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annual accounts 2017

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

Annual accounts as at 31 December, 2017
Auditor's Report on the Annual Accounts
and the Directors' Report 2017

Independent auditor´s report on the annual accounts

To the shareholders of Intermoney Valores, Sociedad de Valores, S.A.:

Opinion

We have audited the annual accounts of Intermoney Valores, Sociedad de Valores, S.A. (the Company), which comprise the balance sheet as at December 31, 2017, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2017, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgment, were considered to be the most significant risks of material misstatement in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

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Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Recognition of income from brokerage commissions The registration of commissions for intermediation of financial instruments is the main source of income for the Company. It is especially relevant the equity securities processing, both in foreign markets and in secondary domestic markets. The intermediation process carried out by the Company is highly automated, involving different information technology applications and different departments. Additionally, as detailed in Note 1 of the Annual Accounts, the Company provides several financial advisory services, as well as asset allocation and the underwriting of issuances. Please refer to Note 19 of the Annual Accounts as of December 31, 2017.	Our work has focused on the analysis, evaluation and verification of internal control, as well as the performance of tests of details. Regarding the internal control system, we proceeded to perform the following procedures: • Verification of the effectiveness of general computer controls on the applications involved in the process. • Understanding of the intermediation process of the main types of financial operations with which the Company works. Additionally, we have performed test of details consisting on: • Confirmation of the balances maintained in cash accounts in financial institutions and review of the corresponding bank reconciliations. • Request, for a sample of clients, of the confirmation of billing and receipts pending collection as of August 31, 2017. • Verification of the correct settlement for a sample of invoices issued. • Verification of the income recorded by the advisory services by reviewing a sample of operations. • Re-execution of the calculation of provisions for insolvency of those customers who have defaults. • Verification of compliance with the maximum fees detailed in the rates included in the CNMV website in the case of retail customers. • Our work also included checking the non-existence of unusual entries on the accounting accounts in which this income is recorded. No differences have been identified, outside a reasonable range, in the tests described above with respect to the recognition from brokerage commissions.

Recognition of income from financial operation

As indicated in Note 1 of the report, the activity of the Company focuses, among others, on the negotiation on its own account.

The process of intermediation of debt securities carried out by the Company is perform through the main Matched transaction, which consists of the purchase of securities on their own account once the sale of the same to a third party has been agreed.

This process of intermediation is highly automated, involving different computer applications and different departments.

We focus on the recognition of revenue by Matched Principal operative due to its significance within the income statement and the high volume of transactions carried out by the Company during the year.

Please refer to Notes 6 and 21 of the Annual Accounts as of December 31, 2017.

Our work has focused on the analysis, evaluation and verification of internal control, as well as the performance of tests of details.

Regarding the internal control system, we proceeded to perform the following procedures:

- Verification of the design and operational effectiveness of the controls established in the intermediation process by the management for own-account operation of fixed income.
- Verification of the effectiveness of general computer controls on the applications involved in the process.
- Understanding of the intermediation process of the main types of financial operations with which the Company works.

Additionally, we have performed test of details consisting on:

- Verification of the correct accounting record of the income for a sample of transactions verifying the existence, accuracy and cut-off.
- Verification of the correct settlement for a sample of purchase and sale operations, respectively.
- Verification of the accuracy and existence by checking ballots and confirmations of the counterpart for a sample of operations.
- Our work also included the verification of the absence of unusual entries on the accounting accounts in which this income is recorded.

No differences have been identified, outside a reasonable range, in the tests described above regarding the recognition of income from financial operations for the Company's own account.

Other information: Management report

Other information comprises only the management report for the 2017 financial year, the formulation of which is the responsibility of the Company´s directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the management report is consistent with that contained in the annual accounts for the 2017 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsability of the directors for the annual accounts

The Company´s directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Intermoney Valores, Sociedad de Valores, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor´s responsabilities for the audit of the annual accounts

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company´s directors.

- Conclude on the appropriateness of the directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the significant risks communicated with the Company´s directors, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are, therefore, considered to be the most significant risks.

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

José María Sanz Olmeda (5434)

April 19, 2017

INITIALLED FOR PURPOSES OF IDENTIFICATION
PRICEWATERHOUSECOOPERS AUDITORES, S.L.

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

BALANCE SHEET AT 31 DECEMBER 2017
(Expressed in Euros)

Assets	2017	2016(*)
Treasury (Note 5)	**3 687 214.76**	**3 624 853.62**
Trading Portfolio (Note 6)	**6 958 883.84**	**6 769 730.65**
Debt securities	4 656 651.14	4 644 404.94
Equity instruments	2 302 232.70	2 125 325.71
Derivatives	-	-
Other financial assets	-	-
Pro notes to accounts: Lent or under guarantee	-	-
Other financial assets at fair value through profit or loss	-	-
Debt securities	-	-
Other equity instruments	-	-
Other financial assets	-	-
Pro notes to accounts: Lent or under guarantee	-	-
Available-for-sale financial assets	**1 200.00**	**1 200.00**
Debt securities	-	-
Equity instruments (Note 6)	1 200.00	1 200.00
Pro notes to accounts: Lent or under guarantee	-	-
Loans and receivables	**85 101 074.97**	**19 378 005.01**
Loans and advances to financial intermediaries (Note 7)	78 409 224.64	12 716 104.13
Loans and advances to customers (Note 8)	6 691 850.33	6 661 900.88
Other financial assets	-	-
Held-to-maturity investments	-	-
Pro notes to accounts: Lent or under guarantee	-	-
Non-current assets held for sale	**305.00**	**305.00**
Debt securities	-	-
Equity instruments	305.00	305.00
Tangible assets	-	-
Other	-	-
Investments	-	-
Group entities	-	-
Jointly-controlled entities	-	-
Associates	-	-
Insurance contracts linked to pensions	-	-
Tangible assets (Note 9)	**613 562.46**	**688 769.88**
For own use	613 562.46	688 769.88
Investment properties	-	-
Intangible assets (Note 10)	**224 378.50**	**328 974.13**
Goodwill	-	-
Other intangible assets	224 378.50	328 974.13
Tax assets	**658 772.66**	**579 479.40**
Current (Note 8)	28 537.88	45 762.11
Deferred (Note 15)	630 234.78	533 717.29
Other assets (Note 8)	**345 413.28**	**235 069.31**
Total assets	**97 590 805.47**	**31 606 387.00**

(*)They are presented, only and exclusively, for comparative purposes

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

BALANCE SHEET AT 31 DECEMBER 2017
(Expressed in Euros)

Liabilities and equity	2017	2016(*)
Trading portfolio	-	-
Other financial liabilities at fair value through profit or loss		
Amortised cost liabilities	73 362 529.18	7 259 222.60
Financial intermediaries debts (Note 11)	67 797 334.41	881 722.93
Customer debts (Note 11)	5 565 194.77	6 377 499.67
Loans and subordinated liabilities	-	-
Other financial liabilities	-	-
Hedging derivatives	-	-
Liabilities associated with non-current assets held for sale	-	-
Provisions	29 278.41	133 593.48
Provisions for pensions and similar obligations	-	-
Provisions for taxes and other legal contingent	-	-
Other provisions (Note 12)	29 278.41	133 593.48
Tax liabilities	18 754.48	6 683.72
Current (Note 15)	18 754.48	6 683.72
Deferred		-
Other liabilities (Note 12)	3 372 849.11	3 464 401.40
Total liabilities	76 783 411.18	10 863 901.20
Equity (own funds) (Note 13)	20 807 394.29	20 742 485.80
Capital	15 000 000.00	15 000 000.00
Registered	15 000 000.00	15 000 000.00
Less: Capital nondemanded	-	-
Share Premium	-	-
Reserves	5 742 485.80	5 704 708.77
Other equity instruments		-
Less: Treasury shares	-	-
Profit or loss for the period (Notes 13 and 14)	939 908.49	437 777.03
Less: Dividends and remuneration (Notes 13 and 14)	(875 000.00)	(400 000.00)
Valuation adjustments	-	-
Available-for-sale financial assets	-	-
Cash-flow Hedges		-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Other valuation adjustments	-	-
Grants, donations and legacy	-	-
Total liabilities and equity	97 590 805.47	31 606 387.00

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INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

BALANCE SHEET AT 31 DECEMBER 2017
(Expressed in Euros)

Off-Balance-Sheet	2017	2016(*)
Bank and granted guarantees (Note 16)	7 009 434.80	5 812 474.47
Other contingent liabilities	-	-
Financial asset forward purchase commitments	-	-
Payouts engaged by issues ensured	-	-
Own values assigned as lendings	130 018 974.71	-
Financial derivatives (Note 16)	1 745 575.63	1 081 410.00
Other risks accounts (Note 16)	-	-
Total risk and commitment accounts	**138 773 985.14**	**6 893 884.47**
Security deposits (Note 16)	3 878 442 069.69	5 855 699 393.27
Managed portfolios (Note 16)	55 193 283.13	45 542 902.74
Other off-balance sheet items (Note 16)	38 004 312.26	36 705 205.48
Total other off-balance sheet accounts	**3 971 639 665.08**	**5 937 947 501.49**

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INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED AT 31 DECEMBER 2017
(Expressed in Euros)

	2017	2016(*)
Interest and similar incomes	308 333.76	400 282.88
Interest expenses and similar charges	(294 914.86)	(392 712.62)
Interest margin (Note 18)	13 418.90	7 570.26
Return on equity instruments	-	
Fees and commissions incomes (Note 19)	10 284 202.26	10 048 101.63
Fees and commissions expenses (Note 20)	(3 025 599.86)	(2 869 337.68)
Gains and losses on financial assets and liabilities (net)	5 242 216.75	6 298 956.17
Held for trading (Note 21)	5 242 216.75	6 064 537.87
Other financial instruments at fair value through profit or loss	-	-
Financial instruments not valued at fair value through profit and loss	-	-
Others (Note 21)	-	234 418.30
Foreign currencies differences (net)	(60 970.62)	(14 913.82)
Other operating incomes	-	-
Other operating charges (Note 23)	(69 037.79)	(145 646.19)
Gross margin	12 384 229.64	13 324 730.37
Personnel expenses (Note 22)	(7 588 436.48)	(8 777 446.62)
Other administrative expenses (Note 23)	(3 341 069.21)	(3 471 280.47)
Depreciation and amortizations (Notes 9 and 10)	(301 724.94)	(282 866.24)
Provisioning expenses (net)	-	-
Impairment losses (net)	126 788.38	(119 934.99)
Loans and receivables (Note 7)	126 788.38	(119 934.99)
Other financial instruments not valued at fair value through profit and loss	-	-
Operating incomes or expenses	1 279 787.39	673 202.05
Impairment losses from other assets (net)	-	(185.79)
Tangible assets (Note 9)	-	(185.79)
Intangible assets (Note 10)	-	-
Other	-	-
Gains / (Losses) on assets dropped not classified as not current on sales	8 910.75	160.00
Loss difference on combinations of businesses	-	-
Profits / (Losses) from non-current asset held for sales not classified as interrupted operations	-	-
Profit or loss before income tax	1 288 698.14	673 176.26
Income tax (Note 15)	(348 789.65)	(235 399.23)
Profit or loss for the period	939 908.49	437 777.03
Earnings per share - Basic	0.93990849	0.43777703
Earnings per share - Diluted	0.93990849	0.43777703

(*)They are presented, only and exclusively, for comparative purposes

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2017 (Expressed in Euros)

a) Statement of recognised income and expense

	2017	2016
Profit or loss for the year (Notes 13 and 14)	939 908.49	437 777.03
Other recognised incomes and expenses	-	-
Available-for-sale financial assets	-	-
Gains / (Losses) by measure	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
Cash flow hedge	-	-
Gains / (Losses) by measure	-	-
Amounts transferred to profit and loss account	-	-
Amounts transferred to hedge amounts' initial	-	-
Other reclassifications	-	-
Net foreign (international) business investments Hedge	-	-
Gains / (Losses) by measure	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
Exchange differences	-	-
Gains / (Losses) by measure	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
Non-current assets held for sale	-	-
Gains / (Losses) by measure	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
On actuarial gains and losses	-	-
Other recognised incomes and expenses	-	-
Income tax	-	-
Total recognised incomes and expenses	939 908.49	437 777.03

(*)They are presented, only and exclusively, for comparative purposes

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2017
(Expressed in Euros)

b) Total statement of changes in equity

	Share Capital	Reserves	Interim dividend	Profit or loss for the year	Total Equity	Value adjustment	Total net equity
Balance at 2015 year end (*)	**15 000 000.00**	**5 657 194.32**	**(1 100 000.00)**	**1 147 514.45**	**20 704 708.77**	-	**20 704 708.77**
Adjustments by corrections	-	-	-	-	-	-	-
Adjusted balance, beginning 2016 (*)	**15 000 000.00**	**5 657 194.32**	**(1 100 000.00)**	**1 147 514.45**	**20 704 708.77**	-	**20 704 708.77**
Total recognised incomes and expenses	-	-	-	437 777.03	437 777.03	-	437 77703
Other movements in equity							
Increase of other equity instruments	-	-	-	-	-	-	-
Decrease of other equity instruments	-	-	-	-	-	-	-
Dividend payment / shareholders' remuneration	-	-	(400 000.00)	-	(400 000.00)	-	(400 000.00)
Transfer between equity amounts	-	47 514.45	-	(47 514.45)	-	-	-
Other increase / (decrease) in equity	-	-	1 100 000.00	(1 100 000.00)	-	-	
Balance at 2016 year end (*)	**15 000 000.00**	**5 704 708.77**	**(400 000.00)**	**437 777.03**	**20 742 485.80**	-	**20 742 485.80**
Adjustments by corrections	-	-	-	-	-	-	-
Adjusted balance, beginning 2017	**15 000 000.00**	**5 704 708.77**	**(400 000.00)**	**437 777.03**	**20 742 485.80**	-	**20 742 485.80**
Total recognised incomes and expenses	-	-	-	939 908.49	939 908.49	-	939 908.49
Other movements in equity							
Increase of other equity instruments	-	-	-	-	-	-	-
Decrease of other equity instruments	-	-	-	-	-	-	-
Dividend payment / shareholders' remuneration	-	-	(875 000.00)	-	(875 000.00)	-	(875 000.00)
Transfer between equity amounts	-	37 777.03	-	(37 777.03)	-	-	-
Other increase / (decrease) in equity	-	-	400 000.00	(400 000.00)	-	-	-
Balance at 2017 year end	**15 000 000.00**	**5 742 485.80**	**(875 000.00)**	**939 908.49**	**20 807 394.29**	-	**20 807 394.29**

(*)They are presented, only and exclusively, for comparative purposes

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2017
(Expressed in Euros)

	2017	2016(*)
Cash flows from operating activities (+/-)	**5 596 468.17**	**4 231 565.36**
Profit or loss for the year(+/-) (Notes 13 and 14)	939 908.49	437 777.03
Adjustment to achieve cash flow from operating activities(+/-)	**166 591.37**	**417 994.47**
Depreciation and amortization (Note 9 and 10)	301 724.94	282 866.24
Losses (net) by assets impairment (+/-) (Note 9)	-	185.79
Provisioning risk expense (net)(+/-) (Note 7)	(126 788.38)	119 934.99
Profit / Losses by sales of non-financial assets (+/-)	-	-
Profit /Losses by sales of interest in subsidiaries (+/-)	-	-
Other items (+/-)	(8 345.19)	15 007.45
Adjusted result (+/-)	**1 106 499.86**	**855 771.50**
Net increase (decrease) operating assets (+/-)	**(61 507 774.89)**	**83 009 004.97**
Loans and receivables (+/-) (Notes 7 and 8)	(61 128 984.52)	83 211 108.12
Held for Trading (+/-) (Note 6)	(189 153.19)	(14 708.34)
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets (+/-) (Note 6)	-	152.00
Other operating assets (+/-)	(189 637.18)	(187 546.81)
Net increase (decrease) operating liabilities (+/)	**65 997 743.20**	**(79 633 211.11)**
Amortised cost financial liabilities (+/-) (Note 11)	66 103 306.58	(80 432 520.80)
Held for trading (+/-)	-	-
Other financial liabilities at fair value through profit or loss (+/-)	-	-
Other operating liabilities (+/-)	(183 796.65)	799 309.69
Collections / payments for income tax (+/-)	78 233.27	-
Cash flows from financing activities (+/-)	**(185 891.16)**	**(294 871.01)**
Payments (-)	(185 891.16)	(294 871.01)
Held-to-maturity investments (-)	-	-
Shares (-)	-	-
Tangible assets (-) (Note 9)	(100 604.03)	(145 768.53)
Intangible assets (-) (Note 10)	(85 287.13)	(149 102.48)
Other business' units (-)	-	-
Non-current assets and sales' liabilities (-)	-	-
Other payments related to investment activities (-)	-	-

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2017
(Expressed in Euros)

	2017	2016(*)
Collections (+)	-	-
Held-to-maturity investments (+)	-	-
Shares (+)	-	-
Tangible assets (+)	-	-
Intangible assets (+)	-	-
Other business units (+)	-	-
Non-current assets and sales liabilities (+)	-	-
Other collections related to investment activities (+)	-	-
Cash flows from financing activities (+/-)	-	-
Payments (-)	-	-
Equity instruments amortizations (-)	-	-
Own equity instruments purchased (-)	-	-
Return and amortizations of bonds and others marketable securities (-)	-	-
Return and amortization of subordinated liabilities, loans and other finances received (-)	-	-
Collections (+)	-	-
Equity instruments issues (+)	-	-
Issue and disposal own equity instruments (+)	-	-
Bonds and other marketable securities issue (+)	-	-
Issue of subordinated liabilities, loans and other finances (+)	-	-
Dividends paid and other equity instruments remuneration (-) (Notes 13 and 14)	**(875 000.00)**	**(400 000.00)**
Effect of exchange rate fluctuations in cash or cash equivalents (+/-)	60 970.62	(14 913.82)
Net increase/decrease in cash or cash equivalents	4 596 547.63	3 521 780.53
Cash or cash equivalents at the beginning of the year (+/-)(Note 5)	9 273 378.00	5 751 597.47
Cash or cash equivalents at the end of the year (+/-)(Note 5)	13 869 925.63	9 273 378.00

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED AS AT 31 DECEMBER 2017
(Expressed in Euros)

1. Activity and information of a general nature

Intermoney Valores, Sociedad de Valores, S.A. (hereinafter, "the Company") was established on May 14, 1998, under the denomination of Corretaje Multi-Bolsa, Agencia de Valores y Bolsa, S.A., changing to a Securities Company in the year 2000. On 24 September 2014 the Company moved to new office premises. Its registered office is currently located at Calle Príncipe de Vergara, nº 131, floor 3ª, Madrid.

On June 5, 2000, the Ministry of Finance authorised the Company to take the form of a Securities Company ("Sociedad de Valores"), and is in the Spanish Stock Exchange Commission (hereinafter C.N.M.V.) registry with registry number 169.

On September 24, 2014, the Company moved its offices, its registered office being currently in Madrid, Calle Príncipe de Vergara, nº 131, 3rd floor.

The Company activities programme includes:

- Receiving and transmitting orders on clients in relation to one or more financial instruments.
- The execution of these others on behalf of clients.
- Dealing on own account
- Discretional and individualised investment portfolio management in accordance with the instructions given by clients.
- Placing of financial instruments without a firm commitment basis.
- Underwriting of financial instruments o placing of financial instruments on a firm commitment basis
- Investment advice.

Additional services offered by the Company are as follows:

- The custody and administration on behalf of clients of the financial instruments listed under Article 2 of the Securities Market Act.
- Advising companies regarding capital structures, industrial strategies and similar matters, as well as advisory services regarding mergers and acquisitions.
- The services related to insurement of operations related to financial instruments.

- Preparation of investment reports and financial analysis or any other form of general recommendation related to operations through financial instruments.

- Currency exchange services, whenever they are related to investment services.

On January 4, 2001, the General Direction for Treasury and Financial Policy granted the Company the status of Accountholder and Management Company with full capacity in the Public Debt market.

The Securities Companies have established the foundations of their legal system in the following legislation:

- Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Securities Market Law.

- Royal Decree 2017/2008, of February 15, on the legal regime of investment services companies and other entities providing investment services and amending the Regulation of Law 35/2003, November, of Collective Investment Institutions, approved by Royal Decree 1309/2005, of November 4.

Additionally, these companies are affected by various provisions that, among others, regulate the following aspects:

- They must take the form of public limited liability companies ("Sociedad Anónima"), and be exclusively engaged in the activities relating to investment service companies.

- They must have a minimum share capital of 2,000 thousand euros.

- They should comply with the minimum capital, liquidity and solvency requirements, in accordance with current legislation. On 28 June 2014 was published Circular 2/2014, 23 June 2014 of the C.N.M.V. on the exercising of sundry regulatory solvency options for investment service companies and their consolidable groups in accordance with Regulation (EU) 575/2013 of the European Parliament on the prudential requirements applicable to credit institutions and investment companies, and repealing previous legislation.

  Regulation (EU) No 575/2013 includes reserved prudential information, which investment firms should send ad hoc to the C.N.M.V. This information is the same information required under the framework of the single market since it is the result of the process of convergence between the member states of the European Union.

  At 31 December 2017, the Company's solvency ratio stands at 45.99% (45.48% at 31 December 2016), meaning that it has a surplus of Euros 18,510 thousand (Euros 18,360 thousand at 31 December 2016). This ratio corresponds in its entirety to "ordinary level 1 capital".

- They must join an Investment Guarantee Fund (called Sociedad Gestora del Fondo General de Garantía de Inversiones, S.A.) under the terms established by Royal Decree 948/2001, a fund which, in general terms, guarantees that all investors are able to recover the monetary value of their creditor position against the Company, up to a quantitative limit of 100,000 euros.

- They may only obtain financing from the financial institutions registered for this purpose with the C.N.M.V., the Bank of Spain or the General Directorate for Insurance or in similar registers kept within other European Union countries, or from other sources only in the case of:

    - Issues of shares.
    - Subordinated financing.
    - Issue of listed securities on an official secondary market.
    - Instrumental and transitional accounts opened for customers with respect to the execution of transactions carried out on their behalf.

a) Relevant events

They have not occurred significant events during the year 2017.

b) Drawing up date

On 14 March 2018 the Company's Board of Directors prepared the annual accounts and Directors' report for the year ended December 31, 2017.

At the date of preparation of these annual accounts, the members of the Board of Directors are:

Mr. Javier de la Parte Rodríguez	Chairman
Mr. Emanuel Guilherme Louro da Silva	Vicepresident
Mrs. Beatriz Senís Gilmartín	Member of the Board

c) Staff

By categories, the average number of staff employed by the Group during the years 2017 and 2016 is as follows:

			2017			2016
	Males	Females	Total	Males	Females	Total
Management	1	-	1	2	-	2
Staff	42	29	71	47	34	81
	43	29	72	49	34	83

The average number of employees during 2017 and 2016, included in consolidation, with a disability equal or greater than 33% by category is as follows:

	2017	2016
Graduates, technicians and administrative	-	1
Total	-	1

d) Branches and Representatives

On 15 November 2011, the C.N.M.V. was notified of the opening by the Company of a branch in Portugal, which commenced its activities on 1 July 2012. The Company's branch is domiciled at Avenida da República, nº 25, 5º floor, Escritorio B, travesía de Nossa Senhora de Fátima, concelho de Lisboa, Portugal.

As at December 31, 2017 and 2016, the Company has no representatives.

2. Basis of presentation of the financial statements

a) Fair presentation

The accompanying annual accounts, prepared by the Administrators of the Company, were elaborated based on the accounting records and all current mercantile legislation and rules established in the Circular 7/2008, of November 26, on accounting rules, financial statements and reserved information statements of Investment Services Companies, Collective Investment Institutions Management Companies and Venture Capital Firms Management Entities, issued by the C.N.M.V., which was published in the B.O.E. (Official Gazette) on December 29, 2008, with the aim of showing a true image of its equity, of its financial situation, as at 31 December 2017 and the results of its operations, the changes in equity and its cash flows corresponding for the year then ended.

These annual accounts were prepared in euros.

b) Non-mandatory accounting principles

The Company has not applied any non-mandatory accounting principles thought the years ending as at 31 December 2017 and 2016.

There are no accounting principles, rules or obligatory valuation criteria, with significant effect, that have not been applied in the preparation thereof Note 3 contains a summary of the most significant accounting principles and rules and valuation criteria applied to these financial statements, the preparation of which is the responsibility of the Administrators of the Company.

c) Judgements and estimates

Judgements or estimates that may have a significant effect on the annual accounts have not been included in their preparation.

d) Critical measurement issues and estimates of uncertainty

As at 31 December 2017 and 2016, there are no uncertainties deriving from significant risks that may entail a material change in the value of assets or liabilities in the following year.

e) Changes in accounting estimates

As at 31 December 2017 and 2016, there are no changes in accounting estimates that may involve a material change in the value of assets and liabilities within the next year.

f) Consolidation

The Company forms part of the Group CIMD, whose parent company is Corretaje e Información Monetaria y de Divisas, S.A. (hereinafter CIMD, S.A.), set up in Madrid and which owns at 31 December 2017 and 2016 99.99% of the shares of the Company, which will prepare its consolidated financial statements at 21 March 2017. Said consolidated financial statements will be filed with the Madrid Mercantile Registry once they have been approved.

As of 2008, the parent company of the Group prepares its financial statements in accordance with the Circular 7/2008, of November 26, on accounting rules, of the C.N.M.V., financial statements and reserved information statements of Investment Services Companies, Collective Investment Institutions Management Companies and Venture Capital Firms Management Entities issued, and published in the B.O.E. (Official Gazette) of 29 December 2008.

g) Comparativeness of information

In addition to the figures for 2017, for comparative purposes the Company directors present each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows with those for 2016.

3. Accounting criteria

The most significant accounting principles and valuation rules applied when preparing the financial statements are those set out below:

a) Financial assets

Financial assets are classified in the balance sheet as follows:

i) Trading Portfolio

This heading includes financial assets that have been acquired for short-term sale and are part of a portfolio of financial instruments identified and managed jointly, with respect to which recent actions have been carried out in order to obtain short-term gains. Alternatively, they are derivative instruments not designated as accounting hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months from the date of the balance sheet. These are classified as non-current assets.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity.

Nonetheless, trade receivables maturing in less than one year are carried at the amount receivable less any necessary value adjustments, 25% being appropriated for invoices 6 months past due, 50% for invoices 12 months past due, 75% for invoices 18 months past due and 100% for invoices over 24 months past due.

At least at the year end, in cases where collection is evidently impossible or in the event of the suspension of payment, the necessary value adjustments are made for impairment and provision is made for 100% of the receivable irrespective of the time that has elapsed.

ii) Other financial assets at fair value through profit or loss

This heading includes financial assets that, while not forming part of the trading portfolio, are considered hybrid financial assets and are measured in their entirety at fair value, also records assets which are managed jointly with liabilities under insurance contracts measured at fair value or through financial derivatives that aim to ensure and result in a significant decrease in exposure to variations in fair value or which are managed jointly with financial liabilities and derivatives in order to significantly reduce overall exposure to the interest rate risk.

As at 31 December 2017 and 2016 the Company has no financial instruments on this category.

iii) Available-for-sale financial assets

Corresponds to debt securities not classified as held-to-maturity investments, such as other financial assets at fair value profit or loss, loans and receivables, financial assets held for trading equity instruments in companies that are not dependent or jointly-controlled companies or associates and have not been included in the categories of financial assets held for trading, other non-current assets held for sale and other assets at fair value through profit or loss.

iv) Loans and receivables

They are financial assets not derivatives, with cash flows of a fixed or determinable amounts, in which all the disbursement made by the Company will be substantially recovered, excluding reasons imputable to debtor's insolvency, which will not be valued at fair value, and the Company will necessarily have the intention of holding until maturity.

A financial asset which is negotiated on an active market, such as a debt instrument on a quoted debt, does not comply with the requisites to be classified in this category. Nor does a participation acquired in a group of assets that are not credit or accounts receivable, such as a participation in an investment fund.

v) Non current assets-held for sale

Held-to-maturity financial assets are debt securities with fixed maturities and determinable cash flows in relation to which the Company has the intention and ability to hold to maturity, by having, basically, the financial ability to do so, or because they have access to related financing.

vi) Shares

Shares in subsidiaries, jointly-controlled entities and associates are stated at cost and are adjusted for any impairment losses if there is evidence. For the calculation of impairment losses the Entity compares the recoverable value (this being the higher of fair value less necessary costs to sell and value in use) with its carrying value.

Impairment losses, as well as value recoveries which arise through this valuation, are recognised immediately in the Entity's income statement.

As at 31 December 2017 and 2016, the Company has no financial instruments in this portfolio.

Accounting and measurement of financial assets

These financial assets are initially stated at fair value, which is normally the transaction price, unless there is evidence to the contrary. At the end of each reporting period they are measured on the basis of the following criteria:

- Financial assets will be valued at their fair value except for loans and receivables, investments held to maturity, equity instruments when their fair value cannot be determined in sufficiently objective manner, subsidiaries companies, multi-group and associated companies and financial derivatives that have as a subjacent asset these equity instruments and are settled through the surrender of the same.

  The fair value of a financial asset is understood to be the amount at which it may be delivered between duly informed interested parties in an arm's length transaction. The best evidence of fair value is the quote on an active market that is an organised, transparent and deep market.

Where there is no market price for a specific financial asset, fair value is estimated on the basis of the value of recent transactions involving analogous instruments and, alternatively, using sufficiently verified valuation models. Similarly, the specific characteristics of the asset to be measured are taken into account and in particular, the different types of risks associated with the financial asset. Nonetheless, the own limitations of the measurement models developed and the possible inaccuracies in the assumptions required by these models may mean that the fair value thus estimated of a financial asset does not exactly agree with the price at which it could be bought or sold at the measurement date.

- The fair value of the financial derivatives listed on an active market is the daily quoted price. If for exceptional reasons, it is not possible to establish the price on a given date, methods similar to those employed to value OTC financial derivatives are used. The fair value of OTC financial derivatives is the sum of the future cash flows originating in the instrument and discounted at the valuation date using methods recognised by financial markets.

- Loans and receivables and held-to-maturity investments are carried at amortised cost, determined using the effective interest rate method. Amortised cost is understood to refer to the acquisition cost of a financial asset, adjusted by repayments of the principal and the part allocated to the income statement, using the effective interest rate method, of the difference between the initial cost and the relevant repayment value at maturity, less any decline in value owing to impairment recognised directly as a decrease in the amount of the asset or through a value adjustment account. In the event that such items are hedged through fair value hedges, changes in fair value related to the risk or risks hedged through such hedges are reflected.

  The effective interest rate is the discount rate that brings the value of a financial instrument exactly in line with the estimated cash flows over the instrument's expected life, on the basis of the relevant contractual conditions, such as early repayment options, not taking into account future losses on credit exposure.

  For fixed rate financial instruments, the effective interest rate agrees with the contractual interest rate set at the time of their acquisition, increased, where appropriate, by the commissions that, because of their nature, may be likened to an interest rate. For variable interest financial instruments, the effective interest rate agrees with the current rate of return on all items through to the first review of the reference interest rate set to take place.

Variations in the carrying value of financial assets are generally reflected with a balancing entry in the income statement and a distinction is made between those resulting from the accrual of interest and similar, that are carried under interest and similar income, and those due to other reasons, that are carried at the net amount involved, under Gains/losses on financial transactions in the income statement.

Nonetheless, changes in the carrying value of the instruments included in Available-for-sale financial assets are provisionally carried under Equity Measurement Adjusments unless they result from exchange differences. The amounts included in Valuation adjustments continue to form part of Equity until the related asset is written off the balance sheet, at which time they are written off against the income statement.

Similarly, changes in the carrying value of the assets included in Non-current assets held for sale are reflected against Adjustments for the valuation of equity.

The valuation differences in financial assets designated as hedged items and accounting hedging items are recorded having regard to the following criteria:

- In fair value hedges the differences arising both in the hedging elements and in the hedged elements, as regards the type of risk hedged, are recognized directly in the profit and loss account.

- The valuation differences corresponding to the inefficient part of cash flow hedging operations and of net investments in foreign operations are taken directly to the profit and loss account.

  In cash flow hedges, the valuation differences arising in the effective hedge portion of the hedged elements are recorded temporarily in the equity valuation adjustments statement, net of the tax effect.

- In hedges of net investments in foreign operations, the valuation differences arising in the effective portion of the hedge elements are recorded temporarily in the equity valuation adjustments statement, net of the tax effect.

  In these last two cases, differences in valuation are not recognized as results until the losses or gains of the hedged item are recorded in the profit and loss account or until the expiration date of the hedged item.

- For fair value hedges of the interest rate risk on a portfolio of financial instruments, the gains or losses arising on measuring the hedge are recognised directly in equity while the gains or losses resulting from variations in the fair value of the amount hedged, with respect to the hedged risk, are recognised in the income statement using the heading changes in fair value of the hedged item in portfolio hedges of interest rate risk as a balancing entry.

- In cash flow interest rate hedges in a portfolio of financial instruments, the effective portion of the variation in the value of the hedging instrument is recorded temporarily in the equity valuation adjustments caption, until the forecast transactions take place and then are recorded in the consolidated income statement. The variation in the value of the hedging derivatives for the ineffective portion of the hedge is recorded directly in the consolidated income statement.

- Monetary items held for sale are recognised at cash value.

Impairment losses

The carrying value of financial assets is generally adjusted against the profit and loss accounts when there is objective evidence that there are impairment losses. This is the case where:

- For debt instruments, understood as loans and debt securities, when, following their initial recognition, there is an event or combined effect of various events which have a negative impact on the relevant future cash flows.

- For equity instruments, when following their initial recognition, there is an event or the combined effect of various events, making it impossible to recover their carrying value.

As a general rule, the carrying value of financial instruments due to impairment is adjusted against the income statement for the period in which such impairment arises and the recovery of previously recorded impairment losses, if any, is recognised in the income statement for the period in which such impairment is eliminated or reduced. When the recovery of any amount is considered remote due to the impairment registered, this will be eliminated from the balance sheet, even though the Company may carry out the necessary actions in order to collect the amount until they have definitively extinguished their rights by prescription, condonation or other causes.

For debt instruments measured at amortised cost, the amount of impairment losses incurred is equal to the negative difference between their carrying value and the present value of estimated future cash flows. In the case of quoted debt instruments the market value may be used, in substitution of the current value of future cash flows, when this is sufficiently reliable to be considered as the representative of the value that the Company could recover.

Future cash flows estimated for a debt instrument are all those amounts, principal and interests, the Company estimates to obtain during the life of the instrument. This estimate takes into account all significant information available at the date of preparation of the financial statements concerning the possible future collection of contractual cash flows. Similarly, the estimate of future cash flows from instruments secured by real guaranteed, takes into account the flows that would be obtained on realisation, less the amount of the necessary costs for their obtainment and subsequent sale, irrespective of the probable enforcement of the guarantee.

In the calculation of the the present value of estimated future cash flow, the original effective interest rate of the instrument is used as the discount rate, if the contractual rate is a fixed rate. Alternatively, the effective interest rate at the date to which the financial statements refer, determined in accordance with the contract terms, is used when a variable rate is involved.

Debt instrument portfolios, contingency risks and contingent commitments, no matter who is the holder, instrumentation or guarantee, will be analysed to determine the credit risk to which the Company is exposed and to estimate the need for coverage due to impairment of its value. In preparing the financial statements, the Company classifies its operations in function of their credit risk analysing, separately, the insolvency risk chargable to the client and the country risk to which, if applicable, they are exposed.

Objective evidence of impairment is individually determined for all significant debt instruments and individually or collectively for groups of debt instruments which are not individually significant. If a specific instrument cannot be included in any group of assets with similar risk characteristics, it is analyzed exclusively on an individual basis in order to determine whether it is impaired and, if appropriate, to estimate the loss for impairment.

The collective assessment of a group of financial assets to estimate impairment losses is done as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, the type of instrument, the debtor's sector of activity, geographical area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- The future cash flows of each group of debt instruments is estimated on the basis of experience of historic losses by the Company for instruments with similar credit risk characteristics to those of the respective group, once the necessary adjustments have been made to adapt the historic data to the current market conditions.

- Impairment losses in each group are the difference between the carrying value of all the group's debt instruments and the present value of its estimated future cash flows.

Debt instruments not valued at fair value with changes in the profit and loss account, contingent risks and the contingent commitments are classified in function of the insolvency risk imputable to the client or to the operation, in the following categories: normal risk, substandard risk, doubtful risk for other reasons than due to the arrears by the client and failed risk. For debt instruments not classified as normal risk the specific coverage for impairment needed is estimated on the basis of the Company's experience and that of the sector, specific coverage necessary for impairment, bearing in mind the aging of the unpaid amounts, the guarantees given and the economic situation of the client and, if applicable, of guarantors. This estimate is made, in general, based upon the arrears calendar prepared on the basis of the Company's experience and on the information available in the sector.

Similarly, debt instruments not measured at fair value through the income statement and contingent risks, irrespective of the customer, are analysed to determine the credit risk by reason of country risk. Country risk is understood as the risk attached to a customers' residency in a specific country due to circumstances other than the usual business risk.

The recognition in the income statement of the accrual of interest on the basis of the contractual terms is interrupted for all debt instruments classified individually as impaired and for those for which impairment losses have been calculated collectively because the amounts involved are more than three months past due.

The amount of impairment losses incurred in debt securities and equity instruments included under Available-for-sale financial assets is equal to the positive difference between their acquisition costs, net of any repayment of the principal, and their fair value less any impairment loss previously recognised in the profit and loss accounts.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses recognised directly under Equity Measurement adjustments are recorded immediately in the income statement. If subsequently all or part of the impairment losses are recovered, the amount involved is recognised, in the case of debt securities, in the income statement for the recovery period, and, in the case of equity instruments, under Equity Measurement Adjustments.

For debt and equity instruments classified under non-current assets held for sale, the losses recorded previously under equity are considered realized and are recognised in the income statement at the date of their classification.

Losses due to impairment of capital instruments valued at their acquisition cost correspond to the differences between the carrying value and the current value of the future cash flows expected, updated to the profitability rate on the market for other similar securities. Such impairment losses are recorded in the income statement for the period in which they arise by directly reducing the cost of the financial asset. The amount involved may not be recorded except in the event of a sale.

Removal of financial assets from the balance sheet

The Company only removes financial assets from its balance sheet under one of the following circumstances:

a) When the contractual rights to the cash flows generated by the financial asset have expired.

b) When the Company transfers financial assets according to the terms established below and does not retain a substantial portion of the inherent risks or benefits and does not transfer the control over the transferred assets. A financial asset is only transferred when the transferring Company:

- transfers all of the contractual rights to the cash flows generated by the asset, or

- conserves the contractual rights to the cash flows from the financial asset but assumes the contractual obligation to reimburse the assignee in full without delay, including the interest on the reinvestment of such cash flows in highly liquid financial instruments. In addition, the transfer agreement prohibits the company from selling or pledging the original financial asset except to guarantee the payment of cash flows to the assignees and does not obligate the Company to pay any sum whatsoever not previously received from the transferred asset.

Financial asset transfers are evaluated to determine the extent to which the risks and benefits inherent to the ownership of the financial asset are transferred to third parties. The evaluation consists of comparing the exposure of the assignor company, before and after the transfer, to the variation in the amounts and maturities of the net cash flows generated by the transferred asset:

c) The assignor is understood to have transferred the material risks and benefits inherent to the ownership of the transferred asset if the exposure to the variation in the current value of future net cash flows – i.e., future profit and loss – decreases considerably as a result of the assignment.

   The risks and benefits related to the financial assets are materially transferred to third parties in the following cases, among others:

   (i) Unconditional sale of a financial asset.

   (ii) Sale of a financial asset with a buyback clause or a call or put option for fair value on the buyback date.

   (iii) Sale of a financial asset with an out-of-the-money call or put option that is not likely to be in-the-money before the expiration of the contract.

   iv) Transfer of a financial asset along with an interest rate swap (IRS) in which the Company is the counterparty, providing that they swap payments are not contingent upon the credit risk or anticipated return of the financial asset.

d) The assignor is understood to have retained the material risks and benefits inherent to the ownership of the transferred asset if the exposure to the variation in the current value of future net cash flows does not change in any significant way as a result of the assignment.

   The material risks and benefits associated with the ownership of the financial asset are retained in the following cases, among others:

   (i) Sale of financial assets with a buyback clause for an equivalent or substantially similar asset with the same fair value for a fixed price plus interest. Companies are prohibited from making temporary assignments for amounts higher than the market or fair value of the assigned financial asset, since the difference could be considered unauthorised direct financing of the assignee.

(ii) A loan agreement in which the borrower is obligated to return the same securities or substantially similar ones with the same fair value.

(iii) The sale of accounts receivable for their fair value or discounted commercial paper when the assigning company guarantees that the assignee will be compensated for any credit loss.

iv) The sale of a financial asset at fair value along with a financial swap when the assigning Company assumes the market risk of the transferred asset.

v) Sale of a financial asset with an in-the-money call or put option that is not likely to be out-of-the-money before the expiration of the contract.

b) Tangible assets

The tangible assets are registered at their acquisition costs. The provision for amortization is calculated applying the straight line method for "Furniture and fittings" and "Technical installations" and by reducing method and for "Data processing equipment" and "Telephone equipment" based upon the estimated useful life of these.

The amortization rates applied in calculating the depreciation of the items included under fixed assets are the following:

Technical installations	5%-20%
Data processing equipment	17%-33%
Furniture and fittings	10%-13%
Telephone equipment	10%-25%

Repairs and maintenance expenses that do not imply improvements or prolongement of the useful life are charged to the consolidated profit and loss account of the year in which they were incurred.

c) Intangible assets

Computer programs are recorded at their acquisition cost, amortizing them on a straight line basis over four years.

Licences for IT programs acquired from third parties are capitalised on the basis of the costs incurred to acquire them and prepare them for use in a specific application.

Intangible assets prepared employing the Company's own resources are valued at production cost, including, in particular, direct personnel costs for the project developed.

In accordance with the current accounting norm, the development costs are recorded as an asset if they comply with all of the following conditions:

- A specific and individualized project exists for each research and development activity;

- The assignation, charge and time distribution of each project's costs should be clearly established;

- Justified motives must always exist to expect the technical success of the R & D project;

- The economic-commercial profitability of the project should be reasonably assured;

- The financing of the various R & D projects should be reasonably assured to be able to complete these.

d) Financial liabilities

The standards for classifying financial liabilities on the balance sheet are as follows:

i) Financial liabilities at amortised cost

These financial liabilities are valued, both initially and in subsequent valuations, at their fair value, by imputing the changes, which occur in that value, in the profit and loss account for the year. Transaction costs directly attributable to the issue are recognized in the profit and loss account for the year in which they arise.

ii) Trading portfolio

This heading includes financial liabilities that have been acquired for short term sale and are part of a portfolio of financial instruments, identified and managed jointly, with respect to which recent actions have been carried out in order to obtain short-term gains. They may be derivative instruments not designated as accounting hedges or arising from the firm sale of financial assets acquired under repos or loans.

At 31 December 2017 and 2016 the Company does not hold financial instruments in this portfolio.

iii) Other financial liabilities at fair value through profit or loss

These are financial liabilities which are hybrid financial instruments in respect of which it is not possible to reliably determine the fair value of the embedded derivative which they contain.

At 31 December 2017 and 2016 the Company does not hold financial instruments in this portfolio.

iv) Other financial liabilities at fair value with changes in equity

This includes the liabilities associated with financial assets classified as available for sale that have been transferred but do not fulfill the requirements to be written off the balance sheet. The financial liabilities associated with such assets are measured, like the assets themselves, at fair value with changes in equity.

At 31 December 2017 and 2016 the Company does not hold financial instruments in this portfolio.

Registration and valuation of financial liabilities

Financial liabilities are registered at amortised cost except in the following cases:

- Financial liabilities included under the heading "Trading Portfolio", as "Other financial liabilities" at fair value with changes in the profit and loss account and "Other financial liabilities" with changes in net equity that are valued at fair value. Financial liabilities hedged through fair value hedges are adjusted by recording those variations in fair value in relation to the risk hedged in the hedging transaction.

- Financial derivatives that have as an underlying capital instrument the fair value which cannot be determined in a sufficiently objective manner and that are settled by delivery are valued at their cost.

Variations in the carrying value of financial liabilities are generally recorded with the balancing entry in the consolidated income statement, differentiating between those arising on the accrual of interest and similar charges, which are recorded under Interest and similar charges, and those which relate to other causes, which are carried at net value under Gains/ losses on financial transactions in the profit and loss account.

Nonetheless, variations in the carrying value of the instruments included under financial liabilities at fair value with changes in equity are temporarily recorded under Equity Measurement Adjustments. The amounts included under Measurement Adjustments continue to form part of equity until the relevant liability is written off the balance sheet at which time they are written off against the profit and loss account.

Removal of financial liabilities from the balance sheet

A financial liability, or part of it, should be removed from the balance sheet when the specific obligation in the contract has extinguished, because it has been paid, cancelled or has expired.

The difference between the carrying amount of an extinguished financial liability, or a part of this, and the consideration paid, including any asset transferred other than cash, less any liability assumed, will be recognised immediately in the profit and loss account.

A financial liability settled by the Company to a third party, in order to make this third party assume the amount of the transferred debt, shall not be extinguished, despite the fact that this circumstance has been communicated to the creditor, unless the Company becomes legally released from its obligation, by contractual agreement with the creditor or by judicial or arbitral decision.

When the Company is released by the creditor from its obligation to settle a debt, because it has been assumed by a third party, but guarantees its payment in the new event of default by the new creditor, the Company:

- Remove the amount of the original debt from its balance sheet and recognise a new financial liability for the fair value of the obligation assumed by the guarantee.

- Record immediately, in the profit and loss account, the difference between: the carrying amount in books of the original financial liability less the fair value of the new liability recognised; and any consideration delivered.

A swap of a financial liability between the Company and its creditors, or a modification in its conditions, will be treated in the accounts applying the following criteria:

- A significant modification in the conditions of a swap agreement, meaning a substantial change in the conditions of the debt instrument, the entity should remove it from the balance sheet and recognise a new financial liability. The expenses or commissions incurred by the entity in the transaction will be registered immediately in the profit and loss account.

- When the swap or modification does not mean a substantial change in the conditions of the debt instrument, the entity will not remove it from the balance sheet and will recognise the amount of the expenses and commissions as an adjustment to the value in the accounts of the financial liability, determining these on the basis of the new conditions.

For these purposes, the contract conditions will be considered as substantially different when the current value of the cash flows of the new financial liability, including the net commissions collected or paid, differs in at least 10% from the current value of the cash flows remaining from the original liability, discounting both at the effective interest rate of the latter.

e) Current and deferred taxes

The Company forms part of the Group whose main shareholder is the parent company. Likewise, the Company consolidates fiscally with other companies of the Group, being the entity responsible for the application of the tax regime its main shareholder

Corporate income tax is recognised as an expense in each year, calculated taking into account the profits before taxes detailed in the annual accounts, corrected for tax criteria differences of a permanent nature and taking into account the applicable bonifications and deductions. The deferred or advanced taxes that arise as a consequence of the temporal differences derived from the application of tax criteria in the recognition of income and expenses are reflected on the balance sheet until they are reversed.

The deferred taxes are calculated, according to the liability method, on the temporal differences that arise between the assets and liabilities tax bases and their value in the accounts. However, if the deferred taxes arise from the initial recognition of an asset or a liability in a transaction different to a business combination that at the time of the transaction does not affect either the accounting results or the taxable base it will not be recognised. The deferred tax is determined applying the norms and the approved tax rates or on the point of being approved on the balance sheet date and that are expected to be applicable when the corresponding asset from deferred taxes is settled or the liability for deferred taxes is paid.

Assets from deferred taxes are recognised to the extent that it is probable that future tax earnings will arise against which to compensate the temporal differences.

Deferred taxes arising from the temporal differences that arise from investments in dependent companies, associated or joint venture companies, except in those cases in which the Company can control the moment when the reversal of the temporal differences will occur and, moreover, it is probable that these will not revert in the foreseeable future.

f) Leases

Finance leases

Leasing contracts are presented based on the economic fund of the operation, regardless of their legal form, and are classified from the beginning as financial lease or operating lease

A lease is considered a finance lease when a substantial portion of the risks and rewards inherent in ownership of the leased asset is transferred.

When the Company acts as lessor of an asset, the sum of the current values of the payments it will receive from the lessee plus the guaranteed residual value, normally the price of exercising the purchase option at the end of the contract, will be recorded as third party financing and therefore included under the heading of "credit investments" on the balance sheet, in accordance with the nature of the lessee.

When the Company acts as lessee, the cost of the leased asset is recorded on the balance sheet, depending on the type of asset involved, and a liability for the same amount is recorded, which is either the fair value of the leased asset or the sum of the current value of all amounts payable to the lessor plus the price of exercising the purchase option, whichever is lower. These assets are depreciated using similar criteria to those applied to property, plant and equipment for own use as a whole.

Financial income and expenses resulting from these contracts are credited and charged, respectively, to the profit and loss account so that the performance remains constant throughout the life of the contracts.

As at 31 December 2017 and 2016 the Company does not hold this kind of leases.

Operating lease

Leasing contracts that are not considered financial leases are classified as operating leases.

Whenever the Company acts as a lessor, the cost of acquisition of the assets is recorded under leasing on the epigraph "Tangible assets". Those assets will be depreciated according to policies adopted by the tangible asset for own use and the incomes originated by the leasing contracts will be recognized on the profit and loss account under linear basis.

On the other hand, when the Company acts as lessee, the expenses of the lease including incentives granted, as the case may be, by the lessor, are recorded on a straight-line basis in the profit and loss account.

g) Recognition of income and expenses

Income is registered at the fair value of the considerations to be received and represents the amounts to be collected in the ordinary course of business of the Company, less returns, reductions, discounts and value added tax.

The Company recognises income when the amount of this can be valued reliably, and it is probable that future economic benefits will flow to the Company and the specific conditions for each one of the activities is met as is detailed below. It is believed that the amount of income cannot be reliably valued until all the contingencies related to the sale have been solved. The Company sets its estimations on historic results, bearing in mind the type of client, the type of transaction and the concrete terms of each agreement.

Income derived from contracts at a fixed price for the supply of advisory services, studies, analysis and divulgation in the monetary markets area are generally recognised in the period in which the services are rendered on a lineal base during the length of the contract.

If circumstances arise that modify the initial ordinary income estimations, costs or degrees of compliance, the estimations are revised. The revisions may cause increases or decreases in the estimated income and costs and will be reflected in the profit statement for the period in which the circumstances that motivated these revisions are known by management.

Incomes from dividends are recognised as income in the profit and loss account when the right to receive the collection is established. Notwithstanding this, if the dividends distributed arise from profits generated prior to the date of acquisition they are not recognised as income, reducing the carrying cost in books of the investment.

Non-financial income and expenses are registered in the accounts applying the accrual principle. Collections and payments deferred in time are registered in the accounts at the amount resulting from updating financially the cash flows foreseen at the market rate.

g.1) Commissions paid and income

Commissions paid or charged for financial services, regardless of the denomination they receive contractually, are classified in the following categories, which determine their allocation in the profit and loss account:

- Financial commissions

  Are those that are an integral part of the yield or effective cost of a financial operation and are charged to the profit and loss account over the expected life of the operation as an adjustment to the effective cost or yield of this.

- Non-financial commissions

  Are those derived from the rendering of services and may arise in the execution of a service that is performed during a period of time and in the rendering of a service that is executed as a single act.

Income and expense in respect of fees and similar items are recorded in the income statement generally in accordance with the following:

- Those linked to financial assets and liabilities valued at fair value with changes in the profit and loss account and are recorded at time of collection.

- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.

- Those that relate to a transaction or service which is carried out in a single act are recorded when the relevant act takes place.

g.2) Recognition of financial expenses and trading ordinary losses

The financial expenses are the interests and other costs incurred by an entity in relation to financing received.

Financial expenses are registered in the profit and loss account as expenses in the period in which they accrue. However, entities will capitalise financial expenses that were accrued before the assets were put into operational condition, that are directly attributable to the acquisition, construction or production of qualified assets, and are part of the carrying amount in books, when it is probable that they will generate future profits and can be valued with sufficient reliability.

Extraordinary trading losses that have to be assumed as a result of incidents in the negotiation derived from differences between the conditions in the orders received from the financial intermediates and those of the negotiation and liquidation of the operation performed, such as errors in the contracting process or in the terms of this, or other similar causes, when the result of the liquidation implies an economic prejudice imputable to the mediator of the operation, and not to those issuing the orders, and will be recognised in the consolidated profit and loss account at the time they occur or are known, independently of the time they are settled.

h) Personnel Expenses

Short-term retribution

Are the remunerations, the payment of which should be attended within the space of following twelve months from the close of the exercise in which the employees supplied their services.

They will be valued at the amount that has to be paid for the services received, registering then in the annual accounts as: a liability for the expense incurred, after deducting any amount already settled and as an expense for the period in which the employees had supplied their services.

Remuneration based on equity instruments

When an entity delivers equity instruments on its own capital to its employees, as the consideration for the services received, it should apply the following accounting treatment:

- If the delivery of equity instruments is done immediately without demanding from them a specific period of services to acquire the title on these, the entity will recognise, on the concession date, an expense for the full services received, crediting the amount to net equity.

- If the employees obtain the right to receive the equity instruments once a specific period of service has expired, the expense will be recognised for the services received and the corresponding increase in net equity, in the measure that these supply services during the period.

Retirement benefit commitments

The collective agreement applicable to the employees of securities firms and the Madrid stock market establishes certain social welfare obligations. The Company records these benefits as an expense in the fiscal year in which they are paid. Adhering to this criterion rather than an accrual criterion does not have a significant effect on the annual accounts as a whole.

At 31 December 2017 and 2016 the Company had no significant obligations of this kind towards its employees.

Termination benefits

These are recognised as a liabilities and expenses only when the Company has made a firm commitment to terminate the contract of an employee or group of employees before the retirement date or to pay severance payments as a result of an offer made to encourage the voluntary termination of the employment contract by employees.

i) Balances offsetting

The debtor and creditor balances originating in transactions that, contractually or because of a legal norm, contemplate the possibility of compensation and it is the intention to settle them by the net amount or to dispose of an asset or to pay a liability simultaneously, will be shown on the balance sheet at their net amount.

j) Functional currency

The functional currency of the Company is the euro. Therefore all balances and transactions denominated in currencies other than the euro are considered denominated in foreign currency.

k) Measurement of foreign currency accounts

The exchange value in euros of the total assets and liabilities in foreign currencies held by the Company as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	**2016**
US Dollars	209 426.23	246 231.10
Pounds Sterling	57 716.09	334 700.26
Other foreign currencies	7 473.39	17 401.42
Total	274 615.71	598 332.78

The corresponding value in euros of the assets and liabilities in foreign currency, classified by their nature, held by the Company as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	**2016**
Loans and receivables (Notes 5 and 7)	305 498.29	462 872.71
Other financial intermediaries in foreign currency (Note 7)	63 063.22	153 371.37
Debts with customers – Creditors foreign currency (Note 11)	(93 945.80)	(17 596.72)
Other financial intermediaries (Note 11)	-	(314.53)
Total	274 615.71	598 332.78

In the initial recognition, debtor and creditor balances denominated in foreign currency are converted to the functional currency using the spot exchange rate at the date of recognition, understood as the exchange rate for immediate delivery. After initial recognition, the following rules are applied to translate balances denominated in foreign currency to the functional currency:

- Monetary assets and liabilities are converted at the yearend exchange rate, understood as the average spot exchange rate at the date to which the financial statements refer.

- Non-monetary items measured at cost are converted at the exchange rate on the date of acquisition.

- Non-monetary items measured at fair value are converted at the exchange rate ruling on the date on which fair value is determined.

- Incomes and expenses are converted by applying the exchange rate on the transaction date.

Nonetheless, the average exchange rate for the period is used for all transactions carried out in that period, unless there have been significant fluctuations. Depreciation/ amortization are converted at the exchange rate applied to the relevant asset.

Exchange differences arising on conversion of debtor and creditor balances denominated in foreign currency are generally recorded in the consolidated profit and loss account. Nonetheless, in the case of exchange differences that arise on non-monetary items measured at fair value, for which the fair value adjustment is recorded under Equity Measurement Adjustments, the component of the exchange rate relating to the revaluation of the non-monetary element is broken down.

l) Discontinued activities

A discontinued activity is a component of the Company, the operations and cash flows oh this component are clearly distinguishable from the rest, which had been sold or it had been disposed of by other means or it had been classified as a non-current asset held for sale, and moreover, it complies with some of the following conditions:

- It represents a business line or geographic operations areas, which are important and independent.

- It is part of an individual and coordinated plan to sell or dispose by other means of a business line or a geographic operations area, which are important and independent.

- It is dependent entity acquired for the sole purpose of reselling it.

The after tax results that arise through the valuation at fair value less the costs of the sale, or through the disposal by other means, of a component of the entity that has been classified as interrupted activities, are presented in the consolidated profit and loss account as a single amount, within a separate heading from the rest of the income and expenses originated by the uninterrupted activities.

m) Provisions and contingent liabilities

The current obligations of the Company arising as a result of past events, will be considered as provisions, when these are clearly specified in terms of the nature on the date of the financial statements, but are indeterminate in terms of their amount or the moment of cancellation, on the maturity of these and to cancel them, the Company expects to liberate resources that incorporate economic benefits. Such obligations may arise due to the following:

- A legal or contractual provision.

- An implicit or tacit obligation, the origin of which is located in a valid expectation created by the Company towards third parties related to the assumption of certain types of responsibilities. These expectations are created when the Company publically accepts responsibilities; these are derived from past behaviour or from company policies in public domain.

- The practically sure evolution of the regulation in certain aspects, in particular, norm projects of which the Company will not be able avoid.

Contingent liabilities are possible obligations resulting from past events, the existence of which is contingent upon the occurrence of one or more future events independent of the Company's intentions. Contingent liabilities include the Company's current obligations, the settlement of which is unlikely to result in a decrease in resources including economic benefits or the amount of which, in extremely rare cases, may not be quantified with sufficient reliability.

Provisions and contingent liabilities are classified as probable when the likelihood of occurrence is greater than that of not occurrence, possible when the likelihood of occurrence is less than that of not occurrence, and remote when their occurrence is extremely rare.

The Company includes in the consolidated annual accounts all the significant provisions where the probability that it will have to meet the obligation is greater than otherwise. Contingent liabilities are not recognised in the annual accounts but rather are reported unless the possibility of an outflow of funds including economic benefits is considered remote.

Provisions are quantified taking into account the best available information concerning the consequences of the event that originated them and are estimated at each accounting close. They are used to address the specific obligations for which they were recognised and may be reversed in full or in part when such obligations no longer exist or decrease.

n) Corporate Income Tax

Corporate income tax is considered an expense and is registered under the heading of corporate income tax on the profit and loss statement except when the tax arises as a consequence of a transaction carried directly to equity, in which case the tax is recorded directly in equity, or when the tax arises from a business combination in which case the deferred tax is recorded as just another equity item.

The expense of the Income Tax heading is determined by the tax payable calculated with respect to the taxable base for the year, once the variations during that year derived from the temporary differences, the credits for deductions and bonuses and negative tax bases have been considered. . The tax base for the year may differ from the net result for the year presented in the profit and loss account since it excludes income or expense items that are taxable or deductible in other years and items that are never taxable or deductible.

4. Risks management

The Company, due to the activity it carries out, and its consolidable group are bound by current legislation - Royal Legislative Decree 4/2015, of October 23, approving the consolidated text of the Securities Market Law; Law 10/2014, of June 26, on the management, supervision and solvency of credit institutions; Royal Decree 217/2008 of 15 February; And Circular 2/2014, of June 23, of C.N.M.V.- to have adequate policies and procedures for risk management.

Consequently, the Board of Directors of CIMD, S.A. (the Group parent company) approved a *Risk Management Policy* (RMP) which applies to all Group companies.

This policy lays down that risk management, understood as management, control and monitoring of those risks, is the responsibility of three bodies, each of which has independent functions: Board of Directors of CIMD, S.A., the Company's Board of Directors and the Risk Management Unit.

Risk management is based on the following:

1st. appropriate planning of equity;
2nd. identifying, assessing and measuring risks;
3rd. establishing risk tolerance limits;
4th. establishing a system of risk control and follow-up; and
5th. balancing equity and risks with respect to situations of tension.

In accordance with Circular 2/2014 and Capital Requirements Regulation (EU) 575/2013, concerning the level of exposure and the quality of each kind of risk, the risks identified as significant for the company are the credit, concentration, market, operational and liquidity risks.

In order to value exposure to each of these risks and to quantify the requirements, the guidance contained in both the *Guide on Capital Self-Assessment for Investment Services Companies* (hereinafter, GAC), published by the C.N.M.V., and the *Guide on Capital Self-Assessment Process* (hereinafter, PAC), published by the Bank of Spain, has been applied. The PGR lays down the following calculation methods:

- Credit risk: Standard method
- Concentration risk: Simplified option of GAC.
- Market risk: Option 1 of GAC.
- Operational risk: Basic Indicator Method.
- Liquidity risk: Simplified option of GAC.
- Other risks: Simplified option of GAC.

The tolerance level relates to the limits established by the competent bodies for each risk at individual level or for all risks as a whole.

Depending on the nature and characteristics of each risk, as well as the activity it affects, the respective limits are determined, either in absolute values or in percentages. Where appropriate, the weightings to which these limits are subject will be determined

The following table shows an analysis of the Company's financial liabilities that are settled by the net amount grouped by maturity in line with the pending time on the date of the balance sheet until the due date stipulated in the contract. The amounts that are shown in the tables correspond to the cash flows in the contract without discounting. The balances payable within 12 months are equivalent to the carrying cost in books of these, since the effect of discounting is not significant.

The detail of the financial liabilities as at 31 December 2017 is a follows:

				Euros
As at December 31, 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**No set Maturity**
Fixed income operations pending settlement on own account (Note 11)	65 007 713.76	-	-	-
Transitorial balances on securities transactions (Note 11)	5 047 306.32	-	-	-
Intercompany creditors (Notes 11 and 17)	2 740 890.23	-	-	-
Pending remuneration payment (Note 12)	2 227 588.93	-	-	-
Rest of liabilities (Note 12)	1 145 260.18	-	-	-
Deposits and guarantees received (Note 11)	503 811.51	-	-	-
Miscellaneous creditors (Note 11)	23 376.56	-	-	-
Loans with Credit Institutions (Note 11)	35 496.35	-	-	-
Other provisions	29 278.41	-	-	-
Current Tax liabilities (Note 15)	18 754.48			
Other transactions pending settlement (Note 11)	2 596.84	-	-	-
Equity operations pending settlement (Note 11)	1 337.61	-	-	-

The detail of the financial liabilities as at 31 December 2016 is a follows:

				Euros
	Less than 1 year	Between 1 and 2 years	**Between 2 and 5 years**	**No set** Maturity
As at December 31, 2016				
Repurchase agreements (Note 11)	4 031 919.53	-	-	-
Accrued personnel costs (Note 12)	2 371 080.37	-	-	-
Transitorial balances on securities transactions (Note 11)	1 419 937.43	-	-	-
Rest of liabilities (Note 12)	1 093 321.03	-	-	-
Intercompany creditors (Notes 11 and 17)	997 797.22			
Guarantees received (Note 11)	594 200.39	-	-	-
Other financial intermediaries (Note 11)	195 345.60	-	-	-
Other provisions (Note 12)	133 593.48	-	-	-
Fixed income securities pending settlement (Note 11)	10 127.23	-	-	-
Loans with credit institutions (Note 11)	9 323.73			
Current Tax liabilities (Note 15)	6 683.72	-	-	-
Other financial intermediaries foreign currency	314.53			
Other transactions pending settlement (Note 11)	256.94			

Estimation of fair value

The fair values of the financial instruments that are commercialised on active markets (such as the securities maintained to negotiate and those available for sale) are based upon market prices at the balance sheet date. The quoted market price used for the financial assets is the current buyer price.

It is assumed that the carrying cost in the accounts of the credits and debits from commercial operations approximates to their fair value.

5. Treasury

The "Treasury" statement includes mainly as at 31 December 2017 and 2016 an amount of 3,687,214.76 euros and 3,624,853.62 euros, respectively, corresponding to balances placed within Bank of Spain which are subject to no restrictions on demand by an amount of 3,684,202.18 euros and 3,621,469.79 euros, respectively, and held the company in cash an amount of 3,012.58 euros and 3,383.83 euros, respectively, and there are no restrictions on their use.

On cash flow statements effects, the heading "Cash or cash equivalents at the end of the year" as at 31 December 2017 and 2016 includes:

		Euros
	2017	**2016**
Banks, euro current accounts (Note 7)	9 877 212.58	5 185 651.67
Treasury	3 687 214.76	3 624 853.62
Banks, foreign current accounts (Notes 3.k and 7)	305 498.29	462 872.71
	13 869 925.63	9 273 378.00

6. Trading portfolio and Available-for-sale financial assets

The amounts included under the heading "Trading portfolio" at 31 December 2017 and 2016 are as follows:

	2017	2016
		Euros
Debt securities	4 656 651.14	4 644 404.94
Financial assets held for trading	4 664 368.00	4 646 946.06
Accrual interests on debt securities	(7 716.86)	(2 541.12)
Equity instruments		
Investment Funds managed by the Group	2 302 232.70	2 125 325.71
	6 958 883.84	6 769 730.65

The breakdown of the heading "Debt securities" as at 31 December 2017 is as follows:

	Face value	Maturity date	Cost value	Market value	Euros Gains / (Losses)
Debt Securities					
Government bonds	3 500 000.00	30.07.2018	3 657 979.45	3 652 431.66	(5 547.79)
Treasury bills	1 000 000.00	11.05.2018	1 003 388.55	1 001 219.48	(2 169.07)
Private fixed income	100 000.00	31.03.2027	3 000.00	3 000.00	-
			4 664 368.00	4 656 651.14	(7 716.86)

The breakdown of the heading "Debt securities" as at 31 December 2016 is as follows:

	Face value	Maturity date	Cost value	Market value	Euros Gains / (Losses)
Debt Securities					
Government bonds	3 450 000.00	07.30.2017	3 645 300.30	3 643 790.24	(1 510.06)
Treasury bills	1 000 000.00	05.12.2017	1 001 645.76	1 000 614.70	(1 031.06)
			4 646 946.06	4 644 404.94	(2 541.12)

The amounts and movements in Debt securities during the years ended 31 December 2017 and 2016 are as follows:

					Euros
	31.12.16	**Increase**	**Decrease**	**Gains / Losses) (Note 21)**	**31.12.17**
Debt securities					
Government bonds	3 643 790.24	3 657 979.45	(3 639 260.06)	(10 077.97)	3 652 431.66
Treasury bills	1 000 614.70	1 003 388.55	(998 791.64)	(3 992.13)	1 001 219.48
Private fixed income	-	3 000.00	-	-	3 000.00
	4 644 404.94	4 664 368.00	(4 638 051.70)	(14 070.10)	4 656 651.14

					Euros
	31.12.15	**Increase**	**Decrease**	**Gains / Losses) (Note 21)**	**31.12.16**
Debt securities					
Government bonds	3 752 011.60	3 645 300.30	(3 751 309.96)	(2 211.70)	3 643 790.24
Treasury bills	999 813.97	1 001 645.76	(999 539.10)	(1 305.93)	1 000 614.70
	4 751 825.57	4 646 946.06	(4 750 849.06)	(3 517.63)	4 644 404.94

Gains or losses deriving from increases or decreases in the value of negotiable fixed-income securities at 31 December 2017 and 2016 are recorded under the heading "“Gains/losses on financial assets and liabilities- Held for trading” in the income statement (note 21).

The breakdown of the heading “Equity instruments” as at 31 December 2017 and 2016 are as follows:

		Euros
	2017	**2016**
Intermoney Variable Euro, F.I.	1 182 199.46	1 511 316.33
IMDI FUNDS / Rojo, F.I.	590 141.90	-
IMDI FUNDS / Verde, F.I.	277 597.14	-
IMDI FUNDS / Azul, F.I.	174 358.83	-
IMDI FUNDS / Ocre, F.I.	76 018.25	-
Intermoney Attitude, F.I.	1 917.12	305 460.20
Intermoney Gestión Flexible, F.I.	-	308 549.18
	2 302 232.70	2 125 325.71

The amounts and movements in Investment Funds managed by the Group during the years ended 31 December 2017 and 2016 are as follows:

						Euros
	Saldo al 31.12.16	Increase	Decrease	Gains / (Losses)	Gains / (Losses) (Note 21)	Saldo al 31.12.17
Investment Funds:						
Intermoney Variable Euro, F.I.	1 511 316.33	-	(317 851.30)	(224 874.24)	213 608.67	1 182 199.46
IMDI FUNDS / Rojo, F.I.	-	575 000.00	-	-	15 141.90	590 141.90
IMDI FUNDS / Verde, F.I.	-	275 000.00	-	-	2 597.14	277 597.14
IMDI FUNDS / Azul, F.I.	-	175 000.00	-	-	(641.17)	174 358.83
IMDI FUNDS / Ocre, F.I.	-	75 000.00	-	-	1 018.25	76 018.25
Intermoney Attitude, F.I.	305 460.20	-	(298 073.50)	(2 378.38)	(3 091.20)	1 917.12
Intermoney Gestión Flexible, F.I.	308 549.18	-	(300 000.00)	(20 516.25)	11 967.07	-
	2 125 325.71	1 100 000.00	(915 924.80)	(247 768.87)	240 600.66	2 302 232.70

						Euros
	Saldo al 31.12.15	Increase	Decrease	Gains / (Losses)	Gains / (Losses) (Note 21)	Saldo al 31.12.16
Investment Funds:						
Intermoney Variable Euro, F.I.	1 398 631.85	-	-	-	112 684.48	1 511 316.33
Intermoney Gestión Flexible, F.I.	304 390.27	-	-	-	4 158.91	308 549.18
Intermoney Attitude, F.I.	300 174.62	-	-	-	5 285.58	305 460.20
	2 003 196.74	-	-	-	122 128.97	2 125 325.71

Gains or losses deriving from increases or decreases in the value of negotiable fixed-income securities at 31 December 2017 and 2016 are recorded under the heading "Gains/losses on financial assets and liabilities- Held for trading" in the income statement (Note 21).

The detail of the Investment Funds managed by the Group as at 31 December 2017 and 2016 is as follows:

				Euros
As at 31 December 2017	Number of securities	Cost value	Market Value	Gains / (Losses)
Investment Funds:				
Intermoney Variable Euro, F.I.	7 147.08	701 751.10	1 182 199.46	480 448.36
IMDI FUNDS / Rojo, F.I.	57 674.40	575 000.00	590 141.90	15 141.90
IMDI FUNDS / Verde, F.I.	27 576.61	275 000.00	277 597.14	2 597.14
IMDI FUNDS / Azul, F.I.	17 574.50	175 000.00	174 358.83	(641.17)
IMDI FUNDS / Ocre, F.I.	7 500.00	75 000.00	76 018.25	1 018.25
Intermoney Attitude, F.I.	192.65	1 926.50	1 917.12	(9.38)
		1 803 677.60	2 302 232.70	498 555.10

As at 31 December 2016	Number of securities	Cost value	Market Value	Euros Gains / (Losses)
Investment Funds:				
Intermoney Variable Euro, F.I.	10 384.28	1 019 602.40	1 511 316.33	491 713.93
Intermoney Gestión Flexible, F.I.	30 000.00	300 000.00	308 549.18	8 549.18
Intermoney Attitude, F.I.	30 000.00	300 000.00	305 460.20	5 460.20
		1 619 602.40	2 125 325.71	505 723.31

During 2017 and 2016 years, the Company carry out self-buying and selling operations on fixed-terms market, being the movement of those operations as follows:

	31.12.16	Increase	Decrease	Euros 31.12.17
Self operations on Fixed – terms market	-	26 157 789 254,00	(26 157 789 254,00)	-
	-	26 157 789 254,00	(26 157 789 254,00)	-

	31.12.15	Increase	Decrease	Euros 31.12.16
Self operations on Fixed – terms market	-	29 733 679 269.91	(29 733 679 269.91)	-
	-	29 733 679 269.91	(29 733 679 269.91)	-

Those operations of buying and selling has produced benefits to the Company on 2017 and 2016 years, for a net amount of 5,221,951.53 euros and 5,956,001.41 euros, respectively. Those net benefits are registered on the heading "Gains and losses on financial assets and liabilities (net) - held for trading" of the Profit Loss account (Note 21).

The breakdown of the heading "Available-for-sale financial assets" as at 31 December 2017 and 2016 is as follows:

At 31 December 2017	Number of securities	Percentage Securities	Euros
Company owned			
Sociedad Gestora del Fondo General de Garantía de Inversiones, S.A.	6	0.60%	1 200.00
			1 200.00

At 31 December 2016	Number of securities	Percentage Securities	Euros
Company owned			
Sociedad Gestora del Fondo General de Garantía de Inversiones, S.A.	6	0.60%	1 200.00
			1 200.00

7. Loans and advances to financial intermediaries

The amounts included under the heading "Loans and advances to financial intermediaries" as at December 31, 2017 and 2016, is as follows:

		Euros
	2017	2016
Fixed-income transactions on own account pending settlement (Notes 6 and 16)	65 008 260.95	-
Banks, current accounts in euros (Note 5)	9 877 212.58	5 185 651.67
Guarantees and deposits constituted	2 861 432.59	2 193 965.80
Banks, current accounts in foreign currency (Notes 3.k and 5)	305 498.29	462 872.71
Other financial intermediaries in euros	232 129.75	423 215.50
Other financial intermediaries in foreign currency (Note 3.k)	63 063.16	153 371.37
Other own-account operations pending settlement	55 877.50	34 432.75
Debtors of Group companies (Note 17)	6 297.01	120 704.44
Temporary acquisitions of assets	-	4 141 889.89
	78 409 224.64	12 716 104.13

The detail of the heading "Fixed income transactions for own account pending settlement" as of December 31, 2017, classified by amount and settlement market, is as follows:

	Euros
CECA	35 410 810.53
CECA	11 653 490.46
CECA	10 463 287.67
CECA	6 520 616.78
IBERCLEAR	800 960.00
EUROCLEAR	158 861.51
	65 008 260.95

The operations pending to be settled at December 31, 2017 mentioned above were liquidated during the month of January 2018.

The heading "Banks, current accounts in euros" includes, as of December 31, 2017 and 2016, balances at Banco Popular, Credit Suisse and Kas Bank (Note 5) for a total amount of 9,877,212.58 euros and a total amount of 5,185 .651.67 euros, respectively, all of which are freely available.

During the year 2017, these current accounts were remunerated at an average interest rate between -0.70% and 0.10% (during 2016 between -0.70% and 0.25%)

The detail of "Deposits and deposits constituted" as of December 31, 2017 and 2016 is as follows:

	Euros	
	2017	2016
BME guarantees	1 796 934.80	1 121 037.45
MEFF guarantees for futures markets	601 890.54	661 966.79
Other bonds	462 607.25	410 961.56
	2 861 432.59	2 193 965.80

The heading "Banks, current accounts in foreign currency" includes as of December 31, 2017 and 2016, balances at freely available banks for an amount of 305,498.29 euros and an amount of 462,872.71 euros respectively (Notes 3.ky 5).

During fiscal year 2017, these current accounts were remunerated at an average interest rate between -0.70% and 0.10% (year 2016: between -0.70% and 0.25%).

The detail of "Other financial intermediaries" as of December 31, 2017 and 2016, is as follows:

	Euros	
	2017	2016
Customers by operations	460 062.34	692 227.98
Doubtable pay costumers	162 966.62	259 965.99
Impairment of the value of credits for commercial operations	(215 727.31)	(375 607.10)
	407 301.65	576 586.87

The movement of "Impairment of the value of credits for commercial operations" as of December 31, 2017 and 2016 is as follows:

					Euros
	31.12.16	Increases	Decreases	(+/-) Others	31.12.17
Impairment of the value of credits for commercial operations	(375 607.10)	(81 676.38)	208 464.76	33 091.41	(215 727.31)
	(375 607.10)	(81 676.38)	208 464.76	33 091.41	(215 727.31)

					Euros
	31.12.15	Increases	Decreases	(+/-) Others	31.12.16
Impairment of the value of credits for commercial operations	(206 164.00)	(209 487.15)	89 552.16	(49 508.11)	(375 607.10)
	(206 164.00)	(209 487.15)	89 552.16	(49 508.11)	(375 607.10)

The detail of the "Temporary acquisitions of assets" as of December 31, 2017 and 2016 is as follows:

		Euros
	2017	**2016**
Government Bonds	-	4 141 889.89
	-	4 141 889.89

The detail of "Bonds, Obligations, Government and Treasury Bonds" maturing within six months at 31 December 2016 is as follows:

					Euros
	Face value	**Acquisition value**	**Accrued interest**	**Interest rate**	**Maturity**
Government Bonds	3 869 000.00	4 141 979.68	(89.79)	(0.03%)	02.01.2017
	3 869 000.00	4 141 979.68	(89.79)		

Interests accrued on reverse repurchase agreements during years 2017 and 2016 has raised to an amount of -215,898.52 euros and an amount of -301,304.64 euros, respectively. Those interests are registered under the heading "Interest and similar incomes" of the Profit and loss account (Note 18).

The amount of accrued interest pending payment as of December 31, 2016 amounted to a negative amount of 89.79 euros, no amount having been recorded for this item as of December 31, 2017. Temporary acquisitions of assets they have generated an annual interest that has fluctuated during the year 2017 between a -0.45% and -0.37% (in 2016 between -0.40% and 0.05%).

The movement of "Fixed-term deposits" during the year 2016 was as follows:

				Euros
	31.12.15	**Increases**	**Decreases**	**31.12.16**
Fixed term taxes – Bankinter	-	6 000 534.25	(6 000 534.25)	-
	-	6 000 534.25	(6 000 534.25)	-

The interest accrued in the year derived from fixed-term deposits at 31 December 2016 amounting to 631.15 euros, respectively. Said interests are recorded under the heading "Interest margin – Interest on fixed-term deposits" in the income statement (Note 18). In 2017, no interest has accrued for this concept.

8. Loans and advances to customers, Tax and Other assets

The breakdown of the heading "Loans and advances to customers" as at December 31, 2017 and 2016, classified by concepts, is as follows:

		Euros
	2017	2016
Receivables from Group companies - Other (Note 17)	6 658 822.32	6 656 683.69
Sundry debtors	32 832.68	4 715.79
Advances	195.33	365.14
Unsettled margins	-	136.26
	6 691 850.33	6 661 900.88

On 28 April 2015, the Company's Extraordinary General Shareholders' Meeting resolved unanimously to grant its parent company (CIMD, S.A.) a loan of Euros 3,750,000 to enable it to acquire the company Millennium BCP Gestâo de Activos, S.G.F.I., S.A. The principal terms of the loan agreement are as follows:

- Term/repayment period: six (6) years.

- Stipulated interest rate in line with market rates: the Euribor one-year reference rate published by the Bank of Spain plus 1.50% per annum. For the first year of the term of this loan, the reference rate considered is to be 0.18%, to which the aforementioned 1,50% is to be added (i.e. 1.68% per annum). At the end of 2016, the reference rate for this operation was 1.39%, which increased by 50% (1.21% per annum)

  The interest rate is reviewable annually, based as a reference on the Euribor one-year reference rate published by the Bank of Spain every 18 May.

- Interest settlement period: loan repayments and interest settlements are to take place annually, with the borrower being able to repay the loan early without being charged any fee.

- Late-payment interest rate applicable: six per cent (6%).

Similarly on 20 July 2015, the Company's Extraordinary General Shareholders' Meeting resolved unanimously to grant its parent company (CIMD, S.A.) a loan of Euros 2,900,000 to enable it to make the second payment corresponding to the price for the acquisition of the company Millennium BCP Gestâo de Activos, S.G.F.I., S.A. The principal terms of the loan agreement are as follows:

- Term/repayment period: the term is six (6) years.

- Stipulated interest rate in line with market rates: the Euribor one-year reference rate published by the Bank of Spain plus 1.50% per annum. For the first year of the term of this loan, the reference rate considered is to be 0.18%, to which the aforementioned 1.50% is to be added (1.68% per annum). At the end of 2016, the reference rate for this operation was 1.39%, which increased by 50% (1.21% per annum)

  The interest rate is reviewable annually, based as a reference on the Euribor one-year reference rate published by the Bank of Spain every 18 May.

- Interest settlement period: loan repayments and interest settlements are to take place annually, with the borrower being able to repay the loan early without being charged any fee.

- Late-payment interest rate applicable: six per cent (6%).

At 31 December 2017 and 2016, the principal outstanding amount of the loan granted to the parent company amounted to 6,658,822.32 euros and 6,656,683.69 euros, respectively (Note 17).

During the years 2017 and 2016, this loans earned interests of 100,844.94 euros and 105,453.65 euros, respectively, for the Company. These interests are recognised under "Interest on Loans – Group Companies" (Notes 17 and 18), which are not collected as of 31 December 2017 and 2016 amounting to 8.822,32 and 6.683,69 euros respectively (Note 17).

At December 31, 2017 and 2016, the balance recorded in the heading "Tax current assets" corresponds to the amount pending collection as income tax from the Portuguese branch.

The breakdown of the heading "Other assets" as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	**2016**
Prepaid expenses	293 313.22	218 570.37
Sundry debtors	33 938.92	4 671.07
Public Administration debtor	18 127.91	11 783.42
Credit to the staff	33.23	44.50
	345 413.28	280 831.42

9. Tangible assets

The breakdown of the heading "Tangible assets" as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	2016
Own Use:		
Technical Installations	444 763.55	441 712.87
Furniture and fittings	68 137.60	74 545.26
Telephone equipments	54 694.24	65 314.58
Data processing equipments	45 967.07	107 197.17
	613 562.46	688 769.88

					Euros
	31.12.16	Increase	Decrease	Reclassifications	31.12.17
Acquisition cost					
Technical installations	560 016.87	58 326.66	-	-	618 343.53
Furniture and fittings	311 594.27	4 984.78	-	-	316 579.05
Data processing equipments	970 742.59	13 670.23	(1 021.91)	-	983 390.91
Telephone equipments	491 436.98	-	-	-	491 436.98
	2 333 790.71	76 981.67	(1 021.91)	-	2 409 750.47
Accumulated depreciation					
Technical installations	(118 304.00)	(55 275.98)	-	-	(173 579.98)
Furniture and fittings	(237 049.01)	(11 392.44)	-	-	(248 441.45)
Data processing equipments	(863 545.42)	(75 794.93)	1 916.51	-	(937 423.84)
Telephone equipments	(426 122.40)	(10 620.34)	-	-	(436 742.74)
	(1 645 020.83)	(153 083.69)	1 916.51	-	(1 796 188.01)
Net tangible assets	688 769.88	(76 102.02)	894.60	-	613 562.46

The movement of "Tangible assets" during the years 2017 and 2016 is as follows:

					Euros
	31.12.15	Increase	Decrease	Reclassifications	31.12.16
Acquisition cost					
Technical installations	435 972.34	124 044.53	-	-	560 016.87
Data processing equipments	968 105.13	11 207.87	(8 570.41)	-	970 742.59
Furniture and fittings	302 718.78	10 516.13	(1 640.64)	-	311 594.27
Telephone equipments	492 408.24	-	(971.26)	-	491 436.98
	2 199 204.49	145 768.53	(11 182.31)	-	2 333 790.71
Accumulated depreciation					
Technical installations	(70 239.07)	(48 064.93)	-	-	(118 304.00)
Data processing equipments	(783 191.74)	(88 924.09)	8 570.41	-	(863 545.42)
Furniture and fittings	(205 065.91)	(33 623.74)	1 640.64	-	(237 049.01)
Telephone equipments	(415 803.18)	(11 011.06)	785.47	(93.63)	(426 122.40)
	(1 474 299.90)	(181 623.82)	10 996.52	(93.63)	(1 645 020.83)
Net tangible assets	724 904.59	(35 855.29)	(185.79)	(93.63)	688 769.88

As at 31 December 2017 and 2016 there are fully-depreciated tangible assets with an original cost by amounting to 1,341,713.80 euros and amounting to 1,286,818.65 euros, respectively.

The Company has taken out an insurance policy to cover risks relating to property, plant and equipment. The coverage provided by these policies is considered to be sufficient.

The Group Holding Company has lease contracts for the offices in which it operates, together with the other Group companies. It charges the Group entities for the expense relating to the lease of such offices (Notes 17 and 23).

10. Intangible assets

The breakdown of the heading "Intangible assets" as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	2016
System applications	224 378.50	289 649.13
Intangible assets in progress	-	39 325.00
	224 378.50	328 974.13

The movements under this heading during the years 2017 and 2016 are as follows:

					Euros
	31.12.16	Increase	Decrease	Reclassifications	31.12.17
Acquisition cost					
System applications	1 161 913.28	85 287.13	-	-	1 247 200.41
Intangible assets in progress	39 325.00	-	(39 325.00)	-	-
	1 201 238.28	85 287.13	(39 325.00)	-	1 247 200.41
Accumulated depreciation					
System applications	(872 264.15)	(150 557.76)	-	-	(1 022 821.91)
Net intangible assets	328 974.13	(65 270.63)	39 325.00	-	224 378.50

					Euros
	31.12.15	Increase	Decrease	Reclassifications	31.12.16
Acquisition cost					
System applications	985 102.66	18 167.86	-	158 642.76	1 161 913.28
Intangible assets in progress	67 033.14	130 934.62	-	(158 642.76)	39 325.00
	1 052 135.80	149 102.48	-	-	1 201 238.28
Accumulated depreciation					
System applications	(771 021.73)	(101 242.42)	-	-	(872 264.15)
Net intangible assets	281 114.07	47 860.06	-	-	328 974.13

As at 31 December 2017 and 2016 there are fully-depreciated intangible assets with an original cost amounting to 650,108.30 and 646,624.87 euros.

11. Debts with financial entities and Customers debts

The breakdown of the heading "Debts with financial entities" as at December 31, 2017 and 2016 is as follows:

	Euros	
	2017	2016
Fixed income transactions pending settlement on own account (Note 16)	65 007 317.76	-
Group creditors (Note 17)	2 325 867.78	154 345.69
Guarantees received from Group companies (Note 17)	227 131.23	169 220.22
Deposits received	173 814.28	342 788.99
Loans with credit institutions	35 496.35	9 323.73
Various creditors	23 376.56	195 345.60
Other operations pending settlement	2 596.84	256.94
Equity operations pending settlement	1 337.61	10 127.23
Other financial intermediaries foreign currency (Note 3.k)	-	314.53
	67 797 334.41	881 722.93

The detail of "Fixed income transactions for own account pending settlement" as of December 31, 2017 classified by amount and settlement markets is as follows:

	Euros
IBERCLEAR	800 928.41
EUROCLEAR	158 861.51
CECA	35 411 223.33
CECA	6 520 616.78
CECA	10 463 287.67
CECA	11 652 796.06
	65 007 713.76

The operations pending to be settled at December 31, 2017 mentioned above were liquidated during the month of January 2018.

The detail of "Creditors Group companies and guarantees received from Group companies" as of December 31, 2017 and 2016 is as follows:

	Euros	
	2017	2016
Loan Intermoney Titulización, S.G.F.T., S.A. (Note 17)	2 004 070.50	-
Debts with CIMD, S.V., S.A. (Note 17)	321 797.28	154 345,69
Guarantees received – CIMD, S.V., S.A. (Note 17)	227 131.23	169 220,22
	2 552 999.01	323 565,91

On June 28, 2017, Intermoney Titulización, S.G.F.T., granted a credit line to the Company for a maximum amount of 3,000,000 euros. The conditions of this line are the following:

- The duration of the contract is 3 months tacitly renewable up to a maximum of 1 year.
- The stipulated interest rate: will be a 3 month Euribor + 0.50% with a minimum of 0.50%. The interest will be settled on a monthly basis.

The amount arranged as of December 31, 2017 is 2,000,000.00 euros. The interest accrued in the year 2017 for this line amounts to an amount of 4,070.50 euros, which are pending payment. These interests have been recorded in the "Interest and similar charges" caption in the income statement (Note 18).

At December 31, 2017 and 2016, the detail of "Deposits received" is composed by deposits held with customers for an amount of 173,814.28 euros and 342,788.99 euros, respectively.

As of December 31, 2017 and 2016, the detail of the "Loans with credit institutions" is composed by interest pending payment with Banco Popular Español, S.A. and loans held with Kas Bank for the settlement of operations carried out in international markets for an amount of 35,496.35 euros and 9,323.73 euros, respectively.

At 31 December 2017 and 2016 the aforementioned transactions not yet liquidated were liquidated in January 2018 and 2017, respectively.

The breakdown of the heading "Debts with customers" as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	**2016**
Balances for securities transactions on transit	5 047 306.32	1 419 937.43
Intercompany Debts (Note 17)	415 022.45	843 451.53
Guarantees received (Note 17)	102 866.00	82 191.18
Repurchase agreements with customers	-	4 031 919.53
	5 565 194.77	6 377 499.67

The breakdown of the heading "Repurchase agreements with clients" as at 31 December 2016 is as follows:

					Euros
	Face value	**Sale value**	**Accrued interest**	**Interest rate**	**Maturity**
Treasury Bonds	3 776 000.00	4 031 919.53	-	0.00%	02.01.2017
	3 776 000.00	4 031 919.53	-		

Accrued interest as of December 31, 2017 and 2016 by the repurchase agreements amount to 204,281.91 euros 290,504.64 euros, respectively. These interests have been recognised under the heading "Interests and similar incomes" of the Profit and loss account, respectively (Note 18).

The breakdown of the heading "Balances for securities transactions on transit" as at 31 December 2017 and 2016 is as follows:

	2017	2016
		Euros
Deposits of resident customers	4 773 670.53	1 127 525.36
Creditors	137 295.08	99 865.80
Creditors foreign currency (Note 3.k)	93 945.80	17 596.72
Non-resident customer deposit	42 394.91	174 949.55
	5 047 306.32	1 419 937.43

12. Provisions and other liabilities

As of December 31, 2017 and 2016, the entity has recorded in the "Provisions" caption an amount of 29,278.41 euros and 133,593.48 euros, respectively, corresponding to a fund to face different responsibilities.

The breakdown of the heading "Other liabilities" as at 31 December 2017 and 2016 is as follows:

	2017	2016
		Euros
Accrued wages and salaries	2 227 588.93	2 371 080.37
Creditors, invoices pending to be received	538 510.17	685 249.24
Sundry creditors	242 440.27	29 656.14
Tax Authorities deductions on IRPF	172 705.66	224 295.76
Social Security, creditors	132 211.25	151 417.77
Tax Authorities, VAT pass	56 943.49	-
Other tax	2 449.34	2 702.12
	3 372 849.11	3 464 401.40

The "Unrecognized remuneration" caption at December 31, 2017 and 2016 includes unpaid employee bonuses, calculated as a percentage of the consolidated income for the year, and provisions for additional payments.

The heading "Creditors, invoices pending receipt" mainly includes the pending invoices corresponding to the Company's own activity as of December 31, 2017 and 2016.

13. Equity

The amounts and movements in equity during the years ended 31 December 2017 and 2016 are as follows:

	31.12.16	Transfer between equity amounts	Other movements	Profit of the year	31.12.17
					Euros
Share capital	15 000 000.00	-	-	-	15 000 000.00
	15 000 000.00	-	-	-	15 000 000.00
Legal Reserve	3 000 000.00	-	-	-	3 000 000.00
Voluntary Reserve	2 704 708.77	37 777.03	-	-	2 742 485.80
	5 704 708.77	37 777.03	-	-	5 742 485.80
Profit of the year	437 777.03	(437 777.03)	-	939 908.49	939 908.49
Interim dividend (Note 14)	(400 000.00)	400 000.00	(875 000.00)	-	(875 000.00)
	20 742 485.80	-	(875 000.00)	939 908.49	20 807 394.29

	31.12.15	Transfer between equity amounts	Other movements	Profit of the year	31.12.16
					Euros
Share capital	15 000 000.00	-	-	-	15 000 000.00
	15 000 000.00	-	-	-	15 000 000.00
Legal Reserve	3 000 000.00	-	-	-	3 000 000.00
Voluntary Reserve	2 657 194.32	47 514.45	-	-	2 704 708,77
	5 657 194.32	47 514.45	-	-	5 704 708.77
Profit of the year	1 147 514.45	(1 147 514.45)	-	437 777.03	437 777.03
Interim dividend (Note 14)	(1 100 000.00)	1 100 000.00	(400 000.00)	-	(400 000.00)
	20 704 708.77	-	(400 000.00)	437 777.03	20 742 485.80

As at 31 December 2017 and 2016, the share capital is represented by 1,000,000 shares of 15 euros each, fully subscribed and paid up as follows:

	Shares number	Percentage of shares
		2017
CIMD, S.A.	999 990	99.9990%
CIMD, S.V., S.A.	10	0.0010%
	1 000 000	100.0000%

The legal reserve will be registered in accordance to the article 274 of the Spanish Corporate Act, which establishes that, in any case, an equal number to the 10% of the benefit of the exercise will be destined to this one, until it reaches, at least, the 20% of the share capital. This reserve cannot be distributed and, if it is used to compensate losses, in case other sufficient reserves available for such aim do not exist, it must be answered with future benefits.

14. Proposed distribution of results

The distribution of results for year the ended 31 December 2017, which is subject to the approval of the General Shareholders' Meeting and the distribution of results for the year ended 31 December 2016, which was approved by the General Shareholders' Meeting, are as follows:

	Euros	
	2017	**2016**
Profit / Loss of the year	939 908.49	437 777.03
Distribution		
Interim dividends (Note 13)	875 000.00	400 000.00
Voluntary reserves	64 908.49	37 777.03
	939 908.49	437 777.03

On December 28, 2017, the Board of Directors of the Company approved the distribution of an interim dividend in favor of the shareholders of the same, corresponding to the results obtained in the period between January 1 and 28 of December 2017 for the amount of 875,000.00 euros, which were paid to the shareholders on the same day of their approval.

This amount did not exceed the profit obtained in these periods, less the estimated Spanish corporation tax payable on this profit, pursuant to Article 277 of the Spanish Limited Liability Companies Law.

The provisional accounting statements prepared in accordance with legal requirements and that reveal the existence of sufficient liquidity for the distribution of such dividends are set out below:

	Euros
	28.12.17
Profit or Loss after income tax	943 725.00
Interim dividends proposed previously	-
Distributable results	943 725.00
Proposed interim dividends	875 000.00
Liquidity Statements	
Public debts investments and Investments funds	13 689 926.00
	2 302 233.00
	15 992 159.00

On December 27, 2016, the Board of Directors of the Company approved the distribution of an interim dividend in favor of Shareholders of the same, corresponding to the results obtained in the period between January 1 and 30 November 2016 for the amount of 400,000.00 euros, which as of December 31, 2016 are paid to the shareholders of the Company (Notes 11 and 17).

This amount did not exceed the profit obtained in these periods, less the estimated Spanish corporation tax payable on this profit, pursuant to Article 277 of the Spanish Limited Liability Companies Law.

The provisional accounting statements prepared in accordance with legal requirements and that reveal the existence of sufficient liquidity for the distribution of such dividends are set out below:

	Euros
	30.11.16
Profit or Loss after income tax	927 497.00
Interim dividends proposed previously	-
Distributable results	927 497.00
Proposed interim dividends	400 000.00
Liquidity Statements	
Public debts investments and Investments funds	13 059 723.00
	13 059 723.00

15. Tax situation

The Parent Company presents a consolidated tax return with CIMD, S.A., CIMD, S.V., S.A., Intermoney, S.A., Intermoney Gestión, S.G.I.I.C., S.A., Wind to Market, S.A. and Intermoney Valora Consulting, S.A.

The reconciliation of the differences between the consolidated profit for the years 2017 and 2016 and the books and the taxable income is as follows:

	2017	2016
		Euros
Profits before taxes	1 288 698.14	673 176.26
Permanent differences	517 149.81	1 657 452.24
Donations	48 000.00	76 500.00
Penalties	577.50	-
Retirement insurance	17 396.33	10 829.90
Amortizations	(3 173.66)	(3 173.66)
Adjustments for loses from Portugal	454 349.64	1 573 296.00
Taxable income	1 805 847.95	2 330 628.50
Tax quote 25%	451 461.99	582 657.12
Deductions	(16 958.69)	(26 933.68)
Total corporate income tax expense	434 503.30	555 723.44

Due to the amendment introduced by Corporate Income Tax Law 27/2014, of 27 November, modified by the Royal Decree 3/2016, of 2 December the general corporate income tax rate was amended to 25% for the tax periods starting on or after 1 January 2016.

The balance receivable (payable) with the parent in respect of corporate income tax (Note 17) is as follows:

	2017	2016
		Euros
Total corporate income tax expense	(434 503.30)	(555 723.44)
Payments on accounts and withholdings during the year	380 169.37	158 344.19
Accounts receivable (payable) with CIMD, SA (Note 17)	(54 333.93)	(397 379.25)

The detail of corporate income tax expense, including the taxation corresponding to the Branch, held by the Company at 31 December 2017 and 2016 is as follows:

	2017	2016
		Euros
Intermoney Valores, S.V., S.A.	434 503.30	555 723.44
Intermoney Valores, S.V. – Sucursal em Portugal – Income tax expense	14 469.57	9 085.61
Intermoney Valores, S.V. – Sucursal em Portugal – deferred tax assets	(100 183.22)	(329 409.82)
	348 789.65	235 399.23

At 31 December 2017 and 2016, the Company has recognised a deferred tax asset in respect of the loss made by Intermoney Valores, S.V. – branch in Portugal amount to 615.765,21 euros and 524,631.68 euros respectively.

A breakdown of the headings included under "Taxes" at 31 December 2017 and 2016 is provided below:

		Euros
	2017	2016
Deferred tax assets deriving from:		
Deferred tax assets - Credits for negative tax bases	630 234.78	533 717.29
Current tax assets - Tax on Benefits	28 537.88	45 762.11
	658 772.66	579 479.40
Current tax liabilities	18 754.48	6 683.72

Tax assets and liabilities are offset against each other if, at the time, the Company has an enforceable right to offset the amounts recognised and its intention is to settle the net amount or realize the asset and cancel the liability simultaneously.

At 31 December 2017 and 2016 Corporate Income Tax payable to the Portuguese Tax Authorities totals 18,754.48 euros and 6,683.72 euros, respectively, which is included under "Tax liabilities-Current", on the Balance sheet.

The Company's returns for all applicable taxes are open to inspection for the last four years.

Due to the different interpretations of which tax legislation is applicable to certain transactions, there could be contingent tax liabilities. However, in the opinion of the Parent Company's tax advisors, the likelihood of these liabilities arising is remote and in any event, the tax debt that could arise from them would not have a significant effect on the accompanying annual accounts.

16. Risk and commitment accounts and Other off-balance sheet accounts

The breakdown of the heading "Bank and granted guarantees" as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	2016
Collateral - Euroclear	3 500 000.00	3 450 000.00
Guarantees over intermediaries to operate on markets	1 259 434.80	112 474.47
Guarantees to MEFF	1 250 000.00	1 250 000.00
Collateral – RBC	1 000 000.00	1 000 000.00
	7 009 434.80	5 812 474.47

The nominal value of the futures arranged by the Company at 31 December 2017 and 2016, for an amount of 1,745,575.63 euros and 1,081,410.00 euros, respectively, is recognised under "Financial Derivatives" under the Company's Contingency and Obligation Accounts.

The variations during the 2017 and 2016 years of financial derivatives are as follows:

	31.12.16	Increase	Decrease	Euros 31.12.17
Futuros Eurex	1 081 410.00	1 008 040.00	(343 874.37)	1 745 575.63
	1 081 410.00	1 008 040.00	(343 874.37)	1 745 575.63

	31.12.15	Increase	Decrease	Euros 31.12.16
Futuros Eurex	1 083 060.00	192 060.00	(193 710.00)	1 081 410.00
	1 083 060.00	192 060.00	(193 710.00)	1 081 410.00

The result deriving from operations with futures contracted during 2017 and 2016 is 142,448.56 euros and 35.758,99 euros, respectively. This expense is recorded under "Results from financial operations - Trading portfolio" in the income statement (Note 21).

The breakdown of the heading "Other risks accounts" as at 31 December 2017 and 2016 is as follows (Notes 7 and 11):

	2017	Euros 2016
Purchases of fixed income securities pending of settlement	65 010 713.76	-
Sales of fixed income securities pending of settlement	65 008 260.95	-
	130 018 974.71	-

The breakdown of the heading "Security deposits" as at December 31, 2017 and 2016 is as follows:

	2017	Euros 2016
Deposits mortgage debentures	3 753 843 000.00	5 714 364 500.00
Securities deposits	124 599 069.69	137 192 913.59
Thirds deposits over Settlement Systems	-	4 031 919.53
Fixed-income (own account)	-	110 060.15
	3 878 442 069.69	5 855 699 393.27

The breakdown of the heading "Managed portfolios" as at December 31, 2017 and 2016 is as follows:

		Euros
	2017	2016
National and foreign funds	48 261 141.97	34 192 400.78
Fixed income securities	3 206 386.96	4 439 701.38
Shares	2 444 558.55	6 464 776.53
Cash at financial intermediaries	1 281 195.65	169 766.05
Reverse repos	-	276 258.00
	55 193 283.13	45 542 902.74

The breakdown of the number of customers and total assets managed by the Company as at 31 December 2017 and 2016, classified by band in the portfolios managed, is as follows:

Tranche	2017		2016	
	Customers	Euros	Customers	Euros
Up to 60 thousand euros	20	340 812.83	18	289 322.11
61 thousand euros to 300 thousand euros	24	4 830 855.93	18	3 413 539.24
301 thousand euros to 600 thousand euros	15	6 440 843.72	13	5 275 673.14
601 thousand euros to 1,500 thousand euros	11	10 029 532.29	10	9 895 658.73
More than 1,501 thousand euros	7	33 551 238.36	4	26 668 709.52
	77	55 193 283.13	63	45 542 902.74

The breakdown of "Off-balance sheet items" which is registered under the Company's Memorandum Accounts is as follows:

		Euros
	2017	2016
Available not contingent on demand - credit institutions	20 000 000.00	20 000 000.00
Own financial and third party financial instruments held by other entities	17 992 798.62	16 643 485.67
Customer security sales orders pending settlement	11 513.64	44 992.31
Customer security purchase orders pending settlement	-	16 727.50
	38 004 312.26	36 705 205.48

17. Balances and transactions with Group companies

The breakdown of Intercompany balances as at 31 December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Loans and advances to financial intermediaries and customers (Note 7)	6 297.01	120 704.44
IM Gestão de Activos, S.G.F.I., S.A.	4 906.08	-
Intermoney Titulización, S.G.F.T., S.A.	712.64	712.64
CIMD (Dubai), Ltd.	678.29	-
CIMD, S.V., S.A.	-	114 251.82
Intermoney Gestión, S.G.I.I.C., S.A.	-	5 739.98
Loans and advance to customers (Note 8)	6 658 822.32	6 656 683.69
CIMD, S.A. - Loans granted to related parties	6 658 822.32	6 654 716.85
Intermoney, S.A.	-	1 966.82
Wind to Market, S.A.	-	0.02
Debts with financial intermediaries (Note 11)	2 552 999.01	323 565.91
Intermoney Titulización, S.G.F.T., S.A.	2 004 070.50	-
CIMD, S.V., S.A.	548 928.51	169 636.89
CIMD (Dubai), Ltd.	-	149 860.41
IM Gestão de Activos, S.G.F.I., S.A.	-	4 064.61
CIMD, S.V., S.A. – Dividend account payable (Note 14)	-	4.00
Debts with customers (Note 11)	517 888.45	925 642.71
CIMD, S.A.	517 788.47	525 646.71
Wind to Market, S.A.	99.98	-
CIMD, S.A. – Dividend account payable (Note 14)	-	399 996.00

The breakdown of debt with CIMD, S.A. at 31 December 2017 and 2016 is as follows:

	Euros	
	2017	2016
Other accounts payable	360 588.52	46 076.28
Guarantees received (Note 11)	102 866.00	82 191.18
Corporate Income tax expense at December 31, 2017 (Note 15)	54 333.93	-
Corporate Income tax expense at December 31, 2016 (Note 15)	-	397 379.25
	517 788.45	525 646.71

The breakdown of Income and expenses with Group companies as at 31 December 2017and 2016is as follows:

		Euros
	2017	2016
Fees and commissions income	292 657.98	204 005.43
IM Gestão de Activos, S.G.F.I., S.A.	191 760.93	91 406.24
CIMD, S.V., S.A.	100 897.05	102 999.19
Intermoney, S.A.	-	9 600.00
Commissions paid	790.10	1 777.96
CIMD, S.V., S.A.	790.10	1 777.96
Interest and similar income (Notes 8 and 18)	100 844.94	105 453.65
CIMD, S.A.	100 844.94	105 453.65
Interest and similar charged (Note 18)	5 028.87	4 520.82
Intermoney Titulización, S.G.F.T., S.A.	4 070.50	256.94
CIMD, S.A.	958.37	1 250.00
CIMD, S.V., S.A.	-	3 013.88

		Euros
	2017	2016
Result from financial operations - Trading portfolio (Note 21)	520.00	1 620.00
CIMD (Dubai), Ltd.	520.00	1 620.00

The breakdown of "General expenses" with CIMD, S.A. as at 31 December 2017 and 2016 is as follows:

		Euros
	2017	**2016**
General expenses	407 490.72	403 468.71
CIMD, S.A.	361 974.67	339 115.85
Rents over assets and installations	250 402.58	226 508.69
Independent professional services	59 273.00	60 800.00
Insurance	20 508.33	18 028.14
Supplies	18 680.70	19 707.47
Communications	9 131.34	10 739.89
Others services	3 978.72	3 331.66
Intermoney, S.A.	-	16 194.56
Independent professional services	-	16 194.56
IM Brasil Consultores, S.A.	-	45 563.69
Independent professional services	-	45 563.69
IM Gestâo de Activos, S.G.F.I., S.A.	45 516.05	2 594.61
Communications	29 864.78	-
Reparations and conservation	8 046.65	-
Supplies	5 434.03	-
Other services	1 778.05	-
Other tributes	392.54	-
Other services of independent professionals	-	2 594.61

18. Interest margin

The breakdown of the heading "Interest margin" as at 31 December 2017 and 2016 is as follow:

		Euros
	2017	**2016**
Interest and similar incomes	308 333.76	400 282.88
Reverse repurchase agreements (Note 7)	204 281.91	290 504.64
Loan interests – Group companies (Notes 8 and 17)	100 844.94	105 453.65
Other interest and incomes	3 206.91	3 693.44
Fixed term deposit interest (Note 7)	-	631.15
Interest expenses and similar charges	(294 914.86)	(392 712.62)
Repurchase agreements (Note7)	(215 898.52)	(301 304.64)
Other financial expenses	(73 987.47)	(86 887.16)
Other financial expenses – Intercompany accounts (Notes 8 and 17)	(5 028.87)	(4 520.82)
	13 418.90	7 570.26

As of December 31, 2017 and 2016, the proceeds and charges for the temporary acquisitions and disposals of assets have been reclassified based on their nature in the interest margin.

19. Fees and commissions incomes

The breakdown of the heading "Fees and commissions incomes" as at 31 December 2017 and 2016 is as follow:

		Euros
	2017	2016
Variable income Operations - Foreign markets	4 328 994.05	5 293 436.58
Others	3 076 177.26	1 973 174.20
Variable income Operations – Secondary markets	1 783 095.00	2 000 804.28
Fees for services	1 041 877.75	760 995.22
Derivatives operations - Foreign markets	54 058.20	19 691.35
	10 284 202.26	10 048 101.63

20. Fees and commissions expenses

The breakdown of the heading "Fees and commissions expenses" as at 31 December 2017 and 2016 is as follow:

		Euros
	2017	2016
Processing and execution of clients orders	2 002 736.78	1 362 306.56
Commissions transferred to representative and other entities	975 878.94	1 458 339.97
Trading losses	22 228.33	19 387.09
Commissions paid on custody and clearance markets	21 099.60	23 483.36
Other commissions	3 656.21	5 820.70
	3 025 599.86	2 869 337.68

The heading of "Trading losses" incurred by the Company in 2017 and 2016 break down as follows:

Market	2017		2016	
	Number of cases	Euros	Number of cases	Euros
Variable Income Operations	744	22 228.33	927	18 686.09
Derivatives	-	-	1	701.00
	744	22 228.33	928	19 387.09

21. Gains and losses on financial assets and liabilities (net) - Held for trading

The detail of the heading "Gains and losses on financial assets and liabilities (net) - Held for trading" as of 31 December 2017 and 2016 are as follows:

	Euros 2017	2016
Purchases – sales of operations on Fixed-terms (Note 6)	5 221 951.53	5 956 001.41
Equity instruments – Funds managed by the Group (Note 6)	240 600.66	122 128.97
Purchases- sales of fixed income – Marketable instruments (Note 6)	(14 070.10)	(3 517.63)
Purchases – sales of operations on trading derivatives	(63 816.78)	25 684.11
Purchases – sales of operations on hedging derivatives (Note 16)	(142 448.56)	(35 758.99)
	5 242 216.75	6 064 537.87

22. Personnel expenses

The breakdown of the heading "Personnel expenses" as at 31 December 2017 and 2016 are as follows:

	Euros 2017	2016
Salaries and wages	6 419 568.31	7 078 950.35
Social Security	959 763.97	988 162.74
Other personnel costs	187 604.20	198 891.47
Severance pay by dismissals	21 500.00	511 442.06
	7 588 436.48	8 777 446.62

23. Other administrative expenses

The breakdown of the heading "Other administrative expenses" as at 31 December 2017 and 2016 is as follows:

	Euros 2017	2016
Communication	1 175 500.00	1 148 604.18
Other services of independent professionals	664 474.97	765 795.08
Rental	454 613.19	406 087.10
Conservation and repair	316 035.72	279 077.32
Publicity	260 310.33	317 972.83
Representation and displacements	126 015.74	143 487.89
Other services	98 357.69	100 124.91
Tax and contributions	81 902.49	97 152.56
Donations and penalties	63 648.11	97 611.16
Supplies	46 431.87	44 438.30
Banking services	35 098.40	51 221.67
Insurance	18 680.70	19 707.47
Total	3 341 069.21	3 471 280.47

The heading "Other operating expenses" at 31 December 2017 and 2016 is made up primarily of expenses corresponding to contributions to the Investments Guarantee Fund and levies paid to the National Securities Market Commission, which an amount of 69,037.79 euros and 145,646.19 euros, respectively.

24. Information on the average payment period for trade payables. Third additional provisions "Duty of information" of Law 15/2010, of 5 July 2010.

According to the second final provisions of Law 31/2014, of 3 December 2014, which amends the third additional provisions of Law 15/2010, of 5 July 2014, amending Law 3/2004, of 29 December 2004, on combating late payment in commercial transactions, and in relation to the information to be stated in notes to annual accounts regarding deferrals of trade payables in commercial transactions calculated on the basis of the Decision of the Spanish Accounting and Auditing Institute ("ICAC") dated 29 January 2016, the average payment period for trade payables made by the Company in 2015 is as follows:

	2017	2016
	Days	**Days**
Average payment period for trade payables	17.16	15.29
Ratio paid operations	17.00	15.51
Ratio of pending payment transactions	20.29	11.39
	Euros	**Euros**
Total payments	3 058 462.05	3 098 702.33
Total pending payments	155 455.47	176 327.25

25. Other information

The members of the Company's Board of Directors have received no amounts for their status as such. Nonetheless, the members of the Company's governing body and senior management personnel have accrued salaries and remuneration during 2017 and 2016 amounting to 706 thousand euros and amounting to 670 thousand euros, respectively.

At 31 December 2017 and 2016 no advances or loans have been granted to such members of the Board of Directors.

The Board of Directors of the Company at 31 December 2017 consists of two men and a woman.

During fiscal years 2017 and 2016, the Company paid a total amount of 11 thousand euros both years, for civil liability insurance premiums. These premiums correspond to the civil liability insurance policy that covers the Administrators and Managers before several classes of potential claims.

The external auditors fees corresponding to the audit of the Company for the 2017 and 2016 annual periods amounted to 43 thousand euros and 46 thousand euros, respectively, having provided other services for a total amount of 38 thousand euros and 13 thousands of euros, respectively. The Company has not paid fees to other companies under the name PricewaterhouseCoopers for other services during the years 2017 and 2016.

The Company's overall operations are subject to laws related to environmental protection ("environment laws") and the health and safety of the workers ("safety at work laws"). The Group considers that the requirements of these laws are substantially met and that they have procedures designed to promote and guarantee compliance therewith.

The Company has adopted the appropriate measures in relation to the protection and improvement of the environment and to minimize, if applicable, any environmental impact, thus complying with current legislation in this respect. During the years 2017 and 2016, it was not deemed necessary to book any provisions for environmental risks or charges since there are no contingencies related to the protection or improvement of the environment.

There are no significant contingencies related to the protection or improvement of the environment.

At 31 December 2017, the Company's directors and persons related to them, as described in Article 231 of the Spanish Companies Act, declare that they are not involved in any situations of conflicts of interest which should have been reported in accordance with Article 229 of said Act.

26. Client attention department

Further to order ECO 734/2004, of 11 March 2004, the Head of the Customer Services department has received no complaints or claims from the company's customers from its formation to the end of 2017.

27. Subsequent events

No significant events have taken place between the end of the reporting period in 2017 to the date of authorisation for issue of these financial statements.

28. Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

ANNUAL REPORT OF INVESTMENT SERVICES COMPANIES FOR THE YEAR ENDED DECEMBER 31, 2017

In compliance with the provisions of Article 192 "Annual Report of Investment Services Companies", of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Act, this document presents the information required at December 31, 2017.

Description:	INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.
Nature:	Investment services Company
Location:	Madrid (Spain)

Lisbon (Portugal) – The company has a branch located in Lisbon, called Intermoney Valores, S.V., S.A. – Sucursal em Portugal

Turnover:	10,284 thousand euros
Number of full time employees[1]:	72
Gross profit before tax:	1,289 thousand euros
Tax on profit:	349 thousand euros
Subsidies or public aid received:	None
Return on assets:	0.96 %

[1] It does not include interns.

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

DIRECTOR´S REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

ECONOMIC AND COMMERCIAL ENVIRONMENT

During the year 2017, the credit business was developed in a difficult environment and with less value for the investor.

The maintenance of expansive policies seems to be prolonged pending some inflationary symptom or confirmation of growth not guided by the peripheral countries, whose weight in the GDP of the euro zone is less significant. Meanwhile, the US is steadily moving towards a gradual rise in its reference rates, not without risks that question the sustainability of the increase.

In this context, the search for value for the investor is becoming a more complicated task that generates distortions in the markets because the need for investment can create a distortion of the profitability-risk binomial that leads to new asset bubbles: low value in the Fixed income that leaves Variable Income as the only eligible asset for the pursuit of profitability (by dividend or by revaluation).

In this context, the German risk has remained at averaging of 116 bps with a minimum of 92 at the beginning of the year. The yield on the Spanish 10-year bond, which started the year at 1.37% at its minimum, reached 1.87% in March with an average of 1.55% (at the end of 2017). The Treasury curve in Spain continued negative for up to 3 years, which continues to force monetary investors to assume negative returns.

Equity has emerged as an alternative to the investor even though Spain is still the only market in its environment whose correlation Volume-Evolution of the Reference Index is negative: volumes fall slightly for the year while the index revalues a 7.40%.

In Fixed Income, the shortage of profitability provided by credit means that the movements are more the derivatives of curve bets than of investment to maturity, at least in the short term.

The new regulation of the financial sector opens many questions about the viability of a service of value in the medium term, segment in which we have positioned the brand in recent years.

The implementation of Mifid II with respect to Variable Income requires the separation of analysis / sales, and the inability to distribute analysis that does not have to be paid apart from execution. The regulation leaves "in no man's land" everything that is neither analysis nor execution, such as corporate access, seminars, breakfasts and the intermediate investor-issuer position that we think we contribute to the manager.

In Credit / Fixed Income, Mifid II will also change the rules of the game, although everything predicts that the figure of systematic internaliser will not be so demanding as to make many entities that work in bilateral trading schemes opt for an OTF.

ACTIVITY OF INTEMONEY VALORES, S.V., S.A

Intermoney Valores, S.V., S.A. has been able to remain a benchmark in the Fixed Income Market, although the profitability of this business has fallen by both volumes and margins, and it is impossible to compensate for this lower generation through higher turnover or operational recurrence.

In Variable Income, the lower operating of the summer months has meant that the weight of the primary generation means the difference between a bad year due to recurring operations and the good year that we have had.

We are still a benchmark for a value-added business model based on the analysis of small and medium capitalization companies, as well as on the ability to organize company-investor events where high-level corporate visibility and knowledge is generated. Our presence in these meetings in Madrid, Barcelona, Bilbao, etc. Sectoral seminars organized with the most relevant companies in each sector have an impact on the ability of clients to recognize value.

Even so, the ability to access efficiently at a reduced price for those customers requiring a first-level execution with a latency in a "made to measure" connectivity of each client remains intact.

Intermoney Valores, S.V., S.A. - Branch in Portugal

The Portuguese Branch has continued to facilitate access to the Portuguese financial market, both to domestic and foreign clients, with the Group's common values of independence, professionalism and innovation.

Despite the recovery of the Portuguese financial market in 2017, the Branch has registered a reduction in the volumes traded in the equity and public and private debt segments, -4.3% and -32%, respectively, according to the entity's data. Portuguese supervision (CMVM).

In seeking to balance this trend, the Branch is committed to boosting new business areas with high growth potential, such as the Capital Advisory, Private, and Wealth Management segments (Family offices), as well as the offer of electronic execution solutions to clients.

In addition to the measures taken to reduce costs, the structure, procedures and systems of the Branch have been adapted throughout the year to respond adequately to the requirements arising from the adoption of the new regulations governing securities markets (MIFID II).

Thus, the Branch is prepared to face the challenges and opportunities that the year 2018 presents with the application of MIFID II, fully complying with the requirements and enhancing the activities developed by the Company.

The Profit after Tax for 2017 for Intermoney Valores, SV, SA was 939 thousand euros. During fiscal year 2017, an interim dividend of 875 thousand euros was distributed. It is planned to distribute to the Voluntary Reserves the difference of the result for the year 2017.

RISKS AND UNCERTAINTIES

In fixed income, our generation capacity may suffer more due to exogenous and regulatory factors, but its incidence may be decisive. Interest rates are also an important factor. The average margin and the operational recurrence make us foresee a year of transition for Fixed Income.

We maintain a good condition for the generation of variable income, but each time we have a greater dependence on our performance in the primary market (origination) than in the recurrence of the secondary. Volatility continues to show a downward trend in volumes.

FORECASTS FOR THE FINANCIAL YEAR 2018

For the year 2018, we anticipate greater difficulty in generating the credit area as anticipated in this report. We expect macroeconomic factors to help generate the necessary volatility to increase operational recurrence. We should not lose sight of the fact that we should be able to increase our presence in private banks with internally generated products, even if we maintain our dependence on our core: Investment Funds.

In equities, we are still optimistic but aware of our growing dependence on the ability to originate in Primary compared to a subsidiary that offers a less profitable transversal value.

OTHER INFORMATION

In terms of financial risk objectives and policies, Note 4 of these annual accounts contains a detailed description of the policy, procedures and other important definitions regarding the evaluation and control of the different risks incurred by the company in the year 2017.

No amount has been activated in the Balance Sheet of the Company in the research and development work.

We are not a company that has a significant environmental impact, but at Group level we have wanted to contribute voluntarily to the reduction of greenhouse gas emissions through the compensation of indirect emissions produced by the activity of companies and employees of the Group in the exercise of its functions, coming from the electrical consumption and of paper in the offices, use of transport to and from the company and business trips.

During the year 2017, the Company has not made payments that accumulate deferrals higher than those legally established other than those described in Note 24 of the annual accounts.

During the year 2017, no transactions were carried out with own shares.

Finally, there has not been any significant event after the end of 2017.

INTERMONEY VALORES, SOCIEDAD DE VALORES, S.A.

PRESENTATION OF THE ANNUAL ACCOUNTS AND DIRECTOR´S REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

The Company's Board of Directors of Intermoney Valores, Sociedad de Valores, S.A., presented the annual accounts and Director´s report for the year ended December 31, 2017 in its meeting held on March 14, 2018, in which all Board Members signed.

Mr. Javier de la Parte Rodríguez

Mr. Emanuel Guilherme Louro da Silva

Mrs. Beatriz Senís Gilmartín

grupo cimd
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