount of the remuneration that the Company may pay to the entirety of its directors for these 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 a maximum global amount of 622,176 euros in fiscal year 2019, at the rate of 60,000 euros gross for each of the non-executive directors who are natural persons and 71,088 euros gross for each of the non-executive directors that are legal persons. However, if the number of non-executive directors is increased by more than the current ten members, the maximum amount may be increased for each new non-executive member of the board of directors by the corresponding fixed amount (60,000 euros or 71.088 euros) by virtue of their status as natural or legal persons, up to a total maximum remuneration of all non-executive directors of €884,352.

Executive directors shall not receive any remuneration for their status as Company directors, their only compensation being that received for performance of their executive duties, the scheme of which is set out in section A.1.4 below.

The amount and nature of any fixed components that will accrue in the year to directors for performance of senior management duties by executive directors.

It should be noted that the remuneration system established by the company for executive directors takes into account the specific characteristics of each position, the duties attributed, the level of responsibility, the level of commitment taken on and engagement required, all for the purpose of the ARC establishing, determining and/or updating remunerations in order to be competitive in the market in equivalent posts in competing entities.

The only executive directors whose appointment as directors is associated with their executive functions are:

- Chairman with executive functions: Mr Juan Carlos Ureta Domingo.
- CEO: Mr Juan Luis López García.
- Director and General Manager: Mr Jesús Sánchez-Quiñones González.
- Director and Regional Manager: Mr Santiago González Enciso.

The compensation of executive directors for fiscal year 2019, based on their responsibility, attributed functions and level of commitment, in terms of fixed remuneration will be as follows:

i. Executive Chairman: Mr Juan Carlos Ureta Domingo, acting as Executive Chairman will receive a fixed annual remuneration of 300,000 euros gross to be divided into 12 equal monthly payments.

ii. The CEO of the Company Mr Juan Luis López García will have fixed annual remuneration of 275,000 euros gross.

iii. Director and General Manager Mr Jesús Sánchez-Quiñones González, will have a fixed annual compensation of 275,000 euros gross. iv. The Director and Regional Manager, Mr Santiago González Enciso will have a fixed annual remuneration of 75,000 euros gross.

In relation to the estimation of the fixed annual remuneration, given that the amounts indicated are fixed and will not depend on any objective or variable aspect, there is no estimation in this regard, where said sums are the fixed remuneration each of them will receive during the year 2019 for their posts.

Amount and nature of any item of in-kind remuneration in kind that will be accrued in the year, including, but not limited to, insurance premiums paid in the director's benefit.

The Company has taken out a collective civil liability insurance policy that covers all liabilities of whichever kind for acts and the conduct of executive directors (Executive Chairman, CEO, General Manager and Regional Manager) and of non-executive directors of the Company, as a consequence of performing the activities attached to their roles.

Importe y naturaleza de los componentes variables, diferenciando entre los establecidos a corThe amount and nature of the variable components, with a distinction made between those established in the short term and in the long term. Financial and non-financial parameters, the latter including social, environmental and climate change parameters, selected to determine variable remuneration for the year in progress, explanation of the extent to which these parameters bear a relation to performance of the director and also of the company and its risk profile, and the methodology, necessary timeline and techniques in place for the purposes of determining, at year-end, the level of compliance with the parameters used to design variable remuneration.

Specify the range in monetary terms of the different variable components depending on the level of compliance with the objectives and parameters established, and whether there is any maximum monetary amount in absolute terms exists.

The variable remuneration of the directors of Renta 4 according to their responsibility, attributed functions and level of commitment is structured as follows:

1. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-executive directors do not currently have a Variable Remuneration Plan.

2. REMUNERATION OF EXECUTIVE DIRECTORS

Executive directors currently have the following Variable Remuneration Plan:

2.1. Variable Remuneration of the Chairman for his Executive Functions

Mr Juan Carlos Ureta Domingo, as Executive Chairman, in 2019 will receive an Annual Variable Remuneration ("AVR") that may not exceed, in any case, 100% of the Fixed Annual Remuneration ("FAR") and will be determined by the corresponding amount accrued according to the level of compliance with the Year's Targets linked to the Net Profit of the Group ("NP"), which will be set by the Board of

Administration ("BoD"), in accordance with the responsibilities and functions of the position, as well as any others that are specifically assigned by the BD to the Chairman.

The Year's Targets will be calculated on the basis of the NP and for the year 2019, they have been established according to the following scale:

• NP < 15 MM€ = 0% RFA
• NP 15 < x > 16 MM€= 10 % FAR
• NP 16 < x > 17 MM€= 15 % FAR
• NP 17 < x > 18 MM€= 35 % FAR
• NP 18 < x > 19 MM€= 55 % FAR
• NP 19 < x > 20 MM€= 65 % FAR
• NP 20 < x > 21 MM€= 85 % FAR
• NP > 21 MM€= 100% FAR

The AVR will be received as long as the levels of default or bad debt losses of the Renta 4 Group during the financial year are lower than 5% of the Equity ("E") at year-end and when these levels are not attributed to the Company's actions, in which the risk levels and limits allowed and established by the European Banking Authority (EBA) or any other competent body are exceeded, due to deficient control systems used by the Renta 4 Group, as well as any other cause attributable to the Company's inaction or poor practices.

2.2. Remuneration of CEO and of Director and General Manager

The CEO, Mr Juan Luis López García and the Director and General Manager Mr Jesús Sánchez-Quiñones González will receive an AVR that may not exceed 100% of the FAR of each one of them and will be determined by the corresponding amount accrued according to the level of compliance with the Year's Targets linked to the Net Profit of the Group ("NP"), which will be set by the Board of Directors every year.

The Year's Targets will be calculated on the basis of the NP and for the year 2019, they have been established according to the following scale:

• NP < 15 MM€ = 0% RFA
• NP 15 < x > 16 MM€= 10 % FAR
• NP 16 < x > 17 MM€= 15 % FAR
• NP 17 < x > 18 MM€= 35 % FAR
• NP 18 < x > 19 MM€= 55 % FAR
• NP 19 < x > 20 MM€= 65 % FAR
• NP 20 < x > 21 MM€= 85 % FAR
• NP > 21 MM€= 100% FAR

The AVR will be paid as long as the levels of default or bad debt losses of the Renta 4 Group during the year remain below 5% of the E at the end of year and when these levels do not occur as a result of the Company's actions, in which the risk levels and limits allowed and established by the EBA or any other competent body are exceeded, due to deficient control systems used by the Renta 4 Group, as well as any other cause attributable to the Company's inaction or poor practices.

2.3. Variable Remuneration of the Director and Regional Manager

The Regional Manager will receive a FAR that may not exceed 100% of the FAR determined by the corresponding amount accrued according to the level of fulfilment of the Year's Targets linked to the Net Profit of the Group ("NP"), which will be set by the Board of Directors.

The Year's Targets will be calculated on the basis of the NP and for the year 2019, they have been established according to the following scale:

• NP < 15 MM€ = 0% RFA
• NP 15 < x > 16 MM€= 10 % FAR
• NP 16 < x > 17 MM€= 15 % FAR
• NP 17 < x > 18 MM€= 35 % FAR
• NP 18 < x > 19 MM€= 55 % FAR
• NP 19 < x > 20 MM€= 65 % FAR
• NP 20 < x > 21 MM€= 85 % FAR
• NP > 21 MM€= 100% FAR

The AVR will be paid as long as the levels of default or bad debt losses of the Renta 4 Group during the year remain below 5% of the E at the end of year and when these levels do not occur as a result of the Company's actions, in which the risk levels and limits allowed and established by the EBA or any other competent body are exceeded, due to deficient control systems used by the Renta 4 Group, as well as any other cause attributable to the Company's inaction or poor practices.

In relation to the sums corresponding to the amount accrued depending on the fulfilment of the Year's Targets ("YT") linked to Net Profit of the Group, which will be set by the Board of Directors for the Executive Chairman, CEO, General Manager and Regional Manager, 60% of the amount corresponding to each of them shall be paid within a maximum period of 15 days following the assessment, 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 three-year deferral period, the accrual and payment satisfied at a rate of 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% in the third year of deferral. The payment due must be made before the end of the corresponding month of March of the calendar year following each of the years in which the deferral has taken place.

For the vesting of accrual and payment of 40% of the deferred AVR, the Board, at the proposal of the ARC, will conduct an assessment at the end of each year of the deferral period, based on keeping up the profitability of the results of the Renta 4 Group, taking into account the circumstances of the sector during the reported period and will adjust to the circumstances of the Renta 4 operations, to the

risks taken on by the Company and the activity of each of the executive directors provided that the assessment of each one of these concludes that their performance was adequate and in line with the Company's targets.

The payment of the VR, both the 60% and the deferred 40%, will be performed 50% in cash and the other 50% in shares. To calculate the number of shares accrued to be delivered, the average market value of the share during the last 20 business days of the corresponding year will be used, where the shares are non-transferable during a period of 12 months following delivery.

The total amount of the VR obtained as a result of the application of the VR system, depending on the level of fulfilment of the NP and objectives set for the Executive Chairman, CEO, General Manager and Regional Manager, may not involve the Group's NP falling below €15M by 2019. Otherwise, the Total Amount of the VR must be adjusted proportionally until the 2019 NP is at least €15M.

Likewise, and to estimate the total amount of the variable remunerations to which the current system would give rise, depending on the level of fulfilment with the assumptions or objectives taken as a benchmark, the Company considers that it could be determined in the following maximum amounts:

- Chairman with executive functions: Mr Juan Carlos Ureta Domingo would receive a maximum of €300,000 gross.
- The CEO, Mr Juan Luis López García will receive a maximum of €275,000 gross.
- The General Manager, Mr Jesús Sánchez-Quiñones González €275.000 gross.
- The Regional Manager, Mr Santiago González Enciso €75,000 gross.

PMain characteristics of long-term savings systems. Among other information, specify the contingencies covered by the system, whether it is a contribution or a defined benefit, the annual contribution to be made to the defined contribution systems, the benefit to which beneficiaries are entitled in defined benefit systems, the conditions for vesting of the economic rights in favour of directors and their compatibility with any type of payment or compensation for early termination or dismissal, or deriving from the termination of the contractual relationship, under the terms established, between the company and the director.

It must be specified whether the accrual or consolidation of any long-term savings plans are linked to the achievement of certain objectives or parameters relating to the short-term and long-term performance of the director.

The Company has not undertaken any pension, retirement or similar obligations with non-executive directors.

With regard to the executive directors, since 2007 the Company has been covering the contingencies of retirement, work disability, death, severe dependency or major dependency by setting up systems of defined contribution employment plans with the coverage and vesting in accordance with the regulations for Pension Plans, to which 600 euros are currently contributed annually, as well as the insurance premium to cover these contingencies for each of them, all of which are compatible with the compensation included in A.8. The contributions made in 2018, as well as the accumulated amounts, are included in C.1.a) iii).

The accrual or vesting of long-term savings plans is not linked to the fulfilment of the targets set for the directors.

Any type of payment or compensation for termination or early departure or that arises from the end of the contractual relationship, in the terms stipulated, between the company and the director, whether departure is at the behest of the company or is the wish of the director, and any kind of agreement, such as an exclusivity, post-contractual non-competition and long-service or loyalty agreement, entitling the director to any kind of remuneration.

The Company's non-executive directors are not contractually entitled to receive any compensation in the event of resignation or dismissal. For executive directors, Renta 4 has established compensation in the event of dismissal, unfair dismissal or termination of the employment relationship for reasons beyond the Director's control. In this sense, this compensation are compatible with the long-term savings plans explained in section A.7. above, the figures for which are included in C.1.a.iii. and are implemented for executive directors as follows:

- Executive Chairman: In the event of termination for reasons beyond the Chairman's control, or due to his/her removal or non-reelection as a member of the Board of Directors (BoD) by the General Meeting (GM) or due to his/her removal or non-reelection as Chairman in the BoD, he/she shall be entitled to receive compensation equal to the legal compensation provided for unfair dismissal under the ordinary employment law.

- CEO: In the event of his/her removal as Chief Executive Officer (CEO) for causes beyond his/her will; due to his/her removal or non-reelection as a member of the Board of Directors by the Board of Directors or due to his/her removal or non-reelection as a member of the Board of Directors in the Board of Directors, he/she shall be entitled to receive compensation equal to the legal compensation provided for unfair dismissal under the ordinary employment law for the period in which he/she held the position of CEO. In the event of a dismissal that is declared to be unfair, the CEO would be entitled to receive compensation equivalent to the legal compensation provided for unfair dismissal under the ordinary employment law.

- Director and General Manager: compensation equal to the compensation provided for unfair dismissal under the ordinary employment law.

- Regional Director: there is no agreement relating to compensation or a golden parachute.

On the other hand, in addition to the envisaged compensation, and in relation to the VR indicated in section A.1 table 6 above, the executive directors will be entitled to the following:

The Executive Chairman, in the event that the Board of Directors decides to remove him as Executive Chairman, or the GM resolves to remove him as a Director, shall be entitled to receive the accrued and vested part of the AVR as appropriate, and in relation to the deferred part, shall forfeit any right to receive any such amount. However, in the event of termination of his or her post due to (i) permanent or severe disability, (ii) death, (iii) retirement, (iv) pre-retirement, or (v) early retirement, the Executive Chairman shall be entitled to receive the accrued and vested portion of the annual variable remuneration (AVR), as applicable, and in relation to the deferred portion, the full amount of the deferred payment shall be deemed to have accrued and vested. For executive directors holding the positions of Chief Executive Officer and Director and General Manager, the Board of Directors has established that they will be entitled to receive the accrued and vested portion of the AVR, as appropriate, and in relation to the deferred part, the total amount of the deferred payment will be understood to have been accrued and vested, in the event of: (i) business withdrawal; (ii) dismissal declared unfair by the Courts or recognised as unfair by the Company; (iii) dismissal declared null and void by the Courts; (iv) termination of the employment relationship requested by the Chief Executive Officer or the General Manager, pursuant to Article 10.3 of Royal Decree 1382/1985, of 1 August, which regulates the special employment relationship of senior management personnel or the termination of the employment relationship requested by the worker, in the case of the Director General under the provisions of Article 50 of the Workers' Statute; (v) disability; (vi) death; (vii) retirement; (viii) pre-retirement; (ix) early retirement or (x) mutual agreement to suspend the relationship, provided that the assessment made concludes that the performance of the CEO or Director and General Manager has been correct and in line with the objectives of the Entity.

However, in the event of (i) resignation or voluntary resignation; (ii) withdrawal of the Chief Executive Officer or General Manager; (iii) voluntary leave and/or compulsory leave of absence; or (iv) dismissal declared fair by the Courts, they shall be entitled to receive the accrued and vested part of the AVR, as applicable, forfeiting any right to receive any amount for the deferred payment. Finally, with regard to the executive director and Regional Manager, the Board of Directors has established that the latter shall be entitled to receive the accrued and vested portion of the annual variable remuneration, as appropriate, and with regard to the deferred part, the total amount of the deferred payment shall be understood to have been accrued and vested, in the event of the following: (i) dismissal declared unfair by the Courts or recognised as unfair by the Company; (ii) dismissal declared null and void by the Courts; (iii) termination of the employment relationship requested by the worker under the provisions of Article 50 of the Workers' Statute; (iv) change of job category; (vi) disability; (vii) death; (viii) retirement; (ix) pre-retirement; (x) early retirement or (xi) mutual agreement to suspend the relationship, provided that the assessment conducted concludes that the performance of the Director has been correct and in line with the Company's targets.

However, in the event of (i) resignation or voluntary resignation; (ii) voluntary leave and/or compulsory leave of absence; or (iii) dismissal declared fair by the Courts, they shall be entitled to receive the accrued and vested part of the AVR, as applicable, waiving any right to receive any amounts for the deferred payment.

Specify the conditions to be observed by the contracts of individuals who exercise senior management functions as executive directors. The term, limits on the amounts of termination benefits, long-service terms, notice periods, and payment as substitution for notice periods, and any other clauses covering hiring bonuses, indemnities or golden parachutes for early termination or cessation of the contractual relationship between the Company and the executive director will be reported, among others. Include, inter alia, any covenants or agreements not to compete and exclusivity, long-service or loyalty and post-contractual non-competition agreements, unless these have been explained in the preceding section.

The Board Regulations assign to this body the power to adopt decisions on the conditions that the contracts of executive directors must observe. In addition, the ARC's functions include reviewing and proposing to the Board of Directors the remuneration policy for directors and senior executives and, where appropriate, categories of employees who, owing to 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 executive directors and the basic conditions of the contracts of senior executives, all in accordance with the remuneration policy approved by the General Meeting.

The contracts arranged with each of the executive directors determine their related remuneration, economic rights and rewards, which include those items included in the Company's bylaws and described in this report. The relevant terms and conditions of the contracts of Mr Juan Carlos Ureta Domingo (as Executive Chairman), Mr Juan Luis López García (CEO), Mr Jesús Sánchez-Quiñones González (Director and General Manager) and of Mr Santiago González Enciso (as Director and Regional Manager) are specified below:

a) Term: The contracts are of an indefinite term.

b) Limits on the amounts of termination benefits: The limitations on the maximum amounts of compensation for each of the executive directors are set out below:

- Executive Chairman: He would be entitled to receive compensation equivalent to the legal compensation provided for unfair dismissal under the ordinary employment laws subject to the conditions shown in A.1 table 8 above. In this respect, the maximum amount of such compensation would be, in 2019, 1,469 thousand euros.

- CEO: He would be entitled to receive compensation equivalent to the legal compensation provided for unfair dismissal under the ordinary employment laws subject to the conditions shown in A.1 table 8 above. In this respect, the maximum amount of such compensation would be, in 2019, 853 thousand euros.

- General Manager: He would be entitled to receive compensation equivalent to the legal compensation provided for unfair dismissal under the ordinary employment laws subject to the conditions shown in A.1 table 8 above. In this respect, the maximum amount of such compensation would be, in 2019, 1,190 thousand euros.

- Regional Manager: he would receive the legal compensation envisaged for unfair dismissal under the ordinary employment law. In this respect, the maximum amount of such compensation would be, in 2019, 301 thousand euros.

c) Prior notice: Those set out in the applicable collective agreement.

d) Any non-competition and exclusivity, length of service or loyalty and post-contractual non-compete covenants or agreements: In the contracts signed with each of the executive directors, a declaration is made by both parties that the positions they hold in the Company are full-time, with exclusive dedication to the Company. In addition, such exclusivity is emphasised in such contracts (the subject matter clause). There are no specific pacts in the aforementioned contracts relating to non-competition, length of service or loyalty and post-contractual non-competition.

In relation to these matters, article 16 of the Regulations of the Board of Directors establishes that no director may engage, on his own account or on behalf of others, in an activity that is the same, similar or a supplementary to that which constitutes the corporate purpose of the Company, unless expressly authorised to do so by the Company in the form of a resolution of the General Meeting, for which purpose they must give the notice specified in the aforementioned Regulation. Directors must consult the ARC before accepting any executive position or position on the board of directors of another company or entity.

With regard to possible conflicts of interest, article 20 of the Board Regulations establishes that directors must notify the Board of Directors of any situation of conflict, direct or indirect, that they may have with the interest of the Company. The director concerned shall refrain from participating in resolutions or decisions relating to the transaction giving rise to the conflict. Likewise, the directors must report any the direct or indirect stake either they or related persons, as defined in the Spanish Limited Liability Companies Law, hold in the capital of a company with the same, similar or complementary type of activity to that which constitutes the corporate purpose, and they must also report any posts or functions they hold in it.

In addition, Article 9 of the Board Regulations establishes that directors must observe the regime of incompatibilities that is legally established at any given time.

The nature and estimated amount of any other additional remuneration that will be accrued by directors during the year in progress by way of a consideration for services provided other than those inherent in their posts.

The directors of the Company did not accrue any remuneration in this regard.

Other items of remuneration such as any arising from provision for the director by the company of advances, credits and guarantees and other remuneration.

The Company currently has credit facilities in the benefit of the following directors:

On 9 July 2018, Mr Francisco García Molina was granted a loan of 200 thousand euros, with a four-year repayment term, which ends on 8 July 2022. In 2018, he drew down 198 thousand euros.

Mr Pedro Ángel Navarro Martínez was granted a loan amounting to 1000 thousand euros on 13 November 2017, of which 798 thousand euros were drawn down, with a repayment term that ends on 12 November 2019.

On 28 June 2018, Santiago González Enciso was granted a loan of 775 thousand euros, with 607 thousand euros drawn down and a repayment term of three years, which is scheduled to end on 27 June 2021. In addition, it should be noted that on 23 April 2018 a loan was granted to Ms Matilde Fernández de Miguel, spouse of Mr Santiago González Enciso for 175 thousand euros, with no amounts drawn down in 2018 and a repayment term that ends on 22 April 2021.

With regard to the interest rate, all loans were granted at 12M Euribor plus 1.75%. The specifics and the liabilities taken therefor by way of collateral and the interest rate are those set in section C.1.a.iv) below.

On the other hand, during 2018 the loans granted to Eduardo Trueba Cortés and to the company Vasco Madrileña de Inversiones, S.L., of which Mr Juan Carlos Ureta Domingo is the majority shareholder, were cancelled, and they currently hold no loans granted by the Company.

The nature and estimated amount of any expected additional remuneration not included in the foregoing sections, whether satisfied by the entity or another group entity, which will accrue to the directors in the current year.

The directors of the Company have not accrued any remuneration for any other supplementary remuneration not included in previous sections

A.2. Explain any relevant changes in the remuneration policy applicable during the year in progress arising from:

- A new policy or an amendment to the policy already approved by the General Meeting.
- Relevant changes in the specific determinations established by the board for the year in progress in the current remuneration policy in relation to those applied during the previous year.
- Any proposals that the board of directors agreed to present to the general meeting of shareholders to which this annual report will be submitted, proposing that they should apply to the year in progress.

In 2018 there were no substantial changes, or substantial modifications in the remuneration policy previously approved by the General Meeting, or significant changes that the Board of Directors resolved to submit to the General Meetingl.

ReWith regard to the current year, the Remuneration Policy includes changes to last year's parameters used to determine the variable remuneration of executive directors. These variations are necessary to adjust such remuneration to the Company's economic-financial targets for the year in progress.

A.3. Identify the direct link to the document setting out the current remuneration policy of the company, which must be available on the company's website.

https://www.renta4banco.com/uploads/5c88c98001a8bnf_POL%C3%8DTICA%20
REMUNERACI%C3%93N%20_(RENTA%204%202019_)Consejeros.pdf

A.4. Explain, in due consideration of the data supplied in section B.4, how the voting of shareholders at the general meeting to which the annual remuneration report for the previous year was submitted for and advisory vote was taken into account.

The annual remuneration report for the previous year was unanimously approved by the General Meeting, as stated in section B.4, having been approved by 100% of the votes in favour. Consequently, the Entity has considered it appropriate to continue with a policy of remuneration for directors whose purpose is to align it with the interests of shareholders, seeking prudent management of activity minimizing inherent risks to the same, and rewarding the work of Company personnel in achieving this purpose. All this in order to contribute to the Company meeting its strategic objectives within the framework in which it carries out its activity.

B. OVERVIEW OF THE APPLICATION OF THE REMUNERATION POLICY IN THE COURSE OF THE PREVIOUS YEAR

B.1. Explain the process carried out to apply the remuneration policy and determine the individual remuneration set out in section C of this report. This information shall include the role played by the remuneration committee, the decisions taken by the board of directors and, where appropriate, the identity and role of the external advisers whose services have been used in the process of application of the remuneration policy in the year.

The Board of Directors, at its meeting held on 13 March 2018 and at the proposal of the Appointments and Remuneration Committee, resolved, under point nine of the Agenda, to approve the Remuneration Policy for 2018 and, in turn, to submit it for approval by the General Meeting of Shareholders, which approved this policy with 100% of votes of the present and represented share capital in favour at its ordinary general meeting of 27 April 2018, in accordance with the responsibility, functions attributed and level of commitment taken on by the Renta 4 directors.

Likewise, the Board of Directors, at its meeting of 11 March 2019, and pursuant to the process of assessment of the Board, its Committees, the Chairman, the Managing Director and the Coordinating Director, as well as the performance of the Company in 2018 through the results included in the financial statements, has determined, in accordance with the Remuneration Policy in force, the variable remuneration due to directors with executive functions specified in section D belowr.

B.2. Indicate the action taken by the company in relation to the remuneration system and how it has helped reduce exposure to excessive risks and adjust it to the company's long-term objectives, values and interests, including a reference to the measures adopted to ensure that the remuneration accrued has been based on the company's long-term results and has secured a proper balance between the fixed and variable components or remuneration, what measures have been taken in relation to personnel categories whose professional activities have a material impact on the company's risk profile, and what measures have been adopted to prevent conflicts of interest, if any.

In relation to the measures envisaged to guarantee that the Remuneration Policy takes into account the long-term results of the Company, section A.1. below includes the objective criteria relating to the Company's results applied to determine directors' variable remuneration.

In addition, the Company's Remuneration Policy finds a suitable balance between the fixed and variable items in the remuneration considering that, as shown in section A.1. above, the variable remuneration set for 2018 is based on the fulfilment of the objective criteria defined by the Board, always linked to the objective results of the Company and subject to the Remuneration Policy approved at the Ordinary General Meeting of 27 April 2018.

Likewise, as regards the measures adopted in relation to categories of personnel whose professional activities have a material impact on the Company's risk profile, the Company adopts the same measures in this respect as for executive directors, which are included in section A.1 above. These, in particular, relate to establishing the variable remuneration based on targets linked to the Company's net profit and the level of default of the Renta 4 Group.

Lastly, in relation to the clawback formulae or clauses to claim back the variable remuneration items, it is envisaged that, should the assessments conclude a deficient performance, the Company may reduce the deferred variable remuneration and/or claim the reimbursement of the variable remuneration already paid, up to a maximum of 100%, in either case. These assessments will analyse the subsequent performance according to the criteria (indicated in section A.1 above, as they are the same for the current year and the reported year), which contributed to achieving the objectives, comparing it with the initial performance assessment and will be approved by the Board of Directors at the end of the year such variable remuneration refers to.

B.3. Explain how the remuneration accrued during the year meets the provisions of the remuneration policy in force.

Report also on the relationship between the remuneration obtained by the directors and the results or other measures of performance, in the short and long term, of the entity, explaining, where appropriate, how the variations in the company's performance may have influenced in the variation of directors' remunerations, including accrued remunerations whose payment has been deferred, and how these contribute to the Company's short and long-term results.

Based on the Company's director remuneration policy for 2018 indicated in section B.7 below, the executive directors' remuneration is linked to the results produced by the Company. In this regard, and in accordance with what is indicated in this section, certain variable remuneration is conditional upon the fulfilment of the indicators also included in section B.7. below.

In 2018, the total remuneration of the Company's directors in their capacity as such was 622,176 euros, in observance of the maximum amount of 884,352 euros for this item as established in the Remuneration Policy. The individual remuneration of each director in his capacity as such consisted of a fixed annual amount, as established in said policy. Executive directors did not receive remuneration for their membership of the Board of Directors or of its committees; nor did they receive any annual fixed amounts, or attendance fees for meetings of the Board of Directors. In this regard, the executive directors received remuneration in the amounts to which they were entitled by virtue of their respective contracts drawn up with the Company, pursuant to the Remuneration Policy. At a meeting on 29 January 29 2019, at the behest of the ARC, the Board of Directors determined the sums of the annual variable remuneration of executive directors accrued in 2018.

For the purposes of determining the variable remuneration accrued to the executive directors, consideration was given to professional engagement and excellence, the level of achievement of the targets of the annual budget, investment targets, and the result of assessment of the performance of their duties, in relation to which a variable remuneration of 15% was determined in relation to the fixed annual remuneration to which each director is entitled. Section B.7 of this report contains more information in connection with these conditions.

B.4. IIndicate the result of the advisory vote at the general meeting on the annual report on the remunerations from the previous year, showing the number of votes against it, if any.

	Number	% of total
Votes cast	28,865,036	100,00

	Number	% of votes cast
Dissenting votes		0,00
Affirmative votes	28,865,036	100,00
Abstentions		0,00

B.5. Explain how the fixed items accrued during the year by the directors have been determined in their capacity as such, and how they have changed from the previous year.

The Board of Directors, at its meeting held on 13 March 2018 and at the proposal of the ARC, resolved, under point nine of the Agenda, to approve the Remuneration Policy for 2018 and, in turn, to submit it for its approval by the General Meeting of Shareholders, which approved the policy at its ordinary meeting on 27 April 2018, taking into account the market standards to determine the fixed annual remuneration for the performance of their duties as members of the Board of Directors.

In this regard, the non-executive directors, in their capacity as such, in fiscal year 2018 received a fixed annual amount for the performance of their duties as members of the Board of Directors in the amount of 60,000 euros for each of the directors who are individuals and 71,088 euros for each of the directors who are legal entities, with the same fixed annual remuneration received by each of them in 2017, therefore not varying compared to the previous year.

B.6. Explain how the salaries accrued during the year to each of the executive directors for carrying out management functions were determined, and how they changed in relation to the previous year.

In accordance with the Remunerations Policy approved at the ordinary general meeting of 27 April 2018, during 2018 the remuneration paid to the directors was:

• Mr Juan Carlos Ureta Domingo, Executive Chairman received a fixed annual remuneration of 300,000 euros gross.

• Mr Juan Luis López García, CEO received a fixed annual remuneration of 275,000 euros gross.

• Mr Jesús Sánchez-Quiñones González, Director and General Manager, received a fixed annual remuneration of 275,000 euros gross.

• The Director and Regional Manager Mr Santiago González Enciso received a fixed annual remuneration of 75,000 euros gross.

The fixed remuneration paid to executive directors has changed from 889,000 euros in 2017 (Mr Juan Carlos Ureta Domingo, 300,000 euros, Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González, 260,000 euros each, and Mr Santiago González Enciso 69,000 euros) to a fixed remuneration of 925,000 euros in 2018 (Mr Juan Carlos Ureta Domingo, 300,000 euros, Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González, 275,000 euros each, and Mr Santiago González Enciso 75,000 euros), which represented an increase of 4% in 2018 over 2017.

B.7. Explain the nature and main characteristics of the variable components of the remuneration systems accrued in the course of the year.

In particular:

• Identify each of the remuneration plans that determined the different variable remuneration packages accrued by each of the directors in the course of the year, including information on their scope, the date of approval, date of implementation, periods of accrual and validity, criteria used to assess performance and how this affected the establishment of the variable amount accrued, and the measurement criteria used and the timeline required to enable all the conditions and criteria stipulated to be properly measured.

• In the case of share option plans and other financial instruments, the plan's general features will include information on the conditions for securing unconditional ownership (consolidation) and for exercising such options or financial instruments, including the price and exercise timeline.

• Each of the directors, and their category (executive directors, external proprietary directors, external independent directors or other external directors), who are beneficiaries of remuneration systems or plans that include variable remuneration.

• Where appropriate, information will be provided in relation to any periods established for the accrual or deferral of payment that may have been applied, and/or retention/ non-availability periods for shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration systems:

The 2018 Remuneration Policy establishes that non-executive directors shall not have a Variable Remuneration Plan.

As regards executive directors, the variable remuneration model established in the 2018 Remuneration Policy is as follows:

1) Variable remuneration of Mr Juan Carlos Ureta Domingo, as Executive Chairman.

Mr Juan Carlos Ureta Domingo will receive an Annual Variable Remuneration ("AVR"), consisting of up to a maximum of 100% of the Fixed

Annual Remuneration ("FAR").

The Annual Variable Remuneration is determined by the amount accrued depending on the fulfilment of year's targets linked to the Group's Net Profit (hereinafter, the "Year's targets on Profits") that were set by the Board of Directors taking into account the responsibilities and functions attached to the position, as well as any others that the Board of Directors may have assigned to the Chairman.

In line with the principles of the Renta 4 Remuneration Policy, in addition to applying the criteria of moderation and proportionality to the results of the Renta 4 Group, solid and effective risk management should be favoured. For this reason, the Annual Variable Remuneration will be received if the levels of default or bad debt losses of the Renta 4 Group during the year remain below 5% of the Equity at year end, and when such levels are not attributed to the Company's actions, when the risk levels and limits allowed and established by the EBA (European Bank Authority) or any other competent organisation are exceeded, due to deficient control systems used by the

Renta 4 Group or any other cause attributed to the Company's inaction or poor practices.

The year's targets are calculated on the basis of the Renta 4 Group's Net Profit ("NP") calculated as shown in the following chart:
Net Profit: X < €14M = 0% of Fixed Annual Remuneration.
Net Profit: 14 < X > €15M = 10% of Fixed Annual Remuneration.
Net Profit: 15 < X > €16M = 15% of Fixed Annual Remuneration.
Net Profit: 16 < X > €17M = 35% of Fixed Annual Remuneration.
Net Profit: 17 < X > €18M = 55% of Fixed Annual Remuneration.
Net Profit: 18 < X > €19M = 65% of Fixed Annual Remuneration.
Net Profit: 19 < X > €20M = 85% of Fixed Annual Remuneration.
Net Profit: X > €20M = 100% of Fixed Annual Remuneration.

2) Variable Remuneration of CEO and of the Director and General Manager

The 2018 Remuneration Policy establishes that the CEO, Mr Juan Luis López García and the Director and General Manager Mr Jesús Sánchez-Quiñones González will receive an Annual Variable Remuneration ("AVR") of up to 100% of the Fixed Annual Remuneration ("FAR"). The amount of the same will be accrued depending on the level of fulfillment of the year's targets set by the Board, taking into account the responsibilities and duties attached to the position or any other assigned.

The Annual Variable Remuneration is determined by the amount accrued depending on the level of fulfilment of the year's targets linked to the Group's Net Profit (hereinafter, the "Year's Targets on Profits") that were set by the Board of Directors taking into account the responsibilities and functions attached to the position, as well as any others that the Board of Directors may have assigned to the CEO and Director and General Manager.

The Annual Variable Remuneration will be paid provided that the levels of default or bad debt losses of the Renta 4 Group during the financial year are lower than 5% of the Equity at year-end and when these levels do not occur as a result of the Company's actions, in which the risk levels and limits allowed and established by the European Banking Authority (EBA) or any other competent body are exceeded, due to deficient control systems used by the Renta 4 Group, as well as any other cause attributable to the Company's inaction or poor practices.

The Year's Targets are calculated on the basis of the Renta 4 Group's Net Profit calculated as follows:
Net Profit: X < €14M = 0% of Fixed Annual Remuneration.
Net Profit: 14 < X > €15M = 10% of Fixed Annual Remuneration.
Net Profit: 15 < X > €16M = 15% of Fixed Annual Remuneration.
Net Profit: 16 < X > €17M = 35% of Fixed Annual Remuneration.
Net Profit: 17 < X > €18M = 55% of Fixed Annual Remuneration.
Net Profit: 18 < X > €19M = 65% of Fixed Annual Remuneration.
Net Profit: 19 < X > €20M = 85% of Fixed Annual Remuneration.
Net Profit: X > €20M = 100% of Fixed Annual Remuneration.

3) Variable Remuneration of the Director and Regional Manager

The Director and Regional Manager will receive an Annual Variable Remuneration ("AVR") of up to 100% of the Fixed Annual Remuneration ("FAR"). This amount will be accrued depending on the level of fulfillment of the year's targets set by the Board, taking into account the responsibilities and duties attached to the position or those assigned.

The Annual Variable Remuneration will be determined by the amount accrued in accordance with fulfillment of the year's targets linked to the Group's Net Profit (hereinafter, the "Year's Targets on Profits") which shall be set by

the Board of Directors, in accordance with the responsibilities and functions of the position, as well as any others that are specifically assigned by the Board of Directors to the Director and Regional Manager.

The Annual Variable Remuneration will be paid provided that the levels of defaults or bad debt losses of the Renta 4 Group during the financial year are lower than 5% of the Equity at year-end and when these levels do not occur as a result of the Company's actions, in which the risk levels and limits permitted and established by the European Banking Authority (EBA) or any other competent body are exceeded, due to deficient control systems used by the Renta 4 Group, as well as any other cause attributable to the Company's inaction or poor practices.

The year's targets are calculated on the basis of the Renta 4 Group's Net Profit ("NP") calculated as follows:
Net Profit: X < €14M = 0% of Fixed Annual Remuneration.
Net Profit: 14 < X > €15M = 10% of Fixed Annual Remuneration.
Net Profit: 15 < X > €16M = 15% of Fixed Annual Remuneration.
Net Profit: 16 < X > €17M = 35% of Fixed Annual Remuneration.
Net Profit: 17 < X > €18M = 55% of Fixed Annual Remuneration.
Net Profit: 18 < X > €19M = 65% of Fixed Annual Remuneration.
Net Profit: 19 < X > €20M = 85% of Fixed Annual Remuneration.
Net Profit: X > €20M = 100% of Fixed Annual Remuneration.

Sixty percent of the variable remuneration due to the Executive Chairman, Chief Executive Officer, General Director and the Regional Director shall be paid within a maximum period of 15 days following the assessment, and in any case before the end of the month of March of the calendar year following the year in which such remuneration is accrued, March 2019). The remaining 40% will be subject to a three-year deferral period, the accrual and payment satisfied at a rate of 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% in the third year of deferral. The payment due must be made before the end of the month of March of the calendar year following each of the years in which the deferral has taken place. For the

vesting 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 conduct an assessment at the end of each year of the deferral period, based on keeping up the profitability of the results of the Renta 4 Group, taking into account the circumstances of the sector during the reported period.

The payment of the variable remuneration, both the 60% and the deferred 40%, will be performed 50% in cash and the other 50% in shares. To calculate the number of shares accrued to be delivered, the average market value of the share during the last 20 business days of the corresponding year will be used, where the shares are non-transferable during a period of 12 months following delivery.

Therefore, as the Group's Net Profit in 2018 was €15,761 million and the default level was less than 5%, the level of fulfilment of the year's targets set in the 2018 Remuneration Policy establishes that executive directors are entitled to receive a global Total Annual Variable Remuneration ("AVR") for 2018 for all of them of a global amount of €138,750. Specifically, the resulting total VAR for 2018 amounts to 45,000 euros for the Executive Chairman, 41,250 euros for the Chief Executive Officer, 41,250 euros for the Director and General Manager and 11,250 euros for the Regional Manager.

Of the resulting total VAR for 2018, 60% of this amount will be paid during the first quarter of 2019 and the remaining 40% will be deferred to the following three fiscal years; 2020, 2021 and 2022. The payment of the variable remuneration, both the 60% and the deferred 40%, will be performed 50% in cash and the other 50% in shares.

Therefore, during the first quarter of 2019, the Entity will pay the Executive Directors 60% of the Total Annual Variable Remuneration for 2018, 50% in cash and the other 50% in shares. Specifically, the Executive Chairman will receive 27,000 euros (13,500 in cash and 13,500 in shares), the CEO 24,750 euros (12,375 in cash and 12,375 in shares), the General Manager 24,750 euros (12,375 in cash and 12,375 in shares) and the Regional Manager 6,750 euros (3,375 in cash and 3,375 in shares).

The other amounts corresponding to the deferred 40%, will be paid in the following three years (2020, 2021 and 2022), as established in the 2018 Remuneration Policy.

Finally, in relation to the AVR for 2017, 60% of which was paid during the first quarter of 2018, with the other 40% deferred to the following three years, the Board, at the proposal of the ARC, during the first quarter of 2019, conducted the performance assessment of the Executive Chairman, the CEO, the General Manager and the Director and Regional Manager on the basis of keeping up the profitability of the results of the Renta 4 Group, taking into account the circumstances of the sector during the reported period, where the result of the assessment was positive for all of them.

For this reason, during the first quarter of 2019, the Entity will pay the executive directors the first third (1/3) of the 40% deferred of the AVR

for 2017, that is, 13% of the 2017 AVR, with 50% in cash and the other 50% in shares.

Specifically, Mr Juan Carlos Ureta Domingo, the Executive Chairman, will receive 24,000 euros, 50% in cash (12,000) and the other 50% in shares (12,000), Mr. Juan Luis López García, the CEO and Mr Jesús Sanchez-Quiñones González, Director and General Manager will each receive 20,800 euros, 50% in cash (10,400) and the other 50% in shares (10,400) and Mr. Santiago González Enciso, Director and Regional Manager will receive the amount of 5,520 euros, (2,760) in cash and (2,760) in shares.

Consequently, of the deferred 2017 AVR, two thirds (2/3) of the 40% of the deferred AVR, i.e. one third (1/3) for each of the years, should be paid in the following years, 2020 and 2021, if the annual assessment and the results of the Company so allow it.

With regard to the decisions taken by the Board to apply these items, the Board of Directors proceeded, at the proposal of the ARC, to review and approve the Remuneration Policy for 2018 at its meeting held on 13 March 2018. It also approved the Annual Report on Directors' Remuneration at the same meeting

Likewise, and taking into account the performance of the Company's activity and volume of business, the Board of Directors agreed on the variable remuneration of the executive directors for 2018, in accordance with the Remuneration Policy, at its meeting held on 29 January 2019.

Explain the long-term variable components of the remuneration systems:

B.8. State whether any variable components have been reduced or a refund has been claimed when, in the former case, payment has been consolidated and deferred or, in the latter case, consolidated and paid, in accordance with data subsequently shown to be manifestly inaccurate. Describe the amounts reduced or refunded by the application of the reduction or clawback clauses, why they have been executed and to what years they relate.

No variable components have been reduced or clawed back from any director.

B.9. Explain the main features of the long-term savings systems the amount or annual equivalent cost of which is set out in the boxes in Section C, including retirement and any other survival benefit, wholly or partially financed by the Company, recognised either internally or externally, indicating the type of plan, whether it is defined-contribution or defined-benefit, the contingencies it covers, the conditions of consolidation of economic rights for directors and the compatibility with any type of compensation for early termination or cessation of the contractual relationship between the Company and the director.

The Company has not undertaken any pension, retirement or similar obligations with non-executive directors.

In relation to the executive directors, since 2007 the Company has been covering the contingencies of retirement, incapacity for work, death, severe dependency or heavy dependency through the creation of defined contribution employment plans, i.e. whereby the Company is required to make fixed contributions to a third party, outsourced, through the creation of Pension Plans and the taking out, by these, of insurance policies with a company outside the Entity.

With regard to the cover and consolidation under the regulations on Pension Plans to which each executive director contributes 600 euros per year and which are compatible with the compensation foreseen in paragraphs A.8 and A.9 (with the same contents for the current year and for the reported year), the contributions made in 2018, and the accumulated amounts specified in C.1.a) iii below.

B.10. Explain, where applicable, the indemnities or any other type of payment arising from early departure, either at the behest of the company or the wishes of the director, or from termination of the contract, in the terms set out therein, that were accrued and/or collected by directors during the year.

The directors of the Company did not accrue or receive any remuneration in this connection in 2018.

B.11. State whether any significant amendments were made to the contracts of those carrying out senior management functions as executive directors and, where applicable, explain them. Also explain the main conditions of the new contracts signed with executive directors in the course of the year, unless these have already been explained in section A.1.

In 2018 none of the contracts of executive directors were amended.

B.12. Explain any supplementary remuneration accrued to directors in consideration for services rendered other than those inherent in their position.

During 2018, no director received any supplementary remuneration in consideration for services rendered other than those inherent in their position.

B.13. Explain any remuneration arising from the approval of advances, credits and guarantees, specifying the interest rate, their specifics and any amounts ultimately repaid, as well as the obligations accepted on their behalf as security.

During 2018, the loans granted to Eduardo Trueba Cortés and to the company Vasco Madrileña de Inversiones, S.L., of which Mr Juan Carlos Ureta is the majority shareholder, were cancelled, and they currently hold no loans granted by the Company.

On the other hand, in 2018 several loans were granted on 9 July 2018 to Mr. Francisco García Molina in the amount of 200 thousand euros with a repayment term of four years that ends on 8 July 2022, with 198 thousand euros having been drawn down. On 28 June 2018, Mr Santiago González Enciso was granted a loan of 775 thousand euros, with 607 thousand euros drawn down and a repayment term of three years, which is scheduled to end on 27 June 2021. In addition, on 23 April 2018 a loan was granted to Ms Matilde Fernández de Miguel, spouse of Mr Santiago González Enciso for 175 thousand euros, with no amounts drawn down in 2018 and a repayment term that ends on 22 April 2021.

And Mr Pedro Ángel Navarro Martínez holds a loan amounting to 1000 thousand euros granted on 13 November 2017, of which 798 thousand euros were drawn down, with a repayment term that ends on 12 November 2019.

With regard to the interest rate, all loans were granted at 12M Euribor plus 1.75%. The specifics and the liabilities taken therefor by way of collateral and the interest rate are those set in section C.1.a.iv) below.

B.14. State the cash remuneration accrued to directors in the course of the year, with a brief description of the nature of the various components of remuneration.

The directors of the Company did not accrue any remuneration for this item except for that shown in section B.9 above.

B.15. Explain the remuneration accrued by the director in respect of payments made by the listed Company to a third party to whom the director renders services, when such payments are for remunerating the services it renders to the company.

The directors of the Company did not accrue any remuneration in this regard.

B.16. Explain any kind of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it may be deemed a related-party transaction or when its omission would detract from the fair presentation of the total remuneration earned by the director.

The directors of the Company did not accrue any remuneration in this regard.

C. DETAILS OF THE INDIVIDUAL REMUNERATION OF EACH DIRECTOR

Nombre	Tipología	Período de devengo ejercicio 2018
MR EDUARDO CHACON LOPEZ	Proprietary Director	From 01/01/2018 to 31/12/2018
MR PEDRO FERRERAS DIEZ	Other external director	From 01/01/2018 to 31/12/2018
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	Proprietary Director	From 01/01/2018 to 31/12/2018
MR FRANCISCO DE ASIS GARCÍA MOLINA	Independent Director	From 01/01/2018 to 31/12/2018
MS SARAH MARIE HARMON	Independent Director	From 01/01/2018 to 31/12/2018
MS INES JUSTE BELLOSILLO	Independent Director	From 01/01/2018 to 31/12/2018
MUTUALIDAD DE LA ABOGACIA	Proprietary Director	From 01/01/2018 to 31/12/2018
MR PEDRO ANGEL NAVARRO MARTINEZ	Other external director	From 01/01/2018 to 31/12/2018
MR JOSE RAMON RUBIO LAPORTA	Independent Director	From 01/01/2018 to 31/12/2018
MR EDUARDO TRUEBA CORTES	Independent Director	From 01/01/2018 to 31/12/2018
MR JUAN LUIS LOPEZ GARCIA	Chief Executive Officer	From 01/01/2018 to 31/12/2018
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	Executive Director	From 01/01/2018 to 31/12/2018
MR JUAN CARLOS URETA DOMINGO	Executive Chairman	From 01/01/2018 to 31/12/2018
MR SANTIAGO GONZALEZ ENCISO	Executive Director	From 01/01/2018 to 31/12/2018

C.1. Complete the following tables in respect of the individual remuneration of each of the directors (including remuneration for the discharge of executive functions) accrued during the year..

a) Remuneration from the reporting company:

i) Remuneration accrued in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other item	Total 2018	Total 2017
MR EDUARDO CHACON LOPEZ	60								60	35
MR PEDRO FERRERAS DIEZ	60								60	60
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	71								71	71
MR FRANCISCO DE ASIS GARCÍA MOLINA	60								60	60
MS SARAH MARIE HARMON	60								60	60
MS INES JUSTE BELLOSILLO	60								60	35
MUTUALIDAD DE LA ABOGACIA	71								71	71
MR PEDRO ANGEL NAVARRO MARTINEZ	60								60	60
MR JOSE RAMON RUBIO LAPORTA	60								60	60
MR EDUARDO TRUEBA CORTES	60								60	60
MR JUAN LUIS LOPEZ GARCIA	275				47	6			328	268
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	276				47	6			329	268
MR JUAN CARLOS URETA DOMINGO	300				54	7			361	307
MR SANTIAGO GONZALEZ ENCISO	75				12				87	69

ii) Table showing movements in share-based remuneration systems and gross profit of shares or consolidated financial instruments.

		Financial instruments at the beginning of 2018		Financial instruments granted in 2018		Financial instruments vested in the year				Instruments matured and	Financial instruments at the end of 2018	
Name	**Name of Plan**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent/ vested shares**	**Price of vested shares**	**Gross Profit from shares or vested financial instruments (thousands of euros)**	**No. of instruments**	**No. of instruments**	**No. of equivalent shares**
MR EDUARDO CHACON LOPEZ	Plan							0.00				
MR PEDRO FERRERAS DIEZ	Plan							0.00				
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	Plan							0.00				
MR FRANCISCO DE ASIS GARCIA MOLINA	Plan							0.00				
MS SARAH MARIE HARMON	Plan							0.00				
MS INES JUSTE BELLOSILLO	Plan							0.00				
MUTUALIDAD DE LA ABOGACIA	Plan							0.00				
MR PEDRO ANGEL NAVARRO MARTINEZ	Plan							0.00				
MR JOSE RAMON RUBIO LAPORTA	Plan							0.00				
MR EDUARDO TRUEBA CORTES	Plan							0.00				
MR JUAN LUIS LOPEZ GARCIA	Shares Variable Remuneration (Remuneration plan 2017)	78		47	4,088	47	4,088	7.36			31	
MR JUAN LUIS LOPEZ GARCIA	Shares Variable Remuneration (Remuneration plan 2014) Deferred	6		6	815	6	815	7.36				
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	Shares Variable Remuneration (Remuneration plan 2014) Deferred	6		6	815	6	815	7.36				
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	Shares Variable Remuneration (Remuneration plan 2017	78		47	4,084	47	4,084	7.36			31	
MR JUAN CARLOS URETA DOMINGO	Shares Variable Remuneration (Remuneration plan 2014) Deferred Payment	7		7	951	7	951	7,36				
MR JUAN CARLOS URETA DOMINGO	Shares Variable Remuneration (Remuneration plan 2017)	90		54	4,485	54	4,485	7.36			36	
MR SANTIAGO GONZALEZ ENCISO	Shares Variable Remuneration (Remuneration plan 2017)	21		12	1,669	12	1,669	7.36			9	

Observations

In 2018 part of the variable remuneration paid to the executive directors, Mr Juan Carlos Ureta Domingo, Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González, corresponds to the variable remuneration accrued in 2014, 40% of which was deferred by thirds in the following three years (2016, 2017 and 2018). Specifically, the total VR corresponding to 2014, deferred and paid in 2018, amounted to 19 thousand euro in shares, with Mr Juan Carlos Ureta Domingo receiving 7 thousand euro, Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González receiving 6 thousand euros each.

Of the variable remuneration in shares paid to the executive directors during 2018, the other part relates to variable remuneration accrued in 2017, in which it was agreed that 60% of the remunerations would be paid during the first quarter of 2018 and the remaining 40% would be deferred in the following three years; 2019, 2020 and 2021, with one third to be paid each year. The total remuneration would be paid 50% in cash and the other 50% in Shares.

Consequently, in 2018 the Total Variable Remuneration amounted to 533 thousand euros, and 60% of the Total VR for 2017 was paid to the executive directors, amounting to 320 thousand euros, of which 160 thousand euros were paid in cash and 160 thousand euros in shares, including the payment on account for the remuneration in kind of the shares. Specifically, Mr Juan Carlos Ureta Domingo was due to receive 54 thousand euros in shares and Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González were due to receive 47 thousand euros in shares each. All the above is included in section C.1.A., 2.ii, which includes the amounts accrued at the beginning of fiscal year 2018, the shares paid in 2018, as well as the deferred amounts in shares for each of the executive directors.

iii) Long-term savings systems.

Name	Remuneration for vesting of rights to savings systems
MR EDUARDO CHACON LOPEZ	
MR PEDRO FERRERAS DIEZ	
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	
MR FRANCISCO DE ASIS GARCÍA MOLINA	
MS SARAH MARIE HARMON	
MS INES JUSTE BELLOSILLO	
MUTUALIDAD DE LA ABOGACIA	
MR PEDRO ANGEL NAVARRO MARTINEZ	
MR JOSE RAMON RUBIO LAPORTA	
MR EDUARDO TRUEBA CORTES	
MR JUAN LUIS LOPEZ GARCIA	1
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	1
MR JUAN CARLOS URETA DOMINGO	1
MR SANTIAGO GONZALEZ ENCISO	1

	Contribution for the period by the Company (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
Name	2018	2017	2018	2017	2018	2017	2018	2017
MR EDUARDO CHACON LOPEZ								
MR PEDRO FERRERAS DIEZ								
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA								
MR FRANCISCO DE ASIS GARCÍA MOLINA								
MS SARAH MARIE HARMON								
MS INES JUSTE BELLOSILLO								
MR PEDRO ANGEL NAVARRO MARTINEZ								
MR JOSE RAMON RUBIO LAPORTA								
MR EDUARDO TRUEBA CORTES								
MR JUAN LUIS LOPEZ GARCIA	1	1			11	13		
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	1	1			13	14		
MR JUAN CARLOS URETA DOMINGO	1	1			11	13		
MR SANTIAGO GONZALEZ ENCISO	1	1			9	10		

iv) Detail of other items

Name	Item	Amount of remuneration
MR EDUARDO CHACON LOPEZ	Item	
MR PEDRO FERRERAS DIEZ	Item	
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	Item	
MR FRANCISCO DE ASIS GARCÍA MOLINA	Item	
MS SARAH MARIE HARMON	Item	
MS INES JUSTE BELLOSILLO	Item	
MUTUALIDAD DE LA ABOGACIA	Item	
MR PEDRO ANGEL NAVARRO MARTINEZ	Item	
MR JOSE RAMON RUBIO LAPORTA	Item	
MR EDUARDO TRUEBA CORTES	Item	
MR JUAN LUIS LOPEZ GARCIA	Item	
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	Item	
MR JUAN CARLOS URETA DOMINGO	Item	
MR SANTIAGO GONZALEZ ENCISO	Item	

Observations

The Company currently has credit facilities in the benefit of the following directors:

On 9 July 2018, Mr Francisco García Molina was granted a loan of 200 thousand euros, with a four-year repayment term, which ends on 8 July 2022. In 2018, he drew down 198 thousand euros.

Mr Pedro Ángel Navarro Martínez was granted a loan amounting to 1000 thousand euros on 13 November 2017, of which 798 thousand euros were drawn down, with a repayment term that ends on 12 November 2019.

On 28 June 2018, Mr Santiago González Enciso was granted a loan of 775 thousand euros, with 607 thousand euros drawn down and a repayment term of three years, which is scheduled to end on 27 June 2021. In addition, it should be noted that on 23 April 2018 a loan was granted to Ms Matilde Fernández de Miguel, spouse of Mr Santiago González Enciso for 175 thousand euros, with no amounts drawn down in 2018 and a repayment term that ends on 22 April 2021.

With regard to the interest rate, all loans were granted at 12M Euribor plus 1.75%. On the other hand, during 2018 the loans granted to Eduardo Trueba Cortés and to the company Vasco Madrileña de Inversiones, S.L., of which Mr Juan Carlos Ureta Domingo is the majority shareholder, were cancelled, and they currently hold no loans granted by the Company.

b) Remuneration for directors of the company for membership of boards at other group companies:

i) Remuneration accrued in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefits	Other items	Total 2018	Total 2017
MR EDUARDO CHACON LOPEZ										
MR PEDRO FERRERAS DIEZ										
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA										
MR FRANCISCO DE ASIS GARCÍA MOLINA										
MS SARAH MARIE HARMON										
MS INES JUSTE BELLOSILLO										
MUTUALIDAD DE LA ABOGACIA										
MR PEDRO ANGEL NAVARRO MARTINEZ										
MR JOSE RAMON RUBIO LAPORTA										
MR EDUARDO TRUEBA CORTES										
MR JUAN LUIS LOPEZ GARCIA										
MR JESUS SANCHEZ-QUIÑONES GONZALEZ										
MR JUAN CARLOS URETA DOMINGO										
MR SANTIAGO GONZALEZ ENCISO										

ii) Table showing movements in share-based remuneration systems and gross profit of shares or consolidated financial instruments.

		Financial instruments at the beginning of 2018		Financial instruments granted in 2018		Financial instruments vested in the year				Instruments matured and not exercised	Financial instruments at the end of 2018	
Name	Name of Plan	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/ vested shares	Price of vested shares	Gross Profit from shares or vested financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
MR EDUARDO CHACON LOPEZ	Plan							0.00				
MR PEDRO FERRERAS DIEZ	Plan							0.00				
FUNDACION OBRA SOCIAL ABOGACIA ESPAÑOLA	Plan							0.00				
MR FRANCISCO DE ASIS GARCÍA MOLINA	Plan							0.00				
MS SARAH MARIE HARMON	Plan							0.00				
MS INES JUSTE BELLOSILLO	Plan							0.00				
MUTUALIDAD DE LA ABOGACIA	Plan							0.00				
MR PEDRO ANGEL NAVARRO MARTINEZ	Plan							0.00				
MR JOSE RAMON RUBIO LAPORTA	Plan							0.00				
MR EDUARDO TRUEBA CORTES	Plan							0.00				
MR JUAN LUIS LOPEZ GARCIA	Plan							0.00				
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	Plan							0.00				
MR JUAN CARLOS URETA DOMINGO	Plan							0.00				
MR SANTIAGO GONZALEZ ENCISO	Plan							0,00				

iii) Long-term savings systems.

Name	Remuneration for vesting of rights to savings systems
MR EDUARDO CHACON LOPEZ	
MR PEDRO FERRERAS DIEZ	
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	
MR FRANCISCO DE ASIS GARCÍA MOLINA	
MS SARAH MARIE HARMON	
MS INES JUSTE BELLOSILLO	
MUTUALIDAD DE LA ABOGACIA	
MR PEDRO ANGEL NAVARRO MARTINEZ	
MR JOSE RAMON RUBIO LAPORTA	
MR EDUARDO TRUEBA CORTES	
MR JUAN LUIS LOPEZ GARCIA	
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	
MR JUAN CARLOS URETA DOMINGO	
MR SANTIAGO GONZALEZ ENCISO	

	Contribution for the period by the Company (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Savings systems with vested economic rights		Savings systems with non-vested economic rights	
Name	2018	2017	2018	2017	2018	2017	2018	2017
MR EDUARDO CHACON LOPEZ								
MR PEDRO FERRERAS DIEZ								
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA								
MR FRANCISCO DE ASIS GARCÍA MOLINA								
MS SARAH MARIE HARMON								
MS INES JUSTE BELLOSILLO								
MUTUALIDAD DE LA ABOGACIA								
MR PEDRO ANGEL NAVARRO MARTINEZ								
MR JOSE RAMON RUBIO LAPORTA								
MR EDUARDO TRUEBA CORTES								
MR JUAN LUIS LOPEZ GARCIA								
MR JESUS SANCHEZ-QUIÑONES GONZALEZ								
MR JUAN CARLOS URETA DOMINGO								
MR SANTIAGO GONZALEZ ENCISO								

iv) Detail of other items

Name	Item	Amount of remuneration
MR EDUARDO CHACON LOPEZ	Item	
MR PEDRO FERRERAS DIEZ	Item	
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	Item	
MR FRANCISCO DE ASIS GARCÍA MOLINA	Item	
MS SARAH MARIE HARMON	Item	
MS INES JUSTE BELLOSILLO	Item	
MUTUALIDAD DE LA ABOGACIA	Item	
MR PEDRO ANGEL NAVARRO MARTINEZ	Item	
MR JOSE RAMON RUBIO LAPORTA	Item	
MR EDUARDO TRUEBA CORTES	Item	
MR JUAN LUIS LOPEZ GARCIA	Item	
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	Item	
MR JUAN CARLOS URETA DOMINGO	Item	
MR SANTIAGO GONZALEZ ENCISO	Item	

c) Summary of remuneration (thousands of euros):

The summary should include the amounts relating to all remuneration items included in this Report that have accrued to the director, in thousands of euros.

	Accrued remuneration at the Company					Accrued remuneration at Group companies				
Name	Total remuneration in cash	Gross profit from shares or vested financial instruments	Remuneration in savings systems	Other items of remuneration	Total 2018 Company	Total remuneration in cash	Gross profit from shares or vested financial instruments	Remuneration in savings systems	Other items of remuneration	Total 2018 2018 Group
MR EDUARDO CHACON LOPEZ	60				60					
MR PEDRO FERRERAS DIEZ	60				60					
FUNDACION OBRA SOCIAL DE LA ABOGACIA ESPAÑOLA	71				71					
MR FRANCISCO DE ASIS GARCÍA MOLINA	60				60					
MS SARAH MARIE HARMON	60				60					
MS INES JUSTE BELLOSILLO	60				60					
MUTUALIDAD DE LA ABOGACIA	71				71					
MR PEDRO ANGEL NAVARRO MARTINEZ	60				60					
MR JOSE RAMON RUBIO LAPORTA	60				60					
MR EDUARDO TRUEBA CORTES	60				60					
MR JUAN LUIS LOPEZ GARCIA	328	53	1		382					
MR JESUS SANCHEZ-QUIÑONES GONZALEZ	329	53	1		383					
MR JUAN CARLOS URETA DOMINGO	361	61	1		423					
MR SANTIAGO GONZALEZ ENCISO	87	12	1		100					
TOTAL	1,727	179	4		1,910					

D. OTHER INFORMATION OF INTEREST

Briefly detail any salient feature relating to the directors' remuneration that has not been dealt with in the other sections of this Report, but which should be included to provide the most complete and reasoned information on the Company's remuneration structure and practices in relation to its directors.

The directors of the Company have not accrued 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 referring to related-party transactions between entities of the directors and the Company itself.

The figures included in sections C.1.a.i., C.1.a.ii and C.1.a.iii and C.1.c relate to the amounts paid and satisfied in 2018 for all directors, who accrued no variable remuneration in 2018 other than that specified in section C above.

In 2018 part of the variable remuneration paid to the executive directors, Mr Juan Carlos Ureta Domingo, Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González, corresponds to the variable remuneration accrued in 2014, 40% of which was deferred by thirds in the following three years (2016, 2017 and 2018). Specifically, the total VR corresponding to 2014, deferred and paid in 2018, amounted to 19 thousand euro in shares, with Mr Juan Carlos Ureta Domingo receiving 7 thousand euro, Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González receiving 6 thousand euros each.

As explained in section B.7 on variable remuneration paid to executive directors during 2018, the other part relates to the variable remuneration accrued in 2017, in which it was agreed that 60% of the remuneration would be paid during the first quarter of 2018 and the remaining 40% would be deferred in the following three years; 2019, 2020 and 2021, with one third to be paid each of those years. The total remuneration would be paid 50% in cash and the other 50% in Shares.

Consequently, in 2018 the Total Variable Remuneration amounted to 533 thousand euros, and 60% of the Total VR for 2017 was paid to the executive directors, amounting to 320 thousand euros, of which 160 thousand euros were paid in cash and 160 thousand in shares, including the deposit in the account for remuneration in kind of shares. Specifically, Mr Juan Carlos Ureta Domingo was due to receive 54 thousand euros in shares and Mr Juan Luis López García and Mr Jesús Sánchez-Quiñones González were due to receive 47 thousand euros in shares each. All the above is included in section C.1.a.ii, which includes the amounts accrued at the beginning of fiscal year 2018, the shares paid in 2018, as well as the deferred amounts in shares for each of the executive directors.

This annual corporate governance report was approved by the board of directors at a meeting on:

11/03/2019

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes **No** ✓

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