VidaCaixa

Consolidated Annual Accounts 2017

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Sole Shareholder of VidaCaixa, S.A.U. de Seguros y Reaseguros,

Report on the Consolidated Annual Accounts

Opinion

We have audited the consolidated annual accounts of VidaCaixa, S.A.U. de Seguros y Reaseguros ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated profit and loss accounts, consolidated statement of changes in total equity, consolidated cash flow statement and notes to the consolidated annual accounts for the year then ended.

In our opinion, the accompanying consolidated annual accounts fairly present, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of annual accounts and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

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Key Audit Matters

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

Completeness and valuation of the financial asset portfolio	
Description	**Procedures applied in the audit**
At 31 December 2017, the financial asset portfolio represented a significant portion of the Group's consolidated assets at that date (EUR 60,924,225 thousand). The valuation methods consider the use of quoted market prices or certain assumptions by the Parent's directors. In view of the significant amount that this investment portfolio represents in the context of the consolidated annual accounts taken as a whole, the completeness and valuation of the financial asset portfolio were identified as a key matter in our audit.	Our audit procedures to address this matter included, among others, a combination of procedures to verify that the relevant controls implemented by the Group to mitigate the risks identified in relation to the completeness and valuation of financial assets operate effectively, together with substantive procedures such as the obtainment of confirmations from the depositaries of the securities, the checking of valuations of the securities against external sources, and other substantive procedures, on a selective basis, aimed at assessing the completeness of the financial assets and the reasonableness and appropriateness of their valuation in light of the applicable standards. We also assessed the adequacy of the disclosures provided in the consolidated annual accounts (see Note 6) required by the applicable regulatory financial reporting framework.

Independent Audit Report

Measurement of technical reserves

Description

The Group's core business activity is the issue and commercialization of insurance policies. This activity entails the recognition of reserves for the estimated amount of future obligations to policyholders. These technical reserves represented a significant amount of the Group's consolidated liabilities at 31 December 2017 (EUR 59,762,261 thousand) and are measured on the basis of the implementation guidance accompanying IFRS 4, Insurance Contracts. In order to determine the liability in this connection at year-end the Parent's directors are required to make reasonable judgements and estimates and to use, for this purpose, inter alia, the technical and actuarial characteristics of the products and past experience, and in view of the materiality of the amount with respect to the Group's consolidated annual accounts, thus the measurement of the technical reserves was identified as a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process of measuring technical reserves, as well as tests to verify that the aforementioned controls operate effectively. We also performed tests aimed at verifying the completeness of the information used as a basis for estimating the reserves and reviewed the applications supporting the calculation engines for measuring the reserves and the transfer of information to the accounting applications. For this purpose, we involved our internal IT systems and mass data-processing specialists. Furthermore, we were assisted by our actuarial specialists who, by performing analytical tests and recalculations, evaluated the reasonableness and consistency of the actuarial assumptions included in the measurement of the technical reserves made by the Group at 31 December 2017.

We also assessed the adequacy of the disclosures provided in the consolidated annual accounts (see Note 15) required by the applicable regulatory financial reporting framework.

Measurement of goodwill recognised by the Group

Description

As indicated in Note 10, the Group recognised in the consolidated balance sheet as at 31 December 2017 a goodwill amounting to EUR 583,577 thousand arising from certain business combinations, mainly the merger by absorption of VidaCaixa Group and the acquisition and subsequent merger of Banca Cívica Vida y Pensiones, CajaSol Vida y Pensiones and CajaCanarias Vida y Pensiones.

Annually, the Group tests this goodwill for impairment. The Parent's directors' assessment of the possible impairment is a key matter in our audit since the assessment is a complex process that requires a significant level of estimates, judgements and assumptions to be made, mainly in relation to future dividend streams, the discount rates used and the perpetuity growth rates.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the impairment of goodwill, as well as the performance of tests to verify that the aforementioned controls operate effectively. In addition, among other procedures, we involved our experts in entity valuation to assist us in evaluating the appropriateness of the methodologies and reasonableness of the assumptions used by the Parent's directors and, in particular, those affecting the calculation of future dividend streams, the discount rates used, as well as the reasonableness of the perpetuity growth rates. We also analysed the consistency of the assumptions with those used in previous years and with actual subsequent data and conducted an independent sensitivity analysis of changes in the key assumptions of the impairment tests performed.

Lastly, we evaluated whether the disclosures included in Note 10 to the accompanying consolidated annual accounts in connection with this matter are in conformity with those required by the applicable accounting regulations.

Independent Audit Report

Measurement of the ownership interest in SegurCaixa Adeslas, S.A. de Seguros y Reaseguros

Description	Procedures applied in the audit
The Group has an ownership interest of 49.92% in the share capital of *SegurCaixa Adeslas, S.A. de Seguros y Reaseguros*, which is not listed on regulated markets, as detailed in Note 8 to the consolidated annual accounts. Annually, The Parent tests this ownership interest for impairment. The measurement of this ownership interest requires the use of judgements and significant estimates by management, both in determining discounting future cash flows as the valuation method and in considering the key assumptions established for each particular method. The matters indicated above, and the significance of the ownership interest held, which amounted to EUR 1,027,133 thousand at 31 December 2017, led us to determine the situation described to be a key matter in our audit.	Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the impairment of the investment in *SegurCaixa Adeslas, S.A. de Seguros y Reaseguros*, as well as tests to verify that the aforementioned controls operate effectively. We also obtained and analysed the impairment test performed on the aforementioned ownership interest by management of the Parent, and verified the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investment held. For this purpose, we analysed whether the future cash flow estimates considered in the analysis conducted were consistent with the budgets approved by the Parent's directors and with external data and historical information on the investee. In this connection, we analysed the reasonableness of the main assumptions used (basically those relating to future cash flow forecasts, the terminal value and discount rates) and the consistency thereof with the actual data relating to the performance of the investment held. We involved our internal valuation experts in order to mainly evaluate the methodology employed by the Parent in the analysis conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows. Lastly, we evaluated whether the disclosures included in Note 8 to the accompanying consolidated annual accounts in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Consolidated Management Report

The other information comprises only the consolidated management report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility relating to the information contained in the consolidated management report is defined in the audit regulations in force, which establish two distinct levels thereof:

a) A specific level that applies to the consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated management report, or, given the case, that the consolidated management report contains the corresponding reference to the separate consolidated report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated management report, which consists of evaluating and reporting whether the aforementioned information is consistent with the consolidated annual accounts, based on the knowledge of the Group obtained in the audit of those consolidated annual accounts and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting whether the content and presentation of this section of the consolidated management report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the consolidated management report includes a reference to the fact that the information described in section a) above is presented in the consolidated management report of CaixaBank Group to which the Group belongs, and that the other information in the consolidated managment report is consistent with that contained in the consolidated annual accounts for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Control Committee for the Consolidated Annual Accounts

The Parent's directors are responsible for preparing the accompanying consolidated annual accounts so that they fairly present the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Independent Audit Report

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

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

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

A further description of our responsibilities for the audit of the consolidated annual accounts is included in Appendix I to this auditor's report. This description, which is on pages 9 and 10, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 22 March 2018.

Engagement Period

At the decision meeting held on 31 March 2017, the Parent's sole shareholder appointed us as auditors for a period of one year from the year ended 31 December 2016.

Previously, we were designated pursuant to a decision of the Parent's sole shareholder for a period of one year and have been auditing the consolidated annual accounts uninterruptedly since the year ended 31 December 1991, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Jordi Montalbo
Registered in ROAC under no. 17529

22 March 2018

Independent Audit Report

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence and, where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

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

Consolidated Annual Accounts

Consolidated Balance Sheets

ASSETS	Note in the Annual Report	(Figures in Thousands of Euros)	
		31.12.2017	31.12.2016 (*)
1. Cash and other equivalent liquid assets	**Note 6**	**2,780,222**	**869,125**
2. Financial assets held for trading	**Note 6**	**550**	**443**
3. Other financial assets at fair value with changes registered in the profit and loss account	**Note 6**	**7,900,483**	**3,351,182**
a) Equity instruments		1,868,007	1,085,913
b) Debt securities		953,625	-
c) Hybrid instruments		-	-
d) Investment on behalf of life insurance policyholders who assume the risk of the investment		5,078,851	2,265,269
e) Other		-	-
4. Financial assets available for sale	**Note 6**	**48,872,990**	**47,025,473**
a) Equity instruments		1,234	981
b) Debt securities		48,871,753	47,024,492
c) Loans		-	-
d) Deposits in credit entities		-	-
e) Other		3	-
5. Loans and payments receivable	**Note 6**	**1,355,580**	**788,333**
a) Debt securities		751,342	-
b) Loans and deposits		358,151	511,776
c) Payments receivable		246,087	276,557

Consolidated Annual Accounts

ASSETS	Note in the Annual Report	(Figures in Thousands of Euros)			
		31.12.2017		31.12.2016 (*)	
6. Investments held to maturity	**Note 6**		**14,400**		**-**
7. Hedging derivatives			**-**		**-**
8. Share of reinsurance in technical reserves	**Note 15**		**273,433**		**336,723**
9. Tangible fixed assets and property investments	**Note 9**		**22,769**		**23,116**
a) Tangible fixed assets		22,147		22,492	
b) Property investments		622		624	
10. Intangible fixed assets	**Note 10**		**747,642**		**761,568**
a) Goodwill		583,577		583,577	
b) Policy portfolio acquisition expenses		-		-	
c) Other intangible assets		164,065		177,991	
11. Shareholdings in companies valued by the equity method	**Note 8**		**1,027,133**		**1,068,618**
12. Tax assets	**Note 12**		**262,006**		**280,417**
a) Assets through current tax		196		-	
b) Deferred tax assets		261,810		280,417	
13. Other assets			**795,956**		**861,486**
14. Assets held for sale			**-**		**-**
TOTAL ASSETS			**64,053,164**		**55,366,484**

(*) Presented solely and exclusively for purposes of comparison (see Note 2,e).
Notes 1 to 22 described in the accompanying Report and in Annexes I to III form an integral part of the Consolidated Balance Sheet at 31 December 2017.

Consolidated Annual Accounts

Consolidated Balance Sheets

NET ASSETS AND LIABILITIES	Note in the Annual Report	(Figures in Thousands of Euros)			
		31.12.2017		31.12.2016 (*)	
TOTAL LIABILITIES			**60,859,252**		**52,344,263**
1. Financial liabilities held for trading			**-**		**-**
2. Other financial liabilities at fair value with changes in the profit and loss account			**-**		**-**
3. Debits and payable items	**Note 13**		**840,033**		**710,735**
a) Subordinated liabilities		60,000		-	
b) Other debts		780,033		710,735	
4. Hedging derivatives			**530**		**-**
5. Technical reserves	**Note 15**		**59,762,261**		**51,287,410**
a) For unearned premiums		4,137		4,280	
b) For unexpired risks		-		-	
c) For life insurance		59,148,076		50,710,908	
- Reserve for unearned premiums and unexpired risks		50,697		254,561	
- Policy reserves		52,964,602		47,848,540	
- Reserves for life insurance when the policyholder assumes the investment risk		6,132,777		2,607,807	
d) Claims reserves		573,029		526,512	
e) Share in profits and returns		36,914		45,710	
f) Other technical reserves		105		-	
6. Non-technical reserves	**Note 16**				**-**

Consolidated Annual Accounts

NET ASSETS AND LIABILITIES	Note in the Annual Report	(Figures in Thousands of Euros)	
		31.12.2017	31.12.2016 (*)
7. Tax liabilities	**Note 12**	**255,139**	**318,335**
a) Liabilities through current tax		-	-
b) Deferred tax liabilities		255,139	318,335
8. Other liabilities		**1,289**	**27,783**
9. Liabilities associated with assets held for sale		**-**	**-**
TOTAL NET ASSETS		**3,193,912**	**3,022,221**
Own funds		**3,197,126**	**3,025,654**
1. Capital	**Note 17**	1,347,462	1,347,462
a) Authorised capital		1,347,462	1,347,462
b) *Less:* Uncalled capital		-	-
2. Issue premium		-	-
3. Reserves	**Note 17**	1,635,692	1,555,872
4. *Less:* Shares and holdings in own assets		-	-
5. Earnings of previous financial years		-	-
6. Other shareholder contributions		-	-
7. Financial year result attributed to the Parent Company		633,972	492,320
a) Consolidated Profit and Loss		633,972	492,320
b) Profit and Loss attributable to external partners		-	-

Consolidated Annual Accounts

NET ASSETS AND LIABILITIES	Note in the Annual Report	(Figures in Thousands of Euros)	
		31.12.2017	31.12.2016 (*)
8. *Less:* Interim dividend	**Note 17**	(420,000)	(370,000)
9. Other net equity instruments		-	-
Adjustments for changes in value	**Note 6**	**(3,214)**	**(3,433)**
1. Financial assets available for sale		(3,214)	(3,433)
2. Hedging operations		-	-
3. Exchange differences		-	-
4. Corrections of accounting mismatches		-	-
5. Companies valued by the equity method		-	-
6. Other adjustments		-	-
Subsidies, donations and legacies received			**-**
NET ASSETS ATTRIBUTABLE TO THE PARENT COMPANY		**3,193,912**	**3,022,221**
MINORITY INTERESTS	**Note 18**	**-**	**-**
1. Adjustments for changes in value		-	-
2. Other		-	-
TOTAL NET ASSETS AND LIABILITIES		**64,053,164**	**55,366,484**

(*) Presented solely and exclusively for purposes of comparison (see Note 2,e).
Notes 1 to 22 described in the accompanying Report and in Annexes I to III form an integral part of the Consolidated Balance Sheet at 31 December 2017.

Consolidated Annual Accounts

Consolidated Profit and Loss Accounts

	Note in the Annual Report	(Figures in Thousands of Euros)	
		31.12.2017	31.12.2016 (*)
1. Premiums applied to period, net of reinsurance		6,795	8,401
2. Tangible fixed asset and investment revenue		156,108	125,881
3. Other technical revenue		-	-
4. Losses incurred in the period, net of reinsurance		2,276	(7,751)
5. Change in other technical reserves, net of reinsurance		-	-
6. Profit-sharing and returns		(1,387)	(451)
7. Net operating expenses		(5,072)	478
8. Other technical expenses		(1,253)	(363)
9. Tangible fixed asset and investment expenses		(66)	(32)
A) RESULT FOR NON-LIFE INSURANCE	**Note 19**	**157,401**	**126,163**
10. Premiums applied to period, net of reinsurance		9,658,270	9,188,306
11. Tangible fixed asset and investment revenue		2,377,242	2,205,983
12. Revenue for investments subject to insurance in which the policyholder assumes the investment risk		1,038,699	678,100
13. Other technical revenue		-	30,361
14. Losses incurred in the period, net of reinsurance		(5,738,084)	(4,918,100)
15. Change in other technical reserves, net of reinsurance		(5,253,761)	(5,544,031)
16. Profit-sharing and returns		(30,209)	(39,028)

Consolidated Annual Accounts

	Note in the Annual Report	(Figures in Thousands of Euros)	
		31.12.2017	31.12.2016 (*)
17. Net operating expenses		(186,415)	(272,162)
18. Other technical expenses		(17,291)	(12,686)
19. Tangible fixed asset and investment expenses		(365,855)	(254,835)
20. Expenses of investments subject to insurance in which the policyholder assumes the investment risk		(922,840)	(606,290)
B) RESULT FOR LIFE INSURANCE	**Note 19**	**559,756**	**455,618**
21. Tangible fixed asset and investment revenue		39,467	24,572
22. Negative consolidation difference		-	-
23. Tangible fixed asset and investment expenses		(88)	(980)
24. Other income		241,479	213,905
25. Other expenses		(186,804)	(175,886)
C) RESULT FROM OTHER ACTIVITIES		**94,054**	**61,611**
E) PROFIT/LOSS BEFORE TAX		**811,211**	**643,392**
26. Corporate Income Tax	**Note 12**	(177,239)	(151,072)
F) RESULT OF FINANCIAL YEAR FROM CONTINUED OPERATIONS		**633,972**	**492,320**
27. Result of financial year from interrupted operations net of tax		-	-

Consolidated Annual Accounts

	Note in the Annual Report	(Figures in Thousands of Euros)	
		31.12.2017	31.12.2016 (*)
G) CONSOLIDATED PROFIT/LOSS FOR THE YEAR		**633,972**	**492,320**
a) Profit attributed to the parent company		633,972	492,320
b) Profit attributed to minority interests	**Note 18**	-	-
PER SHARE EARNINGS			
Basic and diluted earnings per share (in euros)		2	2

(*) Presented solely and exclusively for purposes of comparison (see Note 2,e).

Notes 1 to 22 and Annexes I to III form an integral part of the Consolidated Profit and Loss Account corresponding to the 2017 financial year.

Consolidated Annual Accounts

Consolidated Balance Sheet by Segments at 31 December 2017

ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
1. Cash and other equivalent liquid assets	**91,893**	**2,687,803**	**526**	**2,780,222**
2. Financial assets held for trading	**-**	**550**	**-**	**550**
3. Other financial assets at fair value with changes registered in the profit and loss account	**-**	**7,900,483**	**-**	**7,900,483**
4. Financial assets available for sale	**-**	**48,872,990**	**-**	**48,872,990**
5. Loans and payments receivable	**79,878**	**1,275,702**	**-**	**1,355,580**
a) Debt securities	-	751,342		751,342
b) Loans and deposits	-	258,151		358,151
c) Payments receivable	79,878	166,209	-	246,087
6. Investments held to maturity	**-**	**14,400**	**-**	**14,400**
7. Hedging derivatives	**-**	**-**	**-**	**-**
8. Share of reinsurance in technical reserves	**-**	**273,433**	**-**	**273,433**
9. Tangible fixed assets and property investments	**-**	**22,769**	**-**	**22,769**
a) Tangible fixed assets	-	22,147	-	22,147
b) Property investments	-	622	-	622
10. Intangible fixed assets	**-**	**747,642**	**-**	**747,642**
a) Goodwill	-	583,577	-	583,577
b) Policy portfolio acquisition expenses	-	-	-	-
c) Other intangible assets	-	164,065	-	164,065

Consolidated Annual Accounts

ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
11. Shareholdings in companies valued by the equity method	**1,027,133**	**-**	**-**	**1,027,133**
12. Tax assets	**-**	**262,006**	**-**	**262,006**
a) Assets through current tax	-	196	-	196
b) Deferred tax assets	-	261,810	-	261,810
13. Other assets	**-**	**795,932**	**24**	**795,956**
14. Assets held for sale	**-**	**-**	**-**	**-**
TOTAL ASSETS	**1,198,904**	**62,853,710**	**550**	**64,053,164**

LIABILITIES	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
TOTAL LIABILITIES	**14,370**	**60,844,712**	**170**	**60,859,252**
1. Financial liabilities held for trading	-	-	-	-
2. Other financial liabilities at fair value with changes in the profit and loss account	-	-	-	-
3. Debits and payable items	-	839,869	164	840,033
4. Hedging derivatives	-	530	-	530
5. Technical reserves	14,370	59,747,891	-	59,762,261
6. Non-technical reserves	-	-	-	-
7. Tax liabilities	-	255,139	-	255,139
8. Other liabilities	-	1,283	6	1,289
9. Liabilities associated with assets held for sale	**-**	**-**	**-**	**-**

Consolidated Annual Accounts

NET ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
TOTAL NET ASSETS	**1,184,534**	**2,008,998**	**380**	**3,193,912**
Own funds	**1,184,534**	**2,012,212**	**380**	**3,197,126**
1. Capital	-	1,347,462	-	1,347,462
a) Authorised capital	-	1,347,462	-	1,347,462
b) *Less:* Uncalled capital	-	-	-	-
2. Issue premium	-	-	-	-
3. Reserves	1,027,133	608,559	-	1,635,692
4. *Less:* Shares and holdings in own assets	-	-	-	-
5. Earnings of previous financial years	-	-	-	-
6. Other shareholder contributions	-	-	-	-
7. Financial year result attributed to the Parent Company	157,401	476,191	380	633,972
a) Consolidated Profit and Loss	157,401	476,191	380	633,972
b) Profit and Loss attributable to external partners	-	-	-	-
8. *Less:* Interim dividend	-	(420,000)	-	(420,000)
9. Other net equity instruments	-	-	-	-
Adjustments for changes in value	**-**	**(3,214)**	**-**	**(3,214)**
1. Financial assets available for sale	-	(3,214)	-	(3,214)
2. Hedging operations	-	-	-	-
3. Exchange differences	-	-	-	-

Consolidated Annual Accounts

NET ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
4. Corrections of accounting mismatches	-	-	-	-
5. Companies valued by the equity method	-	-	-	-
6. Other adjustments	-	-	-	-
Subsidies, donations and legacies received	**-**	**-**	**-**	**-**
NET ASSETS ATTRIBUTABLE TO THE PARENT COMPANY	**1,184,534**	**2,008,998**	**380**	**3,193,912**
MINORITY INTERESTS	**-**	**-**	**-**	**-**
TOTAL NET ASSETS AND LIABILITIES	**1,198,904**	**62,853,710**	**550**	**64,053,164**

Consolidated Annual Accounts

Consolidated Balance Sheet by Segments at 31 December 2016

ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
1. Cash and other equivalent liquid assets	**59,800**	**807,920**	**1,405**	**869,125**
2. Financial assets held for trading	**-**	**443**	**-**	**443**
3. Other financial assets at fair value with changes registered in the profit and loss account	**-**	**3,351,182**	**-**	**3,351,182**
4. Financial assets available for sale	**-**	**47,025,473**	**-**	**47,025,473**
5. Loans and payments receivable	**85,030**	**703,303**	**-**	**788,333**
a) Loans and deposits	-	511,776	-	511,776
b) Payments receivable	85,030	191,527	-	276,557
6. Investments held to maturity	**-**	**-**	**-**	**-**
7. Hedging derivatives	**-**	**-**	**-**	**-**
8. Share of reinsurance in technical reserves	**-**	**336,723**	**-**	**336,723**
9. Tangible fixed assets and property investments	**-**	**23,116**	**-**	**23,116**
a) Tangible fixed assets	-	22,492	-	22,492
b) Property investments	-	624	-	624
10. Intangible fixed assets	**-**	**761,568**	**-**	**761,568**
a) Goodwill	-	583,577	-	583,577
b) Policy portfolio acquisition expenses	-	-	-	-
c) Other intangible assets	-	177,991	-	177,991
11. Shareholdings in companies valued by the equity method	**1,068,618**	**-**	**-**	**1,068,618**

Consolidated Annual Accounts

ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
12. Tax assets	**-**	**280,417**	**-**	**280,417**
a) Assets through current tax	-	-	-	-
b) Deferred tax assets	-	280,417	-	280,417
13. Other assets	**-**	**861,463**	**23**	**861,486**
14. Assets held for sale	**-**	**-**	**-**	**-**
TOTAL ASSETS	**1,213,448**	**54,151,608**	**1,428**	**55,366,484**

LIABILITIES	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
TOTAL LIABILITIES	**18,667**	**52,325,159**	**437**	**52,344,263**
1. Financial liabilities held for trading	-	-	-	-
2. Other financial liabilities at fair value with changes in the profit and loss account	-	-	-	-
3. Debits and payable items	-	710,307	428	710,735
4. Hedging derivatives	-	-	-	-
5. Technical reserves	18,667	51,268,743	-	51,287,410
6. Non-technical reserves	-	-	-	-
7. Tax liabilities	-	318,335	-	318,335
8. Other liabilities	-	27,774	9	27,783
9. Liabilities associated with assets held for sale	-	-	-	-

Consolidated Annual Accounts

TOTAL NET ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
TOTAL NET ASSETS	**1,194,781**	**1,826,449**	**991**	**3,022,221**
Own funds	**1,194,781**	**1,829,882**	**991**	**3,025,654**
1. Capital	-	1,347,462	-	1,347,462
a) Authorised capital	-	1,347,462	-	1,347,462
b) *Less:* Uncalled capital	-	-	-	-
2. Issue premium	-	-	-	-
3. Reserves	1,068,618	487,254	-	1,555,872
4. Less: Shares and holdings in own assets	-	-	-	-
5. Earnings of previous financial years	-	-	-	-
6. Other shareholder contributions	-	-	-	-
7. Financial year result attributed to the Parent Company	126,163	365,166	991	492,320
a) Consolidated Profit and Loss	126,163	365,166	991	492,320
b) Profit and Loss attributable to external partners	-	-	-	-
8. *Less:* Interim dividend	-	(370,000)	-	(370,000)
9. Other net equity instruments	-	-	-	-
Adjustments for changes in value	**-**	**(3,433)**	**-**	**(3,433)**
1. Financial assets available for sale	-	*(3,433)*	-	(3,433)
2. Hedging operations	-	-	-	-
3. Exchange differences	-	-	-	-

Consolidated Annual Accounts

TOTAL NET ASSETS	(Figures in Thousands of Euros)			
	Non-Life Segment	Life Segment	Others Segment	TOTAL
4. Corrections of accounting mismatches	-	-	-	-
5. Companies valued by the equity method	-	-	-	-
6. Other adjustments	-	-	-	-
Subsidies, donations and legacies received	**-**	**-**	**-**	**-**
NET ASSETS ATTRIBUTABLE TO THE PARENT COMPANY	**1,194,781**	**1,826,449**	**991**	**3,022,221**
MINORITY INTERESTS	**-**	**-**	**-**	**-**
TOTAL NET ASSETS AND LIABILITIES	**1,213,448**	**54,151,608**	**1,428**	**55,366,484**

Consolidated Annual Accounts

Consolidated Statement of Changes in Total Equity

A) CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

	(Figures in Thousands of Euros)	
	2017 Financial Year	2016 Financial Year (*)
A) CONSOLIDATED PROFIT/LOSS FOR THE YEAR	**633,972**	**492,320**
B) OTHER RECOGNISED INCOME (EXPENSES)	**219**	**(3,591)**
Items that will be transferred to the profit and loss account in the next periods:	**219**	**(3,591)**
1. Financial assets available for sale:	313	(5,130)
a) Profit/(Loss) through valuation	313	(5,130)
b) Sums transferred to the profit and loss account		
c) Other reclassifications	-	-
2. Cash-flow hedges:	-	-
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Sums transferred to the initial value of hedged items	-	-
d) Other reclassifications	-	-
3. Hedge of net investments in foreign operations:	-	-
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-

Consolidated Annual Accounts

	(Figures in Thousands of Euros)	
	2017 Financial Year	2016 Financial Year (*)
4. Exchange rate differences:	-	-
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
5. Correction of accounting mismatches:	-	-
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
6. Assets held for sale:	-	-
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
7. Actuarial Profits/(Loss) through long-term remuneration to personnel	-	-
8. Companies valued by the equity method:	-	-
a) Profit/(Loss) through valuation	-	-
b) Sums transferred to the profit and loss account	-	-
c) Other reclassifications	-	-
9. Other recognised income and expenses	-	-

Consolidated Annual Accounts

	(Figures in Thousands of Euros)	
	2017 Financial Year	2016 Financial Year (*)
10. Corporate Income Tax	(94)	1,539
Items that will not be transferred to the profit and loss account in the next periods:	**-**	**-**
11. Actuarial Profit/(Loss) in pension plans	-	-
a) Profit/(Loss) through valuation	-	-
b) Amounts transferred to reserves	-	-
TOTAL RECOGNISED INCOME/(EXPENSES) (A + B)	**634,191**	**488,729**
a) Attributed to the Parent Company	634,191	488,729
b) Attributed to minority interests	-	-

(*) Presented solely and exclusively for purposes of comparison (see Note 2,e).
Notes 1 to 22 in the attached Report and Annexes I to III form an integral part of the Consolidated Statement of Recognised Income and Expenses corresponding to the 2017 financial year.

Consolidated Annual Accounts

Consolidated Statement of Changes in Total Equity

B) TOTAL CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	(Figures in Thousands of Euros)									
	Equity attributable to the Parent Company									
	Own Funds						Adjustments for changes in value	Subsidies, donations and legacies received	Minority interests	Total net equity
	Capital or mutual fund	Issue premium and reserves	Shares and holdings in own assets	Financial year result attributed to the Parent Company	(Interim dividends)	Other net equity instruments				
Final balance at 31 December 2015 (*)	**1,347,462**	**1,527,484**	**-**	**340,496**	**(240,000)**	**-**	**158**	**-**	**-**	**2,975,600**
Adjustments through change of accounting principle	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2016 (*)	**1,347,462**	**1,527,484**	**-**	**340,496**	**(240,000)**	**-**	**158**	**-**	**-**	**2,975,600**
I. Total Income/(Expenses) recognised in financial year 2016 (*)	**-**	**-**	**-**	**492,320**	**-**	**-**	**(3,591)**	**-**	**-**	**488,729**
II. Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(442,000)**	**-**	**-**	**-**	**-**	**(442,000)**
1. Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
3. Payment of dividends	-	-	-	-	(442,000)	-	-	-	-	(442,000)
4. Operations with shares or holdings in own assets (net)	-	-	-	-	-	-	-	-	-	-
5. Increases/(Reductions) through business combinations	-	-	-	-	-	-	-	-	-	-

Consolidated Annual Accounts

	(Figures in Thousands of Euros)									
	Equity attributable to the Parent Company									
	Own Funds						Adjustments for changes in value	Subsidies, donations and legacies received	Minority interests	Total net equity
	Capital or mutual fund	Issue premium and reserves	Shares and holdings in own assets	Financial year result attributed to the Parent Company	(Interim dividends)	Other net equity instruments				
6. Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
III. Other changes in net equity	**-**	**28,388**	**-**	**(340,496)**	**312,000**	**-**	**-**	**-**	**-**	**(108)**
1. Payments based on equity instruments	-	-	-	-	-	-	-	-	-	-
2. Transfers between net equity items	-	28,496	-	(340,496)	312,000	-	-	-	-	-
3. Other changes	-	(108)	-	-	-	-	-	-	-	(108)
Final balance at 31 December 2016 (*)	**1,347,462**	**1,555,872**	**-**	**492,320**	**(370,000)**	**-**	**(3,433)**	**-**	**-**	**3,022,221**
Adjustments through change of accounting principle	-	-	-	-	-	-	-	-	-	-
Adjustments for errors	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2017	**1,347,462**	**1,555,872**	**-**	**492,320**	**(370,000)**	**-**	**(3,433)**	**-**	**-**	**3,022,221**
I. Total Income/(Expenses) recognised in financial year 2017	**-**	**-**	**-**	**633,972**	**-**	**-**	**219**	**-**	**-**	**634,191**
II. Transactions with shareholders or owners	**-**	**-**	**-**	**-**	**(462,500)**	**-**	**-**	**-**	**-**	**(462,500)**
1. Capital increases/(reductions)	-	-	-	-	-	-	-	-	-	-
2. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
3. Dividend distribution	-	-	-	-	(462,500)	-	-	-	-	(462,500)

Consolidated Annual Accounts

	(Figures in Thousands of Euros)									
	Equity attributable to the Parent Company									
	Own Funds						Adjustments for changes in value	Subsidies, donations and legacies received	Minority interests	Total net equity
	Capital or mutual fund	Issue premium and reserves	Shares and holdings in own assets	Financial year result attributed to the Parent Company	(Interim dividends)	Other net equity instruments				
4. Operations with shares or holdings in own assets (net)	-	-	-	-	-	-	-	-	-	-
5. Increases/(Reductions) through business combinations	-	-	-	-	-	-	-	-	-	-
6. Other transactions with shareholders or owners	-	-	-	-	-	-	-	-	-	-
III. Other changes in net equity	**-**	**79,820**	**-**	**(492,320)**	**412,500**	**-**	**-**	**-**	**-**	**-**
1. Payments based on equity instruments	-	-	-	-	-	-	-	-	-	-
2. Transfers between net equity items	-	79,820	-	(492,320)	412,500	-	-	-	-	-
3. Other changes	-	-	-	-	-	-	-	-	-	-
Final balance at 31 December 2017	**1,347,462**	**1,635,692**	**-**	**633,972**	**(420,000)**	**-**	**(3,214)**	**-**	**-**	**3,193,912**

(*) Presented solely and exclusively for purposes of comparison (see Note 2,e).

Notes 1 to 22 in the accompanying Report and in Annexes I to III form an integral part of the Consolidated Statement of Changes in Net Assets at 31 December 2017.

Consolidated Annual Accounts

Consolidated Cash Flow Statements (Direct Method)

	(Figures in Thousands of Euros)	
	2017 Financial Year	2016 Financial Year
A) CASH FLOW OF OPERATING ACTIVITIES (1+2+3)	**3,418,057**	**3,264,607**
1. Insurance activity:	**3,529,675**	**4,132,150**
(+) Cash collections from insurance activity	10,509,947	9,421,851
(-) Cash payments from insurance activity	(6,980,272)	(5,289,701)
2. Other operating activities:	**97,758**	**(773,185)**
(+) Cash collections from other operating activities	247,412	212,453
(-) Cash payments from other operating activities	(149,654)	(985,638)
3. Receipts/(payments) for corporate income tax	**(209,376)**	**(94,358)**
B) CASH FLOW OF INVESTMENT ACTIVITIES (1 + 2)	**(1,353,772)**	**(3,026,607)**
1. Collections from investment activities:	**34,292,968**	**16,276,772**
(+) Tangible fixed assets	-	-
(+) Property investments	-	-
(+) Intangible fixed assets	-	-
(+) Financial instruments	31,384,042	13,232,598
(+) Holdings	89,972	140
(+) Subsidiaries and other business units	2,452,289	2,896,787
(+) Interest received	164,821	75,282

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	(Figures in Thousands of Euros)	
	2017 Financial Year	2016 Financial Year
(+) Dividends received	-	-
(+) Other payments related to investment activities	201,844	71,965
2. Payments from investment activities:	**(35,646,740)**	**(19,303,379)**
(-) Tangible fixed assets	(1,155)	(3,394)
(-) Property investments	-	(19)
(-) Intangible fixed assets	(14,792)	(28,143)
(-) Financial instruments	(35,495,496)	(19,271,823)
(-) Holdings	(135,297)	-
(-) Subsidiaries and other business units	-	-
(-) Other payments related to investment activities	-	-
C) CASH FLOWS OF FINANCING ACTIVITIES (1 + 2)	**(411,337)**	**(10,937,948)**
1. Collections from financing activities:	**1,395,989**	**13,129,184**
(+) Subordinated liabilities	-	-
(+) Collections through issue of asset and capital enlargement instruments	-	-
(+) Asset apportionment and contributions of shareholders or policyholders	-	-
(+) Transfer of own securities	-	-
(+) Other collections related to financing activities	1,395,989	13,129,184
2. Payments from financing activities:	**(1,807,326)**	**(24,067,132)**
(-) Dividends paid to the shareholders	(408,704)	(639,000)
(-) Interest paid	(806)	-

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	(Figures in Thousands of Euros)	
	2017 Financial Year	2016 Financial Year
(-) Subordinated liabilities	-	-
(-) Payments through repayment of contributions to shareholders	-	-
(-) Liability assessments and repayment of contributions to shareholders or policyholders	-	-
(-) Acquisition of own securities	-	-
(-) Other payments related to financing activities	(1,397,816)	(23,428,132)
D) EFFECT OF CHANGES IN EXCHANGE RATES	**-**	**-**
E) NET INCREASE/(DECREASE) OF C	**1,652,948**	**(10,699,948)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**869,125**	**11,569,073**
G) BPI VIDA CASH AND CASH EQUIVALENTS AT START OF FINANCIAL YEAR	**258,149**	**-**
H) CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (E + F + G)	**2,780,222**	**869,125**

ELEMENTS OF CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	2017 Financial Year	2016 Financial Year (*)
(+) Cash and banks	1,366,104	562,619
(+) Other financial assets	1,414,118	306,506
(-) *Less:* Bank overdrafts payable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**2,780,222**	**869,125**

(*) Presented solely and exclusively for purposes of comparison in all applicable captions (Refer to Note 2.e).
Notes 1 to 22 of the attached Report and Annexes I to III form an integral part of the Consolidated Cash Flow Statement corresponding to the 2017 financial year.

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In accordance with the current Standards on the content of the annual consolidated accounts, this Report completes, extends and discusses the balance, the profit and loss account, the statement of changes in equity and the consolidated cash flow statement (hereinafter, "the consolidated financial statements") and, with them, forms a unit, for the purpose of showing a true image of the assets and the financial situation of the consolidated VidaCaixa group at 31 December 2017 (hereinafter, the VidaCaixa Group), as well as the results of its operations, of the changes in net equity and consolidated cash flows, which occurred in the financial year that ended on that date.

1. General information on the parent company and its activities

A) Corporate purpose, legal framework and branches of operation

VidaCaixa, S.A.U. de Seguros y Reaseguros (hereinafter, VidaCaixa or the Parent Company) was incorporated by public deed on 5 March 1987 in Spain pursuant to the Capital Companies Act. Until 6 October 2017, the registered address of the Parent Company was located in Carrer de Juan Gris 2-8, Barcelona. As of said date, by agreement adopted in the decision-making meeting of VidaCaixa's Sole Shareholder, the registered address changed to Paseo de Recoletos 37, 3°, Madrid. The Parent Company is registered in the Mercantile Register of Madrid.

Its corporate purpose is to perform life insurance and reinsurance operations, as well as other operations subject to the administration of private insurance, especially insurance or capitalisation operations, the management of collective retirement funds, pensions and any others approved by the Law on Administration, Supervision and Solvency of Insurance and Reinsurance Companies, its Regulations and complementary provisions to which the Group is subject, once the requirements set forth therein have been fulfilled. It operates, with the authorisation of the Directorate General of Insurance and Pension Funds (hereinafter, the DGIPF), in the branches of life, accidents and illness. It also manages individual and collective pension funds when they are used to award services to its participants for risks related to human lives.

In the 2013 financial year, the Insurance Group was reorganised in order to simplify its organisational structure. Thus, on 5 March 2013, the Boards of Directors of VidaCaixa Grupo, S.A.U. and VidaCaixa, approved the merger by absorption project by means of which the latter absorbed VidaCaixa Grupo, S.A.U.

Prior to the merger, the VidaCaixa Group transferred its 49.9% share in SegurCaixa Adeslas, S.A. de Seguros y Reaseguros (hereinafter, SegurCaixa Adeslas) to VidaCaixa by means of a non-monetary contribution. During this restructuring process of the Insurance Group, VidaCaixa acquired CaixaBank, S.A. and Grupo Corporativo Empresarial de la Caja de Ahorros y Monte de Piedad de Navarra, S.A. (Single-Shareholder Company), and on 26 March 2013, the life insurance companies from Banca Cívica (See Note 10).

As a result of the whole process, VidaCaixa, S.A.U. became the Group's parent company and the one that holds the shares.

On 29 April 2015, VidaCaixa, S.A.U. sold AgenCaixa, S.A. Agencia de Seguros, Single-Shareholder Company, to SegurCaixa Adeslas for 2,696 thousand Euros.

On 29 May 2015, the General Assembly of the La Caixa, A.I.E. Insurance Group unanimously agreed to the dissolution and liquidation of the company, which came into effect on 26 June 2015 through the payment of the resulting amount to its shareholders.

On 23 November 2017, the sales contract was formalised, through which VidaCaixa acquired all of the

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shares of the company BPI Vida e Pensões – Companhia de Seguros, S.A. (hereinafter, "BPI Vida"), for an amount of 135 million euros. The effective date of the acquisition was 29 December 2017, the date on which all of the suspensive conditions stipulated in said contract had been fulfilled.

The corporate purpose of BPI Vida is to practice life insurance and reinsurance operations, as well as manage pension funds. Furthermore, BPI Vida's activity during the 2016 and 2017 financial years centred mainly upon marketing the capitalisation products sold by Banco BPI, S.A. and insurance policies in which the investment risk is assumed by the insurance policyholder.

At 31 December 2017, 100% of the shares of VidaCaixa, S.A.U. belonged to CaixaBank, S.A., conferring its single shareholder status upon it.

On 26 September 2017, and entering into effect as of that same day, the Governing Board of the Central European Bank considered, based on the fulfilment of the conditions set forth in article 26(8) of Council Regulation (EU) No 1024/2013, that Criteria Caixa, S.A.U., a company of the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa" group and direct parent company of Caixabank, S.A. up to said date, no longer exercised control or a significant dominant influence over Caixabank, S.A. This is why Caixabank, S.A. became the Parent Company of the CaixaBank Group. The registered address of Caixabank, S.A. is at Calle Pintor Sorolla nº 2-4, Valencia.

On 31 December 2016, Caixabank, S.A. was integrated into the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa" group, of which the parent company was Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa". The consolidated annual accounts of the Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa" group for the 2016 financial year, which were deposited in the Mercantile Register of Barcelona, had been prepared by the Managing Director of Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona "la Caixa" on 31 March 2017.

The Group directly conducts the insurance activity or associated activities that have the corresponding administrative authorisation. In this case, in Spain, it is the DGIPF that performs the functions that are assigned, under current provisions, to the Ministry of Economy and Competitiveness concerning private insurance and reinsurance, insurance mediation, capitalisation and pension funds. In the case of Portugal, it is the Autoridade de Supervisão de Seguros e Fundos de Pensões (hereinafter, "ASF") that performs supervision concerning insurance, reinsurance, insurance mediation and pension funds.

Until 31 December 2012, the VidaCaixa Group was voluntarily formulating consolidated annual accounts, being exempt from doing the same pursuant to the applicable regulations. Based on the aforementioned reorganisation of the Insurance Group, VidaCaixa, S.A.U. formulates Consolidated Annual Accounts, in accordance with article 43.bis of the Commercial Code, as it controls investee subsidiary companies.

The Group, via its Parent Company and the insurance companies in which it participates, operates in the following branches: Automobile, Accidents, Illness (including Healthcare), Life, Death, Legal Defence, Home, Fire and Elements of Nature, Transported Merchandise, Other Damage to Goods, Various Pecuniary Losses, General Third-Party Liability, Terrestrial Vehicle and Non-Railway Terrestrial Vehicle Third-Party Liability.

Given the activities of the Companies of the Group, it has no environmental responsibilities, expenses, assets or provisions and contingencies that might be significant with respect to their worth, financial situation and the results thereof. This report therefore contains no specific breakdowns of the annual accounts in relation to information on environmental issues.

At 31 December 2017, the Group managed 200 pension funds and 4 Voluntary Social Welfare Entities (EPSVs

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for their Spanish initials) with a volume of consolidated rights of 32,769,808 thousand euros (25,188,841 thousand euros at 31 December 2016). The gross income accrued through management fees of the various funds rose to 223,227 thousand euros during the financial year 2017 (202,706 thousand euros in the financial year 2016) and is recorded under the caption "Result from Other Activities — Other Income". Also, the expenses associated with said management were 121,384 thousand euros (106,779 thousand euros in 2016), appearing under the caption "Result from other activities — Other expenses".

B) Internal structure and distribution systems

VidaCaixa directs and manages its share in the share capital of other companies via the relevant organisation of personal and material means. When the holding in the capital of these companies allows, the Parent Company directs and controls them, by means of the ownership of its company management bodies or through providing management and administration services to these companies.

The Group markets different life and non-life insurance products and pension plans.

With regard to its mediation channels, the Group markets its products principally through the distribution network of the credit entity CaixaBank, S.A., which it has established as an exclusive banking-insurance operator of the parent company VidaCaixa, S.A.U. de Seguros y Reaseguros, authorised to market the insurance policies of SegurCaixa Adeslas, S.A. Furthermore, the Parent Company also holds insurance agency contracts linked to the consumer credit finance company of the CaixaBank Group, called Caixabank Consumer Finance, E.F.C., S.A.U., and an agency contract with freedom to provide services with BMW Bank GmbH Spain Branch. Finally, the parent company has also concluded contracts to provide services for distributing the insurance products of other insurance companies, under the responsibility of these companies, through its distribution network CaixaBank S.A. The marketing of products is also carried out through the insurance mediation activity conducted by insurance brokers and other associated insurance agents.

The mediation channels for the products that BPI Vida markets operate via the distribution network of the credit entity Banco BPI, S.A.

Similarly, the Group, basically via VidaCaixa Mediación, S.A.U. also holds service contracts for distributing the insurance products of other insurance companies, under the responsibility of the latter, through its distribution network.

C) Statistical summary of the complaints and claims handled

As regulated in the Regulations for Consumer Protection of Grupo CaixaBank, S.A., the claims channels set up in the Group are the Consumer Ombudsman, the Shareholders' Ombudsman and the Customer Care Service (hereinafter, CCS).

In 2017, a total of 1,760 claims were filed with the Consumer Ombudsman, the Shareholders' Ombudsman and the CCS. 1,591 claims were resolved, 1,576 of them having been filed in 2017 and the other 15 were pending processing from 2016. Of the claims filed during the 2017 financial year, 184 were left pending processing, to be resolved in 2018.

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The types of claim submitted were as follows:

Subjects of claims	Consumer Ombudsman and Shareholders' Ombudsman	CCS	Total
Passive operations	-	-	-
Active operations	-	-	-
Collection and payment services	-	-	-
Insurance policies and pension funds	65	1,710	1,775
Pending processing	**9**	**175**	**184**
Total accepted	**54**	**1,210**	**1,264**
Not accepted	**2**	**325**	**327**
Total 2017	**65**	**1,710**	**1,775**

From the analysis made of the answers given to customers, we obtain the following classification:

Type of resolution	Consumer Ombudsman and Shareholders' Ombudsman	CCS	Total
Not accepted	2	322	324
Upheld	3	604	607
Rejected	40	528	568
Partially favourable to the customer	-	48	48
Agreement/Negotiation	-	3	3
Levelling by the entity	11	-	11
Withdrawn by the customer	-	30	30
Pending resolution	9	175	184
Total 2017	**65**	**1,710**	**1,775**

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The decision-making criteria used by the Service are taken basically from the sense of the resolutions given by the Directorate General of Insurance and Pension Funds in similar cases, and in cases where this reference does not exist, the reply is issued with the advice of the Legal Services of the Parent Company, depending on the specific circumstances behind the claim.

2. Basis of presentation and consolidation principles

A) Financial Reporting Standards applicable to the Group

These consolidated accounts were prepared by the Parent Company's Board of Directors in accordance with the financial reporting standards applicable to the Group, which are established in:

a) The Commercial Code and all other commercial legislation,

b) The International Financial Reporting Standards (hereinafter, IFRS) adopted by the European Union through Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002, in addition to subsequent amendments.

c) The mandatory regulations approved by the Accounting and Auditing Institute in the implementation of the General Accounting Plan and the complementary regulations thereof.

d) Spanish Law 20/2015, of 14 July, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies ("LOSSEAR" for its Spanish initials).

e) Royal Decree 1060/2015, of 20 November, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies ("ROSSEAR" for its Spanish initials), as well as the current articles of Royal Decree 2486/1998 of 20 November, approving the Regulation on the Administration and Supervision of Private Insurance (hereinafter, "ROSSP" for its Spanish initials).

B) True and fair view

The consolidated annual accounts for the 2017 financial year have been prepared in accordance with the applicable financial reporting standards and, in particular, the accounting principles and criteria contained therein.

The consolidated annual accounts were prepared using the accounting records held by VidaCaixa and by the other Group companies, and include certain adjustments and reclassifications in order to standardise the principles and criteria adopted by the subsidiaries with those of VidaCaixa.

As recommended by IAS 1, the assets and liabilities are generally classified in the balance sheet according to their liquidity, but without classifying assets and liabilities as current and non-current, which is more relevant in the case of insurance groups. Similarly to the other insurance company groups, certain expenses are classified in the Profit and Loss account and are presented according to their application.

At 31 December 2017, the currency in which the Group accounts were presented was the euro.

All amounts are expressed in thousands of Euros, unless the use of a different monetary unit is explicitly stated. Certain financial information in these accounts has been rounded up, and consequently the figures expressed as totals in this document may vary slightly from the exact arithmetical operation of the figures that precede them.

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Note 3 provides a summary of the most significant accounting principles and valuation rules applied in the preparation of the consolidated annual accounts of the Group for the 2017 financial year.

c) Responsibility of the information

The information contained in these annual consolidated accounts is the responsibility of the Directors of the Parent Company, which has verified, with due diligence, that the different controls established to ensure the quality of the financial-accounts information, by both the Parent Company and the subsidiaries, have operated efficiently.

Drawing up annual accounts in accordance with IFRS requires that the Directors make judgements, estimates and assumptions that affect the application of accounting policies and the balances of assets, liabilities, income and expenses. Said estimates and assumptions are based on historic experience and on various other factors that are deemed reasonable according to the circumstances and whose results constitute a basis for making judgements on the book value of the assets and liabilities that are not easily available through other sources.

The respective estimates and assumptions are continually revised; the effects of the revisions of the accounting estimates are recognised in the period during which they are carried out, where these solely affect that period, or during the period of the revision and future periods, if the revision affects these. In any case, the final results derived from a situation which required estimates may differ from what is expected and, prospectively, reflect on the final effects.

In addition to the process of systematic estimates and their periodic revision, the Directors of the Parent Company shall make certain value judgements on issues with a significant impact on the consolidated annual accounts. Included among the most significant are judgements and estimations made on the fair value of certain assets and liabilities, losses through impairment, the useful life of the tangible and intangible assets, the valuation of the consolidated goodwill, the register of deferred tax liabilities, the hypotheses used in the calculation of the suitability test of liabilities and the hypotheses used to allocate part of the non-realised capital gains in the financial investment portfolios allocated as “available for sale” and at “fair value with changes in profit and loss” as the greater amount of the life insurance reserves.

d) New accounting principles and policies applied in the Group’s consolidated annual accounts

Standards and Interpretations issued by the International Accounting Standards Board (IASB) that came into effect in the 2017 financial year

On the date of drafting these annual consolidated accounts, no standard relevant to the VidaCaixa Group came into effect that would be applicable as of 1 January 2017.

Standards and interpretations issued by the IASB not in force

On the date of drafting these annual consolidated accounts, the most significant standards that have been published by the IASB but which have yet to come into effect, either because their effective date is subsequent to the date of the consolidated annual accounts, or because they still have not been approved by the European Union, are as follows:

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Standards and Interpretations	Title	Mandatory application for financial years beginning as of:
Approved for application in the EU		
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from ordinary activities arising from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
Modification of IAS 40	Transfer of investment properties	1 January 2018
Modification of IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Not approved for their application		
IFRS 17	Insurance Contracts	1 January 2021
Modification of IFRS 9	Characteristics of Early Termination with Negative Compensation	1 January 2019
Modification of IAS 28	Long-Term Shares in Associates and Joint Ventures	1 January 2019
Modification of IFRS 2	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
Interpretation IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Interpretation IFRIC 23	Uncertainty regarding tax treatments	1 January 2019

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The Group has decided not to exercise the option of early application of these standards, if this is possible.

IFRS 9 "Financial Instruments: Classification and Valuation"

IFRS 9 was published in July 2014 and replaces IAS 39 on the recognition and valuation of financial instruments, the impairment of financial assets and accounting hedges.

With regards to the classification and valuation of financial instruments, IFRS 9 maintains but simplifies the valuation model, jointly considering the characteristics of the cash flows that derive from the financial assets and the business model under which they are managed, reducing the number of portfolios and impairment models currently provided for in IAS 39. Financial assets whose cash flows only represent principal and interest payments are registered at amortised cost, if they are kept in a business model whose objective is to receive said flows, while they are valued at fair value, recording the changes of valuation in other income and expenses, if the objective is to both receive and sell the flows. The other financial assets, which include embedded derivatives, must be fully valued at fair value with changes recorded in the profit and loss account.

For all the assets that are not valued at fair value with changes recorded in the profit and loss account, the entities must recognise the expected credit losses, distinguishing between assets whose creditworthiness has not gotten significantly worse since their initial recognition and those assets whose creditworthiness has gotten significantly worse. It is precisely in the part relating to the value impairment of financial instruments, based on the expected loss, where IFRS 9 includes more substantial changes compared to the current IAS 39 model, which is based on the booking of losses incurred due to credit risk.

With regard to financial liabilities, the categories set forth in IFRS 9 are similar to those set forth in IAS 39 and the valuation of the same will not change unless this is due to the requirement to record variations in the fair value related to credit risk as a component of equity, if keeping the financial liabilities to which the fair value option has been applied.

For the Hedge Accounting, the granularity of the current IAS 39 requirements have been replaced with a new model capable of more accurately representing internal risk management measures in the financial statements. There are changes with regards to IAS 39 in various aspects such as hedged items, hedging instruments, booking of the temporary value of the options and assessment of efficacy, which will allow those Group companies dedicated to financial activities to extend the operations to which the Hedge Accounting will be applied, and will facilitate the application thereof, while the other companies will mainly benefit from the possibility of covering non-financial risks.

IFRS 9 is effective for the financial years that start as of 1 January 2018, although its early adoption is permitted. If a company opts for early adoption of the standard, all of the requirements must be applied at the same time. IFRS 9 will be applied retroactively but it will not be necessary to restate the comparative figures.

According to what is set out in the modifications to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, which have been endorsed at the European level, the deferred application of IFRS 9 will be permitted for insurers that are members of a financial conglomerate. The VidaCaixa Group has decided to apply said temporary exemption of IFRS 9 for financial investments of the Group's insurance companies, VidaCaixa, SA de Seguros y Reaseguros and BPI Vida, for those periods prior to 1 January 2021.

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IFRS 15 “Revenue from contracts with customers”

This standard establishes a model for recognising ordinary revenue, different to revenue deriving from financial instruments, based on identifying the obligations of each contract, determining their price, assigning this to the identified obligations and, lastly, recognising the revenue at the moment when control of the assets is transferred (in its widest sense, including service provision).

Although this may entail certain changes to the temporary revenue recognition profile, the Group does not expect any impact to derive as a result of its implementation on 1 January 2018.

IFRS 16 “Leases”

This standard introduces a single accounting model of leases for lessees, requiring these to recognise the assets and liabilities of all the leases with a term of over 12 months, unless the underlying asset is of a low value. The main change is the obligation to recognise, on behalf of the lessee, an asset for right of use, which represents its right to use the underlying leased asset, and a lease liability, which represents its obligation in terms of present value to make lease payments. While the asset is amortised throughout the life of the contract, the liability will generate a financial cost.

In 2017, the Group analysed said standard together with the CaixaBank Group. On the date of preparing these consolidated annual accounts, no significant impacts deriving from said standard have been identified

Modification of IAS 40: “Transfer of Investment Property”

The modification clarifies the principles for making transfers to or from investment property when, and only when, there is a change in its use and this change involves an analysis as to whether the property meets the definition of investment property. The change in use should be made evident.

Not approved for application in the EU

IFRS 17 - “Insurance Contracts”

This standard establishes the requirements that a company must apply when booking the insurance contracts it issues and the reinsurance contracts it has entered into. Its effective date is 1 January 2021 and on this date it will replace IFRS 4 “Insurance Contracts”, a temporary standard that allows the continued use of local accounting practices and that has given rise to the insurance contracts being booked in a different way in the various jurisdictions.

The implementation of IFRS 17 will entail implementing a consistent accountancy method for all the insurance contracts based on a valuation model that will use calculation hypotheses updated on each closing date (such as discount rate, mortality and survival tables, and with respect to other financial variables).

The effects of the changes in the previous hypotheses may be recognised in both the profit and loss account and in equity, according to their nature and whether or not said changes are associated with the provision of a service that has already occurred, or that entails a reclassification among the registered insurance liability components. As regards the revenue or financial costs of the insurance activity, the entities may choose to register them fully in the profit and loss account or partially under equity.

For all contracts that are not onerous, the entities will recognise a profit margin in the profit and loss account (referred to as “contractual service margin”) during the period in which the services are rendered under the contract.

The Group began an internal project at the end of 2017 to adapt to the new regulatory framework of IFRS 17 for insurance contracts. The main aim is to carry out the preparatory works necessary for implementing IFRS 17 in the affected insurance business, so that compliance with

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the same is guaranteed on the date of first application, and to evaluate the potential quantitative and qualitative impacts (on business, infrastructure, etc.), giving sufficient notice to allow the best management thereof.

The first phase of the project, to be carried out in the first half of 2018, has the following aim:

- Firstly, draft a definition of the approach that allows the key aspects of the new accounting standard to be identified, conduct a diagnosis of the different aspects to be analysed and draw up an action plan for the purposes of guaranteeing the implementation of IFRS 17.

- Ensure the identification of all the quantitative and qualitative needs and the planning of the same so as to achieve the implementation thereof on the date of application.

- Guarantee the capacity to calculate impact prior to the date of application.

The project involves various teams (accounting, actuarial, solvency and risk control, systems, intervention, accounting policies, etc.), which are responsible for the day-to-day management of the project and for performing the necessary tasks. Additionally, a Monitoring Committee has been created, comprising managers from the aforementioned areas, which controls and supervises the progress of the project and has been delegated decision-making capacity.

The Project Management Committee, led by VidaCaixa in coordination with the Executive Board for Intervention, Capital and Administrative Control of CaixaBank, is the ultimate supervision and decision-making body of the project. It is responsible for taking strategic decisions at the highest level, when necessary, and for liaising with the VidaCaixa and CaixaBank Management Committees.

Modification of IFRS 9 "Characteristics of Early Termination with Negative Compensation"

In October 2017, the IASB modified IFRS 9 in such a way that the financial assets that include amortisation or early cancellation clauses which could give rise to a reasonable negative compensation for the early termination of the contract are eligible to be measured at amortised cost or at fair value, with changes in another integral result.

In addition to the aforementioned standards, other standards and interpretations issued by the IASB that have not yet been endorsed at a European level and are not expected to entail a significant impact for the Group are listed below.

Modification of IAS 28 "Long-Term Shares in Associates and Joint Ventures"

These modifications do not reconsider the accounting included in IAS 28 for long-term shares, which must be understood as long-term loans or payments receivable with the associate or joint venture, settlement of which is not contemplated or likely to occur in a near future.

Modification of IFRS 2 "Classification and Measurement of Share-Based Payment Transactions"

Situations exist in which a share-based payment, settled in cash, is modified, cancelled and replaced with a new share-based payment that is settled with equity instruments and, on the replacement date, the fair value of the replacement incentives is different to the value recognized for the original incentives. Prior to issuing the modification, there were differences in the way in which institutions accounted for such modifications.

Through these modifications, the IASB requires that a share-based payment transaction that is settled with equity instruments is recognised as equity insofar as the goods or services were received on the date of the modification. This measurement will be made by reference to the fair value on the date when the granted equity instruments are modified.

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The liability for the share-based payment, which was originally settled in cash, will be written off on the modification date, given that it is deemed settled when the entity grants the share-based payment that will be settled with equity instruments instead of cash. This is because, on the modification date, the entity is no longer obliged to transfer cash (or other assets) to the counterparty. Any difference between the carrying amount of the liability that has been written-off and the equity amount recognised on the modification date will be recognised immediately in the profit and loss for the period.

IFRIC 22: "Foreign Currency Transactions and Advance Consideration"

This interpretation provides an explanatory guide on the exchange rate to be used in transactions that involve an advance consideration (paid or received) in a foreign currency.

IFRIC 23: "Uncertainty regarding tax treatments"

The interpretation concerns those situations in which a dispute with the tax authority may exist or for which an inspection is open about a particular tax treatment and these may affect the booking of the entity's tax assets or liabilities, whether the latter are current or deferred.

E) Comparison of information and correction of errors

It is a requirement of the International Financial Reporting Standards that information presented between both periods should be homogeneous. The consolidated annual accounts of the 2017 financial year present, for comparative purposes, all the items of the balance sheet, of the profit and loss account, of the statement of changes in the equity, of the cash flow statement and of the consolidated report for the 2016 financial year.

Nevertheless, it should be considered that the financial information and the cash flows of the VidaCaixa Group for the 2017 financial year include the effects of the acquisition of the company BPI Vida (See Note 1). Given that the takeover of said Company occurred on 29 December 2017, the results of said Company's operations from the acquisition date until the close of the 2017 financial year were not taken into account for consolidation purposes due to their low impact on the profit and loss account.

In 2017, no other significant variation arose in the scope of consolidation, except for those previously indicated that appear described in Note 5 "Variations in Associated, Group and Multi-group Companies".

F) Consolidation principles

The Group's consolidation scope was defined according to the provisions of IFRS 10 "Consolidated Financial Statements", and IAS 28 "Investments in Associates" (See Annex I).

In addition to the data corresponding to the Parent Company, the consolidated annual accounts contain information corresponding to the subsidiary, multi-group and associated companies. The procedure for integrating the equity of such companies was implemented in accordance with the control or influence exercised over them, as described below:

Subsidiaries

Considered as subsidiaries are those companies in which, regardless of their legal form, the Group has control over, i.e. the power to direct their financial and operating policies, in order to obtain benefits from their activities.

In Annex I to this Report, relevant information is provided on such companies and in Note 5 of the Report, information is provided on the most significant variations that occurred during the 2017 financial year.

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The annual accounts of subsidiary companies are consolidated with those of VidaCaixa, S.A.U. by applying the global integration method, which consists of adding the assets, liabilities and equity, revenue and expenditure, of a similar nature, that appears in their individual annual accounts, duly standardised in order to comply with the IFRS. The book value of the direct and indirect holdings in the capital of subsidiary companies is eliminated by applying the fraction of the equity of the subsidiary companies that said holdings represent. The remaining balances and significant transactions between the consolidated companies are eliminated in the consolidation process. Furthermore, the shareholdings of third parties in the assets of the Group and in the financial results are presented under the captions of "Minority interests" in the consolidated balance sheet and "Profit/loss attributed to minority interests" in the consolidated profit and loss account, respectively.

The individual financial statements of the Parent Company and the subsidiaries, used to prepare the consolidated financial statements, refer to the same date of presentation that corresponds to the annual financial close of each financial year.

The consolidation of the results generated by the companies acquired in a financial year is performed taking into consideration only those relative to the period between the acquisition date and the close of that financial year. In the case of subsidiaries which cease to be independent, the results are incorporated until the date they cease to be a subsidiary of the Group.

In those cases where an increase is produced in the voting rights of a subsidiary over which the Group already has control, a calculation is made of the difference between the cost of the new acquisition and the portion of the additional equity acquired according to the value to which they appear in the consolidated accounting statements.

As an exception, the following companies have not been included in the consolidation scope, due to their insignificant interest for the true image of the consolidated annual accounts and have been classified in the "Financial assets available for sale - Variable income" portfolio:

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Name	Registered address	Activity	% Holding	Mutual fund	Earnings		Technical reserves	Dividends received	Book value		
			Direct		Operations	Net			Cost	Impairment of financial year	Accumulated impairment
GeroCaixa Pyme EPSV de Empleo	Gran Vía López de Haro, 38. Bilbao	Voluntary Social Welfare Entity.	100.00%	50	595	595	28,022	-	58	-	-
GeroCaixa EPSV Individual	Gran Vía López de Haro, 38. Bilbao	Voluntary Social Welfare Entity.	100.00%	50	14,293	14,293	757,040	-	260	-	-
GeroCaixa Privada Pensiones EPSV Asociada	Gran Vía López de Haro, 38. Bilbao	Voluntary Social Welfare Entity.	100.00%	50	26	26	1,280	-	50	-	-

(figures in thousands of Euros)

The activities of said companies consist basically of the management of corporate provident funds with domicile in the Basque Country. All of them are unlisted companies. The Group only participates in the Mutual Fund, the rest of the Equity being in the hands of the participants.

Associated companies

Associated companies are defined as non-subsidiary companies over which the Group has a significant influence, in other words, the Group may intervene in decisions on the financial and operating policy of the associated company without exercising absolute or joint control over the same.

As a general rule, it is assumed that the Group exercises significant influence if it possesses, directly or indirectly, 20% or more of the voting rights in the associated company, unless it can be clearly demonstrated that such influence does not exist.

Annex I provides significant information on such companies.

In the consolidated annual accounts, associated companies are valued by the equity method, according to which the investment is initially recorded at cost and subsequently adjusted according to the changes in the portion of the company's net assets that correspond to the Group. The Group's year result includes the portion which corresponds to it in the associated companies' results, less any possible own shares maintained in the treasury stock of each associated company, once the dividends and other equity eliminations have been considered.

The portion of permanently interrupted operations (interrupted activities) corresponding to the Group are disclosed in a separate consolidated profit and loss account, while the corresponding portion in the changes which associated companies have recognised directly in

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equity is also directly recognised in the Group's equity, including this, wherever applicable, in the statement of recognised income and expenses.

When applying the equity method, the associated company's most recent available financial statements are used.

If any associated company applies accounting policies different to those adopted by the Group, the appropriate adjustments are made to the associated company's financial statements in order to standardise the accounting policies.

If there is any evidence of impairment in the value of the investment in the associated company, the impairment in value is firstly deducted from any possible goodwill that exists in the investment.

Note 5 of the Report provides information on the most significant acquisitions during the 2017 and 2016 financial years, in addition to the period between 31 December 2017 and the date on which the annual accounts of said financial year were prepared, increases in the share capital of companies with associated company status at the beginning of the financial year, and information on the sale of shareholdings.

G) Compensation of balances

Compensation is made only to the creditor and debtor balances which originate from transactions which, contractually or to comply with a legal regulation, consider the possibility of compensation (consequently they are presented in the consolidated balance sheet by their net amount) and the intention exists to liquidate them for their net amount or to realise the asset and pay the liability simultaneously.

H) Grouping of items

Certain items of the balance sheet, of the profit and loss account, of the statement of changes in equity and the statement of cash flows are presented in groups so they are easier to understand. Insofar as it is significant, the disaggregated information has been included in the corresponding notes of the report.

I) Financial information by segments

IFRS 8 – Operating segments establishes the principles to be followed for preparing financial information by line of business or geographical area.

The information by segments is structured according to the control, monitoring and internal management of the insurance activity and the results of the Group. It is constructed according to various insurance branches and sub-branches operated by the Group, influenced by its structure and organisation.

The Group has defined the business segments of Life Insurance, Non-life Insurance and Other Activities as the principal segments. The segment defined as Life Insurance includes all those insurance contracts which guarantee coverage of a risk which may affect the existence or physical well-being of the insured party. In contrast, the Non-life Insurance segment groups together all the insurance contracts different to Life, and may be broken down into the sub-segments of Accidents and Illness, Household Multi-risk, Other Damage, Automobiles, Deaths and Miscellaneous.

The two main segments of Life Insurance and Non-life Insurance are subject to different types of risks and returns. The Other Activities segment is used to group together all the different operating activities that are additional to strictly insurance activities. This includes the activity of pension fund management.

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Each insurance company which depends on the Group either directly or indirectly may operate in one or more branches, associated to one or more main segments, according to the definition of branches provided by the DGIPF. Note 1.a describes the different specific branches in which the Group has administrative authorisation to operate.

The accounting policies of the segments are the same as those adopted for preparing and presenting the financial statements of the consolidated Group, including all the accounting policies specifically related to the financial information of the segments.

Both the assets and liabilities of the segments and the income and expenses were determined before the elimination of the balances and the inter-group transactions carried out in the consolidation process, except where those balances or transactions had been carried out between companies in the same group. The latter case is the predominant one in the Group, with all inter-group transactions carried out at the current market prices at any given moment.

The criteria for allocating assets and liabilities, expenses and revenues to the different main segments of the Group are the following:

Allocation of Assets and Liabilities to the Main Segments

The assets of each segment are those corresponding to the Group's insurance and related activities which the segment consumes so that it can provide its services, including those directly attributable to each segment and those which may be distributed to each one by applying reasonable bases of distribution.

The assets of the segment include investments valued by the equity method according to the allocation made for such investments in the "Investments Book" of each subsidiary that exercises a significant influence. In this case, the gains and losses from such investments have been included in the ordinary result of the segment in question.

The liabilities of each segment include the proportion of assets corresponding to the operation of the Group deriving from the activities of the segment and which are directly attributable to it or may be allocated to it by applying reasonable bases of distribution. If interest expenses have been included in the segment's result, the segment's liabilities include the debts that generated this interest.

Allocation of Revenues and Expenses to the Main Segments and Sub-Segments

The technical revenues and expenses deriving from carrying out insurance operations are directly allocated to the Life Insurance and Non-life Insurance segments, respectively, and in the case of the latter, to its different sub-segments, depending on the type of operation from which they are derived.

The financial revenues and expenses are allocated to the Life Insurance and Non-life Insurance segments according to the allocation previously carried out for the assets generating these, which is shown in the "Investments Book" of each insurance company. A single financial instrument may be allocated to the different segments. In cases where the portfolios allocated to Life Insurance, Non-life Insurance or Other Activities include a holding in another subsidiary which is not an insurance company, its individual financial statements have consolidated line by line, respecting the allocation made in the "Investments Book". The Group holding in the profit/loss of the associated companies, which is presented separately in the profit and loss account, inputs the different segments according to the percentage it represents in each investment portfolio, respectively. The revenues and expenses of the financial instruments in which the own funds are materialised, along with other financial instruments not directly related to the practice of insurance operations, are allocated to the Other Activities segment.

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The previous financial revenues and expenses are allocated to the different Non-life Insurance sub-segments, basically according to the technical reserves constituted for each of the weighted branches.

The Other Activities segment includes the revenues and expenses which, although derived from the operations carried out in the Life Insurance and Non-life Insurance segments must not be included in the above technical areas. In the case of the other non-technical-financial revenues and expenses that are directly or indirectly related to the different segments, they have been allocated to the segments according to the segment that originated them, or on a reasonable distribution base, with the segment in question. In the latter case, a method has been used based on attributing expenses by functional activities, identifying for this the activities and tasks undertaken in each of the business processes and allocating to each of these activities the resources consumed by them. Consequently, in the attached profit and loss account, some of the general expenses are presented under the captions "Losses incurred in the period, net of reinsurance", "Other technical expenses" and "Tangible fixed asset and investment expenses". The rest of the general expenses appear under the caption "Net operating expenses".

Together with the Group's consolidated financial statements, the consolidated financial information by segments is attached, which details the various items that make up the ordinary income and expenses, as well as the segment's assets and liabilities and those which have been excluded or not allocated. All of this is done regardless of the obligations of the different Spanish insurance companies which make up the scope of the Group to provide statistical-accounts information, based on the local Spanish accounting principles, to the DGIPF.

J) Cash flow statement

The following expressions are used in the cash flow statement:

- Cash flows: additions and disposals of cash and cash equivalents. Cash equivalents correspond to those high-liquidity, short-term investments that are easily convertible into certain amounts of cash and are liable to an insignificant risk of changes in their value and expire within three months.

- Operating activities: activities typical of insurance groups, as well as other activities which cannot be classified as investment or financing.

- Investment activities: those of acquisition, sale or disposal by other means of long-term assets and other investments not included in the cash and cash equivalents.

- Financing activities: activities that produce changes to the scale and composition of the net assets and of the liabilities which do not form part of the operating activities. Operations with own shares, whenever they occur, are considered as financing activities. The payments of dividends made by the Parent Company to its shareholders are also considered under this category.

3. Significant accounting principles and policies and valuation criteria applied

The main valuation standards used in the preparation of the Group's Consolidated Annual Accounts for the 2017 financial year, in accordance with the International Financial Reporting Standards adopted by the European Union, were as follows:

A) Cash and other equivalent liquid assets

This caption of the balance sheet comprises cash, including the cash on hand and the demand deposits held at banks, as well as cash equivalents.

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Cash equivalents correspond to those high-liquidity, short-term investments that are easily convertible into certain amounts of cash and are liable to an insignificant risk of changes in their value and expire within three months.

B) Financial instruments

b.1) Recognition

Financial assets are generally recognised on their liquidation date. In accordance with IAS 39 – Financial instruments: recognition and valuation, the Group designates the financial instruments at the time of their acquisition or generation as financial assets at the reasonable value with changes in results, as available for sale, such as loans or accounts receivable, or as investments held to maturity.

b.2) Classification of financial instruments

Note 6 of the Report shows the balances of the financial assets at 31 December 2017 and 2016, together with their specific nature, classified according to the following criteria:

- Financial assets at Fair Value with changes in the profit and loss account:

Within this category of financial assets, a distinction is made between two types:

- Financial assets held for trading:

These are financial assets which are classified as held for trading, given that they have been acquired for sale in the short-term, being part of a portfolio of financial instruments identified and managed jointly in order to obtain short-term profit, or which are financial derivatives that are not financial guarantee contracts (for example, bank guarantees) and have not been designated as hedge instruments either. This caption also includes embedded derivatives which have been recognised and valued separately from their initial contract.

- Other financial assets at fair value with changes in the profit and loss account for the year:

This category includes financial instruments which, not being part of the financial assets and liabilities held for trading, are jointly managed with liabilities through insurance policies valued at fair value and the purpose of which is to eliminate or reduce to a significant degree inconsistencies in the recognition or valuation (also known as accounting mismatches), which would otherwise have arisen through recognition of the profits or losses of the same.

The financial instruments in this category are permanently subject to a system of risk measurement, management and control, which makes it possible to check that risk is effectively reduced.

The Group allocates to this portfolio all those financial instruments associated to the Unit Linked business, in which the policyholders assume the risk of the investment. These classifications remove the inconsistency in the valuation which would arise from using a different criterion to value the assets and liabilities assigned to this business.

- Loans and payments receivable:

These are non-derived financial assets with fixed or determinable payments, which are not negotiated in an active market.

This caption includes debt securities, non-mortgage loans, policy advance payments and financial assets without publication of prices, in addition to accounts receivable derived from deposits claimed in accepted reinsurance business.

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In addition, there are other accounts receivable which are presented in the balance according to their different nature, as is the case with the credits for direct insurance, reinsurance and co-insurance operations and the tax, social security and other credits. Some of these items are excluded from the scope of IAS 39 and are specifically dealt with by other international reporting standards.

- Financial assets available for sale:

This caption of the balance sheet includes debt securities which are not considered for trading, nor held-to-maturity investment portfolios, nor loans and accounts receivable, in addition to equity instruments issued by non-associated companies, wherever said instruments have not been considered for trading, or other financial assets at fair value with changes in profit and loss.

On the latter instruments, the Group has signed various interest rate financial swap contracts, and has generally received fixed and/or determinable amounts from the different counterparties. The principal aim of these operations is to cover the cash flows necessary to meet the payment of benefits derived from the commitments with its policyholders, including the commitments acquired by virtue of certain pension commitment externalisation policies.

For these fixed-income securities which incorporate interest rate swaps, the Group has a separate valuation for the certificate and for the swap, but given that their coupons are exchangeable, it values the operation in its entirety by updating the agreed flows and those associated to these financial activities, using a market interest curve.

For accounting purposes, the combined financial accrual of the flow resulting from the certificate plus the swap is also carried out. In accordance with the aforementioned purpose, the differences between this combined market value and the accounting cost are allocated to the technical reserves of the insurance contracts on each closure date. Separately valuing the fixed-income securities and the aforementioned interest rate swaps would have no significant effect on the Group’s total assets or capital and reserves in the Group’s consolidated balance sheet.

- Financial assets held up to maturity:

This caption of the balance sheet includes the debt securities, with fixed maturity date and receivables of a calculated or calculable amount, which are traded in an active market and for which the Group declares its intention and financial capacity to keep them in its possession until their maturity date.

Investments in associated companies are presented under the specific sub-caption of the balance sheet, “Shareholdings in companies valued by the equity method”.

b.3) Recognition and valuation of financial instruments

The financial instruments are initially recorded in the consolidated balance sheet when the Group formalises the contract which gives rise to them, in accordance with the conditions thereof. The financial assets and liabilities are recorded from the effective date on which the legal right to collect or make payment arises.

A financial asset is totally or partially removed from the balance sheet once the contractual rights on the cash flow it generates have expired or when it is transferred. However, a financial liability is totally or partially derecognised from the balance sheet once the obligations, risks or other benefits it generates have terminated.

When initially recorded on the balance sheet, all financial instruments are recorded at fair value which, in the absence of evidence to the contrary, is the price of the transaction. Subsequently, on a specific date, the fair value of a financial instrument corresponds to the amount for which it could be delivered, in the case of an

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asset, or paid, in the case of a liability, in a transaction entered into by informed interested parties, acting under conditions of mutual independence. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an organised, transparent and strong market ("listed price" or "market price").

In order to estimate a specific financial instrument's fair value when no market price exists, the established price of recent transactions of similar instruments shall be taken as a reference; if such information is not available, valuation models sufficiently recognised by the international financial community will be used, taking into consideration the specific characteristics of the instrument being valued and, in particular, the different types of risk associated with the instrument. The majority of financial instruments, except Over the Counter derivatives (hereinafter, OTC), are valued according to the listings of active markets.

The fair value of negotiated financial derivatives in organised, transparent and strong markets included in the trading portfolio are compared with their daily listing and if, for exceptional reasons, it is not possible to determine their listed price on a specific date, methods similar to those used to value non-negotiated derivatives in organised markets will be used.

The fair value of non-negotiated derivatives in organised markets or negotiated derivatives in organised markets that are not very strong or transparent will be calculated using methods recognised by the financial markets, for example the "net present value" (NPV) or the models used to calculate the prices of options (see note Risk Management Policies).

In the corresponding notes of the report, the financial instruments are valued at fair value according to the methodology employed in their valuation, in the following manner:

- Level 1: based on listed prices in active markets.
- Level 2: using valuation techniques in which the hypotheses considered correspond to directly or indirectly observable market data, or to listed prices in active markets for similar instruments.
- Level 3: Using valuation techniques in which the principal hypotheses are not supported by data observable in the market.

The majority of financial instruments use the listed prices of active markets (Level 1) as an objective reference for determining their fair value and consequently, to determine their fair value, the price is used that would be paid for them in an organised, transparent and strong market (the listed price or market price). In general terms, listed debt securities and listed equity instruments are included in this level.

In order to estimate the fair value of the instruments classified in Level 2, for which no market price exists, the established price of recent transactions of similar instruments shall be taken as a reference; if such information is not available, valuation models sufficiently recognised by the international financial community will be used, taking into consideration the specific characteristics of the instrument being valued and, in particular, the different types of risk associated with the instrument. Consequently, the fair value of OTC derivatives and of financial instruments traded on organised markets that are not very strong or transparent will be calculated using methods recognised by the financial markets, for example the "net present value" (NPV) or the models used to calculate the prices of options, based on parameters observable in the market. Fundamentally, this level includes unlisted debt securities.

To obtain the fair value classified in Level 3, for the valuation of which no directly observable data exist in the market, alternative techniques are used, including requesting the price from the vendor entity or the use of market parameters with a risk profile that can be easily applied to the instrument being valued.

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Furthermore, for certain financial assets and liabilities, the recognition criteria on the balance sheet is the amortised cost. These criteria are mainly applied to financial assets included in the caption “Loans and accounts receivable” and, with regard to financial liabilities, to those recorded as “Financial liabilities at amortised cost”.

b.4) Impairment of the value of the financial instruments

On each date of the balance sheet, the Group evaluates whether there is objective evidence that a financial instrument has been impaired, considering those situations which individually or together with others provide this evidence.

A financial asset is considered to be impaired when there is objective evidence of a negative impact on the future cash flows estimated at the moment the transaction is formalised or when their book value cannot be fully recouped.

As a general rule, the correction of the book value of financial instruments as a result of their impairment is charged to the consolidated Profit and Loss Account of the period in which said impairment occurs, and the recouping of losses caused by previously recorded impairment, wherever applicable, are recognised in the consolidated Profit and Loss Account of the period in which the impairment is eliminated or reduced, except in the case of equity instruments classified as available for sale, given that such impairment is considered impossible to recoup.

When it is considered that a registered sum is unlikely to be recouped, it is eliminated from the balance sheet, without prejudice to any actions which may be carried out by Group companies in an attempt to collect the amount, until all the rights pertaining to the same are finally extinguished as a result of statute-barring, cancellation or any other cause.

Below, we set out the main criteria adopted when examining the impairment of the Group’s different financial assets:

- Financial assets recorded at amortised cost or upon maturity:

  The sum of losses through impairment experienced by these instruments coincides with the positive difference between their respective book values and the current value of their estimated future cash flows. A decrease in fair value below the acquisition cost does not in itself constitute proof of impairment.

  If, in subsequent periods, the amount of the loss through impairment of value is reduced, the previously-recognised loss through impairment is subject to reversal in the profit and loss account.

  This group of assets includes the balances receivable which the Group maintains with certain insured parties or policyholders for the receipts issued awaiting payment and the receipts pending issue. In this case, the loss of value is determined according to the historical experience of annulments in the last 3 years, attributing greater weight to the most recent years and taking into consideration the months that have passed since the theoretical payment date and that of each closure, as well as the specific branch of insurance involved.

- Debt securities classified as available for sale:

  For fixed-income and readily assimilated securities, the Group considers as an indication of loss a possible reduction or delay in the estimated future cash flows, which among other circumstances may be caused by the debtor’s possible insolvency. Loss through impairment of debt securities included in the portfolio of assets available for sale is equal to the positive difference between the acquisition cost (net of any amortisation of the principal) and its fair

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value, after deducting any loss through impairment previously recognised in the consolidated profit and loss account. The market value of listed debt securities is considered a reasonable estimation of the current value of their future cash flows, in spite of the fact that the decrease in fair value below acquisition cost does not in itself constitute proof of impairment.

When objective evidence exists that the differences arising in the valuation of these assets originate from their impairment, they are no longer presented under the equity caption Adjustments to assets through valuation – Financial assets available for sale and are recorded in the consolidated profit and loss account for the sum deemed to be the accumulated impairment until that time.

If some or all of the losses through impairment are recovered at a later date, their amount is recognised in the profit and loss account of the period in which the recovery occurs.

- Equity instruments classified as available for sale:

The indicators used to evaluate the impairment of these instruments, which are listed in secondary markets according to the methodology established by the Group, include the listed value at the close of the financial year, a significant or prolonged decrease of the market value below the acquisition cost, historical data on the dividends paid in previous financial years, the anticipated dividends and the expectations of the market in which the subsidiary company operates.

These indicators are used to evaluate whether objective evidence of impairment exists. A decrease in fair value below the acquisition cost does not in itself constitute proof of impairment.

The loss through impairment of equity instruments is calculated on an individual basis and, once the objective loss has been proved to be a consequence of an event or series of events with an impact on the estimated future cash flows, it is equal to the difference between the acquisition cost and its fair value, after deducting any loss through impairment previously recognised in the consolidated profit and loss account.

The criteria for recording losses through impairment coincide with those applied to debt securities classified as available for sale, except for the fact that any recovery of the aforementioned losses is recognised under the equity caption *Adjustments to assets through valuation – Financial assets available for sale.*

b.5) Record of changes in the valuation of financial assets and liabilities

The loss or gain arising from the variation in the fair value of a financial asset, which does not form part of a hedging operation, is recognised as follows:

- The loss or gain in a financial asset at fair value with changes in profit and loss is recognised in the profit and loss account of the financial year under the sub-caption "Losses from financial investments" or "Profits from financial investments" in the Life Insurance and Non-life Insurance segment.

- The loss or gain in an asset available for sale is directly recognised in equity in the line "Adjustments through valuation" until the financial asset is cancelled in the accounting records, with exception of losses through value impairment and losses or gains due to exchange rate. At the time of cancellation, the loss or gain which has been previously recognised in equity is registered in the profit and loss account of the financial year.

  However, interest calculated according to the effective interest method is recognised in the financial year results. The dividends of an asset instrument classified as available for sale are

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recognised in the profit and loss account of the financial year when the Group's right to receive the payment has been established.

When a financial asset registered at amortised cost is written off, has suffered a loss in value or the effective interest method is applied, the different derived revenues and expenses are registered through the profit and loss account.

b.6) Investment on behalf of life insurance policyholders who assume the risk of the investment

Investments on behalf of policyholders who assume the risk of the investment are valued at the acquisition price on subscription or purchase. This acquisition price is subsequently adjusted according to its realisation value. The revaluations and depreciations of these assets are entered as credits or debits in the profit and loss account of the Life Insurance segment, under the captions "Revenue for investments subject to insurance in which the policyholder assumes the risk of the investment" and "Expenses for investments subject to insurance in which the policyholder assumes the risk of the investment".

The entirety of the instruments of variable income, fixed income and other types which have official listing, or in those where a market value can be reliably estimated, are designated and classified in the portfolio "at fair value with changes in profit and loss".

For presentation purposes, it must be considered that part of the balances affected by this business are presented in balance sheet captions different to that of "Investments on behalf of life insurance policyholders who assume the investment risk", classifying the liabilities through such insurance policies under the caption "Technical reserves – for life insurance".

C) Tangible fixed assets

Under this caption, the Group registers the balance of all buildings for own use, all of which are owned freehold.

This caption also includes the elements of transport, buildings and facilities and data-processing equipment, among others.

These assets are recognised at their cost of acquisition or construction, less the accumulated depreciation and, where appropriate, the accumulated amount of the losses through impairment in value, but in no case below the residual value. The costs of the extensions and improvements carried out on the buildings owned by the Group, subsequent to their initial recognition, are capitalised as another tangible fixed asset, providing they increase their capacity or surface area or increase either their return or useful life. On the other hand, upkeep and maintenance costs are expensed during the period in which they occur. The Group does not capitalise the financial expenses associated to these assets, wherever they exist.

If the payments relating to a property investment are postponed, its cost is the equivalent of the cash price. The difference between this amount and the total payments is recognised as an interest expense during the period of postponement.

As a general rule, the Group uses the systematic method of linear depreciation on the acquisition cost, the residual value and the value of the land in the case of buildings being excluded throughout the following estimated useful lives:

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Tangible fixed assets	2017	2016
	Estimated useful life	Estimated useful life
Property (excluding land)	50 years	50 years
Furniture and fittings	Between 3 and 13 years	Between 3 and 13 years
Vehicles	5 years	5 years
Data processing equipment	Between 3 and 10 years	Between 3 and 10 years
Other tangible fixed assets	Between 5 and 10 years	Between 5 and 10 years

In the case of buildings under construction, the Group starts to depreciate them once they are ready for use.

The residual values and lives of these assets are revised on every balance date and adjusted as necessary. The recognised book value for an asset is immediately reduced to its recoverable amount if the book value of the asset is greater than its estimated recoverable amount. The gains and losses are calculated each time by comparing the quantities obtained with the recognised book values.

The reasonable values of both the property investments and own-use buildings indicated in Note 9.a.) of the Report were obtained from the rating reports prepared by independent experts, which have a maximum life of 2 years. For property located in Spain, the aforementioned market value has been calculated in accordance with the provisions established in Order ECC/371/2013, of 4 March, partially amended by Order ECO-805-2003, of 27 March, on the valuation rules for property and certain rights for certain financial aims.

D) Property investments

The property investments caption of the consolidated balance sheet contains the values of land, buildings and other constructions that are held either to use them for rental, or for obtaining a capital gain upon their sale as a consequence of the increases that will occur in the future in their respective market prices.

Land owned for an undetermined future use and currently unoccupied buildings are also presented under this sub-caption.

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Property investments include land and buildings possessed freehold. They are entered in the accounts at the acquisition or construction cost, less any subsequent accumulated depreciation and subsequent accumulated losses through impairment, where appropriate, but in no case below their residual value. The acquisition cost includes the sale price along with any directly attributable payment (associated transaction costs). In the case of real estate investments constructed by the Group itself, the acquisition cost is the cost at the date on which the construction or development is completed.

The treatment of the costs of extension, modernisation or improvements, as well as the methods for calculating deterioration, the depreciation systems and the useful lives established for property investments are similar to those applied to own-use buildings (see Note 3.c).

The market value of property investments, which is indicated in Note 9.b.) of the Report, has been obtained in accordance with the Order mentioned in the previous section with regard to own-use buildings.

E) Intangible fixed assets

Identifiable monetary assets which have no physical appearance and which arise as a consequence of an acquisition from third parties or have been developed internally by a company in the Group are considered as intangible assets. For accounting purposes, the only intangible assets recognised are those in which, being identifiable, and where future financial benefits exist in addition to control over the intangible asset in question, the Group can reasonably estimate their cost and it is probable that the future financial benefits attributed to them flow to the Group itself.

This section encompasses, at their fair value on the acquisition date, the intangible assets acquired in business combinations and goodwill arising in merger processes. The goodwill represents the advance payment of future financial profits derived from the acquired assets that are not individual and separately identifiable and recognisable. The existence of internal or external signs of impairment is periodically analysed and under no circumstances is it amortised.

The Group values intangible fixed assets by their cost of acquisition or production and maintains this cost model in subsequent valuations, minus the corresponding accumulated amortisation, if applicable, and the accumulated amount of the losses through impairment of value, where appropriate. To determine whether the value of the intangible fixed assets has been impaired, the Group applies IAS 36 - Impairment of assets - and subsequent interpretations of this, as well as IFRS 4 - Insurance Contracts, in cases where this is applicable.

The Group evaluates whether the useful life of the intangible fixed assets is finite or undefined. If it is finite, it evaluates the duration of their useful life.

e.1) Goodwill

The "Goodwill" caption includes the positive consolidation differences deriving from the acquisition of holdings in the capital of subsidiary companies, through the difference between the acquisition cost of the new holding and the acquired participation in the fair net value of the assets, liabilities and identifiable contingent liabilities which are not allocated to assets or specific intangible assets.

With regard to the SegurCaixa Adeslas holding, this includes intangible assets embedded in the value and percentage of the holding of the same.

e.2) Other intangible fixed assets

The specific accounting policies applied to the other main intangible fixed assets are described below:

Intangible assets identified

As described in the Goodwill section, the intangible assets identified during the company operations and

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merger processes have been classified under this sub-caption.

Computer programs

This sub-caption basically includes redeemable expenses related to the development of computer systems and electronic channels.

The licences of the computer programs are valued by the amount paid for their ownership or right of use, together with the costs incurred in putting the specific program to use, provided that its use is foreseen for several years, and they are recorded as computer applications acquired entirely from third parties. Under this same item, the costs of third parties who collaborate in the development of computer programs for the Group are recorded.

In the case of those applications generated internally, the Group capitalises the expenses directly associated with the production of identifiable and exclusive computer programs controlled by the Group, in other words, the labour costs of the development teams of these applications and the part corresponding to the associated indirect expenses. The remaining costs associated with the development or maintenance of internal projects are recorded as an expense in the financial year in which they are accrued.

The subsequent costs are only capitalised when the future profits of the intangible fixed asset to which they relate increase. Recurring expenses arising from the modification or revaluation of computer programs or systems, expenses arising from global revisions of systems and maintenance costs are recorded in the profit and loss account in the period in which they are incurred.

All computer programs are amortised systematically over their useful life, which fluctuates between three and a maximum of five years.

Other expenses of acquisition of pension plans and life insurance contracts

Since the 2004 financial year, the Group has marketed some new types of pension plans that have a cash premium associated with their sale. In the 2006 financial year, marketing of insurance products which also have the same type of premium associated to them commenced. The Group capitalises the amount of said premiums and amortises them over a maximum term of 5 years, taking into account the movements and falls in the portfolio.

The possible loss of value in the expedited acquisition expenses referring to Life Insurance and Non-life Insurance contracts is evaluated according to the requirements set out in IFRS 4 "Insurance Contracts".

F) Transactions in foreign currencies

f.1) Functional currency

The operating currency of the Parent Company and its subsidiary companies with registered offices in the European Union is the euro.

The consolidated annual accounts are presented in Euros, the currency in which the Group presents its accounts. Consequently, all balances and transactions named in currencies other than the euro are considered to be in "foreign currency".

f.2) Criteria for conversion of balances in foreign currency

The conversion of balances in foreign currencies to Euros is performed as follows:

- Conversion from the foreign currency into the operating currency (the currency of the principal economic area in which the subsidiary operates or the Euro in the case of companies domiciled in the European Monetary Union), and

- Non-monetary entries valued at their historic cost are converted into the operating currency by applying the exchange rate at the date of their acquisition,

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- Non-monetary entries valued at their fair value are converted into the operating currency by applying the exchange rate at the date on which said fair value was calculated,

- Revenue and expenses are converted by applying the average exchange rates of the period for all operations that belong to the same,

- Futures trading operations of currencies against currencies and currencies against Euros not aimed at covering asset positions are converted at the exchange rates established on the date of the financial year close by the currency futures market for the corresponding accrual date.

f.3) Recording of exchange rate differences

The exchange rate differences produced when the balances in foreign currency are converted to the euro are generally recorded as net amounts in the profit and loss account. However:

- The exchange rate differences arising in the non-monetary items whose fair value is adjusted with counterpart in equity are recorded in equity under the item "Adjustments to assets through valuation – Portfolios available for sale".

- The exchange rate differences arising in the non-monetary items whose gains or losses are recorded in the financial year result are also recognised in the financial year result, without differentiating them from the other variations that may occur to their fair value.

G) Corporation tax

The corporation tax expense or revenue for each financial year is calculated according to the accounting profit before taxes, determined according to the local Spanish accounting principles, increased or reduced accordingly by the permanent differences. These are understood to be those differences produced between the taxable income and the reported result before taxes, which are not going to be reversed in following periods, as well as those derived from the application of the IFRS and for which a reversal will not be produced either. When the value differences are registered in equity, the corresponding corporate income tax is also registered against equity.

The temporary differences originating from the differences between the book value and the taxable income of an asset item such as, in the case of activation, tax credits and abatements and by negative taxable income, give rise to the corresponding deferred taxes, whether assets or liabilities, which are quantified by applying the temporary difference or credit corresponding to the tax obligation to which it is expected to recover them or liquidate them.

The Group recognises liabilities through deferred taxes for all the temporary taxable differences. The deferred tax assets are only recognised in the case where it is considered highly probable that the consolidated companies are going to have sufficient tax gains in the future against which these assets can be applied.

In the case of temporary taxable differences derived from investments in Group and associate companies (which are not consolidated fiscally), a liability for deferred taxes is recognised except where the Group can control the reversion of the temporary differences and it is probable that these will not be reverted in the foreseeable future.

The assets and liabilities through current tax are valued at the sums expected to be paid to or recovered from the Treasury, in accordance with the current legislation or approved legislation pending publication on the date of the financial year end. In this regard, the Group has calculated the corporation tax at 31 December 2017 by applying the current tax regulations and Royal Decree Law 2/2008, of 21 April, on measures to promote economic activity in all companies domiciled for tax purposes in Spain.

The parent company of the Fiscal Group to which the Group belongs was "la Caixa" from 1 January 2008 up to the 2012 financial year. With the entry into effect, on 30 December 2013, of Law 26/2013 on Savings Banks and Banking Foundations, and given that in 2013

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the holding of "la Caixa" in CaixaBank dropped below 70%, CaixaBank was replaced in its capacity as parent company of the Tax Group, with effect on 1 January 2013. Thus, CaixaBank became the parent company of the Tax Group to which the Group belongs.

H) Financial liabilities

Financial liabilities are the Group's debits and payable items that stemmed from the purchase of goods and services due to the company's trade operations, or those which, not having a commercial origin, cannot be considered derivative financial instruments. The subordinated debt issues are also included.

Debits and payable items are initially valued at the fair value of the consideration received, adjusted for any directly attributable transaction costs. Subsequently, said liabilities are valued according to their amortised cost.

i) Assets and liabilities arising from insurance and reinsurance contracts

The Group applies the requirements established in IFRS 4 Insurance Contracts to all the assets and liabilities in its consolidated financial statements which derive from insurance contracts, in accordance with the definition set out in the regulation itself.

i.1) Classification of the contracts portfolio

The Group evaluates and classifies its life and non-life insurance contracts of the direct business (including accepted reinsurance) and of the ceded business, taking into consideration the Implementation Guides which accompany IFRS 4, as well as the non-regulatory guidelines published by the DGIPF on 22 December 2004, by means of the Framework Document on Accounting Procedure of the Insurance Companies relating to IFRS 4. All the contracts are classified as "insurance contracts".

The Group does not separate any deposit component associated with insurance contracts, such disassociation being voluntary for the same. Meanwhile, it is estimated that the surrender options issued in favour of insurance contract holders have a nil fair value or, otherwise, their valuation forms part of the value of the liability of the insurance.

i.2) Valuation of assets and liabilities arising from insurance and reinsurance contracts

In accordance with the criteria indicated in the IFRS, insurance entities must perform a sufficiency test, with regard to the contractual commitments assumed, for the liabilities derived from insurance contracts recorded in its balance sheet.

Specifically, in accordance with IFRS 4 "Insurance Contracts" the group performs a liabilities sufficiency test, in order to guarantee of the suitability of its contractual liabilities. To this effect, the Group compares the difference between the book value of the technical reserves, net of any deferred acquisition cost or any intangible asset related to the insurance contracts subject to evaluation, with the amount resulting from considering the current estimations, applying market interest rates, of all the cash flows derived from the insurance contracts, with the difference arising between the market value of the financial instruments subject to the previous contracts and their acquisition cost. In order to determine the market value of these liabilities, the same interest rate as the one employed in the financial instruments is used. The valuations of the insurance contracts also include the related cash flows, such as those coming from the implicit options and guarantees.

At 31 December 2017, said liabilities sufficiency test was performed once more, confirming the sufficiency of the established reserves.

In order to avoid some of the accounting mismatches produced by using different valuation criteria for financial investments, mainly classified in the "Financial assets available for sale" caption, and the liabilities derived from insurance contracts, the Group registers as the greater amount of the caption *Insurance contract reserves* that part of the unrealised net capital gains, derived from the above investments, that it expects will

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be accrued in the future to the insurance companies as these materialise, or by applying a technical interest rate higher than the market interest rate. Said practice is known as "shadow accounting".

The policy accounting principles applied by the Group with regard to the technical reserves are summarised below:

For unearned premiums and unexpired risks

The reserve for unearned premiums constitutes the proportion of premiums accrued during the financial year which must be input to the period from the close of each financial year and the termination of the policy. The Group's insurance companies have calculated this reserve for each type or branch using the "policy by policy" method, taking as a base for calculation the tariff premiums, deducting, wherever applicable, the security surcharge, in other words, without deducting the fees and other acquisition costs.

Commissions and other acquisition expenses for premiums issued are recognised as expense with the same criterion as premiums on outstanding insurance policies are recognised as income, and the part of the commissions and other acquisition expenses for the unconsumed period of cover of the current insurance policies, which are recorded in the "Other assets - Accruals" caption on the assets side of the balance sheet.

The unexpired risks reserve is aimed at complementing the unearned premium reserve when its amount is insufficient to reflect the valuation of all the risks and expenses to be covered for the period of cover remaining at the end of the year. When applicable, this reserve is allocated pursuant to the calculation established by the Regulations, considering the technical results by year of occurrence together with the same year of closure and the one or three previous years, depending on the branch or area in question. No reserve was required for this item in the present financial year.

Life insurance

This reserve includes the reserve for unearned premiums of insurance contracts with a period of coverage equal to or lower than the year and principally, for the other insurance contracts, the policy reserve. The policy reserves, which represent the excess of the current actuarial value of the future obligations of the subsidiary insurance companies over that of the premiums which the policyholder must satisfy, are calculated policy by policy using a system of individual capitalisation, taking as its calculation base the inventory premium accrued in the year, in accordance with the Technical Notes of each type, updated in turn with the mortality tables accepted by current Spanish or Portuguese legislation.

Reserves relative to life insurance when investment risk is assumed by policyholders

For presentation purposes, the caption in the liabilities "Technical reserves – life insurance" includes the technical reserves corresponding to insurance in which the policyholder assumes the investment risk. The corresponding technical reserves are determined on the basis of indices or assets used as a reference to determine the economic value of the rights of the policyholders (see Note 6).

Claims

This account represents the total amount of pending liabilities arising from claims that occurred before year-end. The Group calculates this reserve as the difference between the total estimated or certain cost of the claims pending declaration, settlement or payment and the set of amounts already paid for these claims..

Claims pending settlement or payment

This account represents the total amount of pending liabilities arising from claims that occurred before year-end. The Group calculates this reserve as the difference

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between the total estimated or certain cost of the claims pending settlement or payment and the set of amounts already paid for these claims. The reserve is calculated individually for claims pending settlement or payment and includes external and internal management expenses and processing of claims, whatever their origin, produced or to be produced, until the final settlement and payment of the claim.

Claims pending declaration

The Group's insurance companies that operate in Spain are authorised by the DGIPF to use global statistical methods to calculate the reserve for claims pending declaration in the Individual Life, Group Life and Group Accident and Non-life forms. Since then, said reserve has been calculated according to the generally-accepted statistical methods from various groups of methods, with the reserve amount constituting the greater of the results obtained.

For the above cases, the reserve has been calculated according to the best estimate provided by the internal actuarial calculations based on generally accepted calculation methods. The methodology and main hypotheses used in the calculation of said reserves at 31 December 2017 is described below:

- Chain Ladder and Cape Cod analysis (calculation methods) of payments and expenses incurred have been selected.

- To calculate the level of fixed security, no inflation effect or financial discounting over time was considered. Peak claims, defined as those whose estimated cost exceeds a certain amount according to each branch, are excluded from these methods.

- The calculated payments are considered net of recovery.

Every year, the Group checks the goodness of fit of the calculations performed, in accordance with the requirements established in the Regulation. Furthermore, each claim is subject to an individual valuation, independently of the statistical methods used.

For the purposes of the tax deductibility of the claims reserve calculated using statistical methods, calculations have been made for consideration of the minimum amount of the reserve, in accordance with the requirements established by Additional Provision Three of Royal Decree 239-2007, of 16 February, which amends the Regulation on Administration and Supervision of Private Insurance (ROSSP). The differences between the provisions made and those considered as a tax deductible expense during the financial year have taken time differences into account.

Internal expenses of claims settlements

The claims reserve includes an estimate for internal management expenses and the administration of proceedings in order to meet the internal expenses of the Parent Company necessary for the full completion of claims that have to be included in the claims reserve, for both direct insurance and accepted reinsurance. This estimation is produced in accordance with the provisions of the 5th additional provision of the Regulation on the Administration, Supervision and Solvency of Insurance and Reinsurance Companies (ROSSEAR) and in Article 42 of Royal Decree 239-2007, of 16 February, which modifies the ROSSP, irrespective of the calculation method used and in compliance with the current regulations.

Reserves for share in profits and returns

This reserve includes the amount of the gains accrued in favour of the policyholders or beneficiaries still not allocated at the closure date. It does not include the effect of allocating part of the unrealised capital gains of

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the investments portfolio in favour of the policyholders, which is included in the sub-caption "Technical reserves".

Other assets and rest of liabilities

The "Other assets" caption of the balance sheet mainly includes the explicit interests accrued and unpaid from investments in debt securities. It also includes the fees and other acquisition expenses corresponding to the premiums accrued which are applicable to the period between the closure date and the termination of the coverage of the contracts, with the imputed expenses corresponding to results actually supported in the period with the limit established in the technical bases.

In parallel, the caption "Rest of liabilities" includes, among others, the amounts of the fees and other acquisition expenses of the ceded reinsurance which must be accrued to following financial years in accordance with the period of coverage of the ceded policies.

The fees and acquisition expenses directly related to the newly-produced sale are not activated under any circumstances, being entered in the profit and loss account of the year during which they are incurred.

Claims recovery

In general terms, the recovery credits for claims are only entered in the accounts when there is sufficient guarantee that they will be realised.

The sum of the recovery credits net of the reinsurance participation is registered in the caption "Loans and payments receivable – Other credits" of the consolidated balance sheet.

Reinsurance

The reinsurance contracts signed between the Group's insurance companies and other insurance companies aim, in all cases, to transfer part of the insurance risk to the reinsurance companies with whom they have signed the contract.

J) Non-technical reserves

The consolidated financial statements of the Group include all the significant reserves with regard to which it is estimated that the probability of having to meet the obligation is greater than the opposite case. The contingent liabilities are not included in the financial statements.

The reserves are quantified taking into consideration the best available information on the consequences of the event for which they are intended and are re-estimated in every closing of accounts. They are used to confront the specific risks for which they were originally recognised and are totally or partially reversed when these risks disappear or are reduced.

j.1) Reserves for pensions and similar risks

Numerous Group companies have agreements for post-employment pensions, which are outsourced through various contributory pension plans associated to the "PENSIONS CAIXA, 21, FONDO DE PENSIONES" Pension Fund.

For these companies, the Group makes contributions of a predetermined nature to said plans, according to the percentages applied to the basic salary of each employee, without any legal or effective obligation to make additional contributions if the separated entity is unable to attend to the remuneration of the employees related to the services rendered in the current financial year and in previous ones.

As a result of the agreements reached by the Parent Company on 29 December 2014, a new section of

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contributions was added to the Pension Plan. Therefore, the company will contribute 5% to each employee of the Parent Company who makes an annual contribution of 2% of their annual basic salary. Unless otherwise specified, all those people who were adhered to the Plan were automatically changed to this new section that came into effect in the last quarter of 2014. Additionally, the company BPI Vida maintains an obligation to make an annual contribution to the employees' pension funds of 1.5% of the annual base salary.

On the other hand, upkeep and maintenance costs are expensed during the period in which they occur in each Group company. In the 2017 financial year, the subsidiary companies contributed 464 thousand euros to this Fund (422 thousand euros in 2016).

The non-outsourced part, which is insignificant, corresponds to the Subsidiaries' commitments to non-working personnel.

j.2) Other non-technical reserves

The remaining non-technical reserves basically include the payments for debts assumed by the Group with regard to the agreements established with insurance companies and the amounts estimated for confronting probable or certain responsibilities, such as current litigation, compensation, regularisations pending payment to staff and other obligations.

K) Leases

Leases are classified as financial leases wherever it may be deduced from the conditions of these that the risks and benefits inherent in the ownership of the asset which is the object of the lease are substantially transferred to the lessee. All other leases are classified as operating leases.

Financial leases

Assets acquired through financial leases are classified in the caption "Tangible fixed assets" according to the nature of the asset which is the object of the contract, with a balancing entry of a liability for an identical amount, for the lesser amount between their fair value and the present value of the amount payable to the lessor, including the price of exercising the option to purchase. These assets are amortised applying criteria similar to those applied to the group of tangible assets of a similar nature.

The financial expenses associated with these contracts are charged to the consolidated profit and loss account, in accordance with the effective interest rate of such operations.

Operating Leases

Operating lease operations are considered to be those in which the inherent risks and benefits of the ownership of the asset are not transferred by the lessor.

The expenses of operating leases are systematically charged to the consolidated profit and loss in the financial year in which they are accrued.

During the 2017 and 2016 financial years, all leases were classified as operating leases.

L) Related party transactions

The Group carries out all its related party transactions at market values. Furthermore, the transfer prices are appropriately supported and for this reason the Directors of the Parent Company consider that no significant risks exist which may give rise to significant liabilities in the future.

M) Assets of an environmental nature

Assets of an environmental nature include items which are used over long periods of time in the Group's activity, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

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Given the Group's activity, it does not have a significant environmental impact.

N) Severance pay

In accordance with current legislation, the Group is obliged to pay compensation to employees whose employment contracts have been terminated under certain circumstances. Consequently, severance payments subject to reasonable quantification are recorded as an expense in the year in which the decision to dismiss the employee was taken.

O) Revenue and expenditure

The Group enters the revenue and expenditure in the accounts according to the accrual principle, i.e. according to the real flow of goods and services these represent, regardless of the time when the monetary or financial flow derived from them is produced.

The most significant criteria used by the Group to recognise its revenues and expenses are summarised below:

o.1) Income from issued premiums

The premiums issued during the financial year are entered in the accounts as a deposit, net of the annulments and returns, corrected by the variation in the accrued, non-issued premiums, which derive from contracts perfected or extended in the year, in relation to which the policyholder's right to collect them arises during this period.

The premiums of the Non-life Insurance segment and of the renewable annual Life contracts are included as a deposit throughout the contracts' period of validity, depending on the time passed. These premiums are accrued using the constitution of the reserve for unearned premiums. The Life Insurance segment premiums which are long-term, whether they are single or periodic premiums, are included when the contract issuer's right to collect them arises.

The premiums corresponding to the ceded reinsurance are registered according to the underwritten reinsurance contracts and under the same criteria used for direct insurance.

o.2) Revenue and expenditure through interest and similar items

For accounting purposes, these are generally recognised by applying the effective interest method, regardless of the monetary or financial flow derived from the financial assets. The perceived dividends of other companies are recognised as income at the moment when the subsidiaries' right to receive them originates.

o.3) Claims paid and variation in reserves

The loss is composed of the claims paid during the year and the variation experienced in the technical reserves relating to the claims and the imputable part of the general expenses which must be allocated to this.

o.4) Fees

The revenue and expenditure for fees are registered in the profit and loss account during the period when the associated service is provided, except those which respond to a particular or single act, which are accrued at the moment they occur.

4. Management of risks

Management of risks

The Group carries out its insurance and social security activities in a regulated market where there are frequent updates of regulations, specific both to insurance and pension funds and other matters applicable to these, such as tax, labour or financial.

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Due to the considerable growth of the Group, as well as the technical sophistication and extension of the managed products, a need has arisen to operate using an integrated system of highly-mechanised processes and procedures which are constantly updated. Also, to guarantee fulfilment of all the objectives approved by the Board of Directors, and to inform the market on a periodic basis, a thorough internal control system has been defined and developed throughout the structure.

- Credit Risk

In general, the Group maintains its cash and equivalent liquid assets in banks with a high credit rating.

For the balances receivable maintained with insurance policyholders, there is no significant concentration of credit risk with third parties.

As far as the credit risk associated with financial instruments is concerned, the policy established by the Group is based on two basic principles:

- Prudence: rating scales and periods have been established.
- Diversification: high diversification in sectors and issuing entities, with maximum limits of risk per issuing entity.

The credit risk management of the Group is determined by internal compliance with the actions defined by the Management and approved by the Administrative Bodies.

In order to adapt to the changes undergone by the market, the Group has developed a universe of values that is consistent with the group. Said universe is adjusted to the Group's investment management structure and approach with regard to the long-term nature of the investment and the criticality of the liquidity.

- Liquidity risk

The liquidity risk refers to the possibility of being unable to disinvest in a financial instrument quickly enough and without incurring significant additional costs or to the risk associated with not having liquidity at the moment when payment obligations must be met.

The liquidity risk associated with the possibility of realising the financial investments in cash is insignificant, since these are generally listed in markets, the aim of the insurance company's activities being to maintain them in its portfolio while the agreement derived from the insurance contracts continues to exist.

In order to ensure liquidity and be able to attend to all the payment commitments derived from its activity, the VidaCaixa Group has the cash and cash equivalents shown in its balance. In addition, ALM analysis performed in Life portfolios makes it possible to mitigate this risk.

Also, VidaCaixa S.A.U. has a collateral position – financial transactions framework agreement – with Caixabank.

- Market risk (includes interest rates, exchange rates and other price risks)

This refers to the risk that the value of a financial instrument may vary due to changes in the price of the shares, interest rates or exchange rate. The consequence of these risks is the possibility of incurring in decreases to equity or in losses due to movements of the market prices.

The Group periodically performs different types of sensitivity analysis on its portfolios to market risk, principally derived from the evolution of the interest rates. Along these lines, it performs monthly checks on the modified durations of fixed-income portfolios associated to the Life branch.

The Group's financial derivatives management policy also covers the use of counterparties which, as financial institutions subject to the supervision of the governing authorities of the member states of the European Union,

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have sufficient solvency. Contractually, these positions have an explicit guarantee allowing them to be left without effect at any time during the operation, either through their liquidation or through being ceded to third parties. This liquidation is guaranteed by a commitment on the part of the counterparties to publish the execution prices on a daily basis, together with a clear specification of the method of valuation used.

With regard to exchange rate risk, the Group does not own assets with a significant and direct exposure in currencies other than the euro and, wherever necessary, the necessary coverage is provided.

- Technical or underwriting risk

The technical or underwriting risk is guided via the compliance with the regulations established by Solvency II (European Union - EIOPA) and the DGIPF, based upon which the policies will be established, and on the technical monitoring of the technical progress of the products, which depends fundamentally on actuarial factors. This stable long-term management is reflected in the actuarial risk management policies:

- Underwriting. Based on the acceptance of risks based on the actuarial variable principles (age, capital insured and duration of guarantee).
- Pricing. In accordance with the current DGIPF regulations, the price rates for the life insurance branches are established using the mortality tables permitted by current legislation. At the same time, the interest rates used for pricing are applied in accordance with the maximum rate determined by Royal Decree 1060/2015 of 20 November on Administration, Supervision and Solvency of Insurance and Reinsurance Companies (ROSSEAR).
- Definition and supervision of the Reinsurance Policy: Establishing appropriate diversification of the risk among various reinsurance companies with sufficient capacity to absorb unforeseen losses. From this, stability in the claims results is obtained.

The definitions and monitoring of the above policies in turn permit them to be modified in order to adapt the risks to the Group's overall strategy.

The treatment of claims and the sufficiency of the reserves are basic principles of insurance management. The technical reserves are estimated using specific procedures and systems.

- Solvency II

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance, hereinafter, Solvency II, the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing said Directive, the Law on Administration, Supervision and Solvency of Insurers and Reinsurers (Law 20/2015, of 14 July 2015) together with the Regulations on Administration, Supervision and Solvency of Insurers and Reinsurers (Royal Decree 1060/2015, of 20 November 2015), constitute the basic legal texts that regulate the requirements of the Solvency II regime. The aforementioned regulations include, among other aspects, the establishment as of 1 January 2016 of figures for the standard solvency capital or standard capital requirement (SCR) and minimum capital requirement (MCR) and the funds to cover them, which result from the consideration – for the purposes of what is referred to in said regulation as the economic balance sheet – of criteria related to the recognition and measurement of assets and liabilities (economic balance sheet) that, as described in the following paragraphs, differ substantially from those used to reflect the financial position and assets and liabilities of the Parent Company in its accompanying annual accounts, prepared in accordance with the financial reporting standards applicable to the Parent Company.

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The main objective of the Solvency II regulations is to protect the policyholder by means of an improved control and measurement of the market, operational, credit and liquidity risks to which insurers are exposed through three pillars or principles:

- Pillar 1: Quantitative requirements for the purpose of establishing the solvency capital requirement by first determining an "economic balance sheet" focused on risk and valued at market values.
- Pillar 2: Qualitative requirements for the governance of companies (supervisory processes) that affect the organisation and management of companies that are required to deal with processes to identify, measure and actively manage risk, as well as the prospective assessment of the risks and solvency capital.
- Pillar 3: Transparency requirements regarding the communication of the information required both by the supervisory authority (DGIPF) and by the market. The aim of this pillar is to promote market discipline and to contribute to transparency and financial stability.

At the end of the 2015 financial year, the DGIPF authorised the Parent Company to use the following models, in accordance with Directive 2009/138/EC of the European Parliament and of the Council:

- Authorisation for the use of matching adjustments in the relevant risk-free interest rate term structure.
- Use of the internal model for calculating the SCR for longevity and mortality risks.

In accordance with the timetable that the current standards establish, on 19 May 2017, VidaCaixa sent the DGIPF the individual annual report for the 2016 financial year and, on 4 July 2017, the consolidated annual report for the 2016 financial year, which demonstrated compliance of the required SCR and MCR levels.

Quantitative information on the Group's exposure to the different risks described is set out below:

Breakdown of credit rating at 31 December 2017 and 2016:

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Rating	Thousands of Euros			
	Nominal Value		Weighting	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Between AA- and AAA	508,376	534,667	1%	1%
Between A- and A+	1,594,441	1,703,782	2%	3%
Between BBB- and BBB+	67,987,997	61,979,280	96%	95%
Between BB- and BB+	204,094	217,979	-	1%
Between B- and B+	208,969	82,000	-	-
Below B-	451	100,451	-	-
Unrated	449,347	43,000	1%	-
Total	**70,953,675**	**64,661,159**	**100%**	**100%**

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As investment criteria, the different measures of diversification of the risks, by country or by sector, are also taken into account. The data at 31 December 2017 and 2016 are as follows:

Geographical diversification

2017 Financial Year

Country	thousands of Euros						
	Debt securities	Variable income	Funds	Derivatives	Loans and deposits in credit entities	Other assets	Guarantees
Angola	-	-	-	-	-	3	-
Australia	-	-	28,294	-	-	-	-
Austria	24,412	-	-	-	-	-	-
Belgium	61,121	-	-	-	-	-	-
Brazil	581	-	-	-	-	-	-
Canada	9,243	-	-	-	-	-	-
Cayman Islands	6,073	-	-	-	-	-	-
Czech Republic	4,272	-	-	-	-	-	-
Denmark	28,858	-	-	-	-	-	-
Finland	-	-	-	-	-	-	-
France	422,118	-	483,889	-	-	-	-
Germany	555,208	-	-	-	-	-	5,133
Guernsey	3,919	-	-	-	-	-	-
Ireland	44,259	-	68,821	-	-	-	-
Italy	4,393,701	-	-	-	-	-	-

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Country	thousands of Euros						
	Debt securities	Variable income	Funds	Derivatives	Loans and deposits in credit entities	Other assets	Guarantees
Japan	-	-	-	-	-	-	646
Jersey	4,726	-	-	-	-	-	-
Luxembourg	129,664	-	515,064	-	-	-	-
Mexico	26,974	-	-	-	-	-	-
Netherlands	348,974	-	-	-	14,376	-	-
Nigeria	5,268	-	-	-	-	-	-
Norway	9,353	-	-	-	-	-	-
Portugal	832,014	-	134	-	151,269	-	-
Slovakia	1,103	-	-	-	-	-	-
Spain	42,696,992	1,234	-	414	181,976	-	-
Sweden	16,479	-	-	-	-	-	-
Switzerland	25,887	-	-	-	-	-	-
United Kingdom	413,009	-	249,397	-	-	-	-
United States	525,901	62,590	448,869	-	-	-	5,306
Venezuela	1,011	-	-	-	-	-	-
Total	**50,591,120**	**63,824**	**1,794,468**	**414**	**347,621**	**3**	**11,085**

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2016 Financial Year

Country	Thousands of Euros						
	Debt securities	Variable income	Funds	Derivatives	Loans and deposits in credit entities	Other assets	Guarantees
Australia	1,517	-	-	-	-	-	-
Austria	44,834	-	-	-	-	-	-
Belgium	62,583	-	-	-	-	-	-
Brazil	530	-	-	-	-	-	-
Canada	10,594	-	-	-	-	-	-
Cayman Islands	19,072	-	-	-	-	-	-
Czech Republic	4,434	-	-	-	-	-	-
Denmark	28,900	-	-	-	-	-	-
Finland	2,084	-	-	-	-	-	-
France	249,382	-	100,019	-	-	-	-
Germany	306,318	-	-	-	-	-	1,503
Guernsey	4,051	-	-	-	-	-	-
Ireland	43,450	-	61,921	-	-	-	-
Italy	2,585,627	-	92,472	-	-	-	-
Japan	1,004	-	-	-	-	-	219
Jersey	10,305	-	-	-	-	-	-
Luxembourg	128,617	-	355,354	-	-	-	-
Mexico	22,809	-	-	-	-	-	-

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Country	Thousands of Euros						
	Debt securities	Variable income	Funds	Derivatives	Loans and deposits in credit entities	Other assets	Guarantees
Netherlands	363,814	-	-	-	15,656	-	-
Nigeria	6,195	-	-	-	-	-	-
Norway	9,763	-	-	-	-	-	-
Portugal	85,864	-	-	-	-	-	-
Slovakia	1,148	-	-	-	-	-	-
Spain	42,027,241	981	-	443	496,120	-	-
Sweden	17,233	-	-	-	-	-	-
Switzerland	10,595	-	21,715	-	-	-	-
United Kingdom	422,414	-	110,442	-	-	-	-
United States	553,056	23,576	316,069	-	-	-	2,623
Venezuela	1,058	-	-	-	-	-	-
Total	**47,024,492**	**24,557**	**1,057,992**	**443**	**511,776**	**-**	**4,345**

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Diversification by sector

2017 Financial Year

Sector	Thousands of Euros						
	Debt securities	Variable income	Funds	Derivatives	Loans and deposits in credit entities	Other assets	Guarantees
Communications	517,200	1,234	-	-	-	-	-
Consumer goods. Non-Cyclical	155,387	-	-	-	-	-	-
Energy	286,983	-	-	-	-	-	-
Financial	1,247,937	62,590	1,794,468	414	346,264	3	11,085
Government	46,198,214	-	-	-	1,357	-	-
Industrial	1,146,251	-	-	-	-	-	-
Raw materials	60,758	-	-	-	-	-	-
Utilities	978,390	-	-	-	-	-	-
Total	**50,591,120**	**63,824**	**1,794,468**	**414**	**347,621**	**3**	**11,085**

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2016 Financial Year

Sector	Thousands of Euros						
	Debt securities	Variable income	Funds	Derivatives	Loans and deposits in credit entities	Other assets	Guarantees
Communications		277,326	346	-	-	-	-
Consumer goods. Non-Cyclical		100,076	-	-	-	-	-
Energy		107,187	-	-	-	-	-
Financial		2,109,988	24,211	1,057,992	443	507,231	4,345
Government		42,604,659	-	-	-	4,545	-
Industrial		1,122,112	-	-	-	-	-
Raw materials		37,603	-	-	-	-	-
Utilities		665,541	-	-	-	-	-
Total		**47,024,492**	**24,557**	**1,057,992**	**443**	**511,776**	**4,345**

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5. Variations in associated, group and multi-group companies

Transactions performed during the 2017 financial year

A) Acquisition of BPI Vida

On 7 February 2017, the takeover took place of Banco BPI, S.A. (hereinafter, Banco BPI or BPI) by the CaixaBank Group, of which the Parent Company forms a part. In the process of the PPA (Purchase Price Allocation), the assets, liabilities and contingent liabilities of Banco BPI and investees, including BPI Vida, were valued.

On 23 November 2017, VidaCaixa and Banco BPI reached a purchase and sale agreement for VidaCaixa to acquire 100% of the share capital of BPI Vida. On 29 December 2017, once the clauses stipulated in the aforementioned agreement had been fulfilled, the effective takeover of BPI Vida by VidaCaixa took place. The price of the consideration was 135 million euros.

The VidaCaixa Group performed an update of the PPA analysis conducted by the CaixaBank Group in February 2017, to determine the fair value of BPI Vida's assets and liabilities on the date of the takeover by the VidaCaixa Group. Stemming from this analysis, the following intangible asset was identified (millions of euros):

	Gross fair value	Useful life	Measurement method	Main hypotheses
Insurance policies and pension funds	15	5 to 10 years	Multi-period performance method	• Fees for administration of run-off portfolio. • Marketing fees paid to Banco BPI stipulated by contract. • Forecast of operating costs as an average of all the costs incurred by BPI Vida for all of the assets under management.

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Assets, liabilities and adjustments due to changes in value included in the Group's financial statements were as follows at the close of the 2017 financial year:

Assets	thousands of Euros
Cash and other equivalent liquid assets	440,135
Financial assets held for trading	136
Other financial assets at fair value with changes registered in the profit and loss account	2,829,356
Financial assets available for sale	106,816
Loans and payments receivable	904,791
Investments held to maturity	14,400
Tangible fixed assets and property investments	3
Tax assets	226
Other assets	10,708
Total assets	**4,306,571**

Liabilities and adjustments for changes in value	thousands of Euros
Debits and payable items	83,772
Hedging derivatives	530
Technical reserves	4,096,408
Tax liabilities	176
Other liabilities	1,283
Total liabilities	**4,182,169**
Adjustments for changes in value	514
Total Liabilities and Adjustments for Changes in Value	**4,182,683**

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B) Acquisition of the life insurance-savings portfolio of Barclays Vida y Pensiones, S.A

On 14 December 2015, the Parent Company signed a contract for the acquisition of the insurance portfolio of Barclays Vida y Pensiones S.A. The effective date of the acquisition was that on which all of the clauses stipulated in said contract had been fulfilled, with a final deadline of 31 March 2017 for the fulfilment thereof. This agreement was approved in January 2016 by the National Commission on Markets and Competition (CNMC). The notification from the DGIPF, in which it reported the signing of the ministerial order authorising the transfer of the portfolio on 19 October 2016 by the relevant Secretary of State, established that the portfolio was to be transferred in full.

On 1 March 2017, the deed of acquisition of the life insurance-savings portfolio of Barclays Vida y Pensiones, S.A. was signed, completing the operation indicated above.

The acquisition of the life insurance-savings portfolio of Barclays Vida y Pensiones, S.A. included asset and liability items associate with said portfolio, which included a volume of technical reserves of 583,751 thousand euros.

C) Distribution of share premium and reserves of SegurCaixa Adeslas S.A. de Seguros y Reaseguros

On 27 July 2017, SegurCaixa Adeslas S.A. de Seguros y Reaseguros (hereinafter, "SegurCaixa Adeslas") proceeded to distribute a share premium and reserves for an amount of 185,984 miles de euros. As a result of this distribution, and bearing in mind that the share in said company is 49.92%, VidaCaixa received a total of 92,761 thousand euros. The Parent Company considered recording part of the received amount as a reduction in the net book value of the share in SegurCaixa Adeslas (89,855 thousand euros), bearing in mind that part of the balance received relates to own funds included in the acquisition cost.

Purchase of SegurCaixa Adeslas shares from minority shareholders

In 2016, the Group purchased 10,345 shares in SegurCaixa Adeslas from its minority shareholders.

Transactions carried out during the 2016 financial year

During the 2016 financial year, the Group had no relevant variations that affected its scope of consolidation.

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6. Financial assets

The breakdown of the financial assets at 31 December 2017 is as follows (in thousands of euros):

Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets held for trading (HFT)	Other financial assets at fair value with changes in the profit and loss account (FVCPL)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Investments held to maturity (HTM)	Total at 31.12.2017
FINANCIAL INVESTMENTS:	**2,780,222**	**550**	**7,900,483**	**48,872,990**	**1,109,493**	**14,400**	**60,678,138**
Equity instruments	-	136	1,868,007	1,234	-	-	1,869,377
- Financial investments in capital	-	-	73,676	1,234	-	-	74,910
- Holdings in investment funds	-	136	1,794,331	-	-	-	1,794,467
Debt securities	-	-	953,625	48,871,753	751,342	14,400	50,591,120
Investment on behalf of life insurance policyholders who assume the risk of the investment	1,132,427	-	5,078,851	-	-	-	6,211,278
Loans	-	-	-	-	172,464	-	172,464
Other financial assets	-	414	-	3	-	-	417
Transactions with repurchase agreement	1,983	-	-	-	-	-	1,983
Deposits in credit entities	1,009,095	-	-	-	185,687	-	1,194,782
Deposits constituted for accepted reinsurance	-	-	-	-	-	-	-
Cash and cash equivalents	636,717	-	-	-	-	-	636,717

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Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets held for trading (HFT)	Other financial assets at fair value with changes in the profit and loss account (FVCPL)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Investments held to maturity (HTM)	Total at 31.12.2017
CREDITS:	**-**	**-**	**-**	**-**	**246,087**	**-**	**246,087**
Credits through direct insurance and co-insurance operations	-	-	-	-	26,255	-	26,255
Credits through reinsurance operations	-	-	-	-	20,555	-	20,555
Other credits	-	-	-	-	199,277	-	199,277
Value impairment	-	-	-	-	-	-	-
Total	**2,780,222**	**550**	**7,900,483**	**48,872,990**	**1,355,580**	**14,400**	**60,924,225**

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The same information for the close of December 2016 is as follows (in thousands of euros):

Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets held for trading (HFT)	Other financial assets at fair value with changes in the profit and loss account (FVCPL)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Total at 31.12.2016
FINANCIAL INVESTMENTS:	**869,125**	**443**	**3,351,182**	**47,025,473**	**511,776**	**51,757,999**
Equity instruments	-	-	1,085,913	981	-	1,086,894
- Financial investments in capital	-	-	27,921	981	-	28,902
- Holdings in investment funds	-	-	1,057,992	-	-	1,057,992
Debt securities	-	-	-	47,024,492	-	47,024,492
Investment on behalf of life insurance policyholders who assume the risk of the investment	358,263	-	2,265,269	-	-	2,623,532
Loans	-	-	-	-	474,226	474,226
Other financial assets	-	443	-	-	-	443
Transactions with repurchase agreement	210,005	-	-	-	-	210,005
Deposits in credit entities	-	-	-	-	37,550	37,550
Deposits constituted for accepted reinsurance	-	-	-	-	-	-
Cash and cash equivalents	300,857	-	-	-	-	300,857

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Investments classified by category of financial assets and type	Cash and other equivalent liquid assets (C&OELA)	Financial assets held for trading (HFT)	Other financial assets at fair value with changes in the profit and loss account (FVCPL)	Financial assets available for sale (AFS)	Loans and payments receivable (L&PR)	Total at 31.12.2016
CREDITS:	**-**	**-**	**-**	**-**	**276,557**	**276,557**
Credits through direct insurance and co-insurance operations	-	-	-	-	50,345	50,345
Credits through reinsurance operations	-	-	-	-	13,577	13,577
Other credits	-	-	-	-	212,635	212,635
Value impairment	-	-	-	-	-	-
Total	**869,125**	**443**	**3,351,182**	**47,025,473**	**788,333**	**52,034,556**

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The breakdown of the financial assets, according to the inputs used, at 31 December 2017, is as follows (in thousands of euros):

	Level 1	Level 2 (*)	Level 3	Total at 31.12.2017
Financial assets held for trading				
Debt securities	-	-	-	**-**
Derivatives	414	-	-	**414**
Holdings in investment funds	136	-	-	**136**
Other financial assets at fair value with changes in the profit and loss				
Debt securities	951,658	1,967	-	**953,625**
Equity instruments	1,868,007	-	-	**1,868,007**
Investments on behalf of life insurance policyholders who assume the risk of the investment	4,367,074	711,719	58	**5,078,851**
Hybrid instruments	-	-	-	**-**
Loans	-	-	-	**-**
Other financial assets	-	-	-	**-**
Deposits in credit entities	-	-	-	**-**
Financial assets available for sale				
Financial investments in capital	100	1,134	-	**1,234**
Holdings in investment funds	-	-	-	**-**
Debt securities	49,931,506	(1,059,753)	-	**48,871,753**
Loans	-	-	-	**-**
Other financial assets without published prices	-	-	3	**3**
Deposits in credit entities	-	-	-	**-**
Total at 31 December 2017	**57,118,895**	**(344,933)**	**61**	**56,774,023**

(*) Corresponds mainly to the valuation of financial swaps associated with fixed-income securities that the Parent Company records jointly as indicated in Note 3.b.

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The breakdown of the financial assets, according to the inputs used, at 31 December 2016 is as follows (in thousands of Euros):

	Level 1	Level 2 (*)	Level 3	Total at 31.12.2016
Financial assets held for trading				
Debt securities	-	-	-	**-**
Derivatives	443	-	-	**443**
Other financial assets at fair value with changes in the profit and loss account				
Debt securities	-	-	-	**-**
Equity instruments	1,085,913	-	-	**1,085,913**
Investments on behalf of life insurance policyholders who assume the risk of the investment	2,049,415	215,854	-	**2,265,269**
Hybrid instruments	-	-	-	**-**
Loans	-	-	-	**-**
Other financial assets	-	-	-	**-**
Deposits in credit entities	-	-	-	**-**
Financial assets available for sale				
Financial investments in capital	46	935	-	**981**
Holdings in investment funds	-	-	-	**-**
Debt securities	48,029,798	(1,005,306)	-	**47,024,492**
Loans	-	-	-	**-**
Other financial assets without published prices	-	-	-	**-**
Deposits in credit entities	-	-	-	**-**
Total at 31 December 2016	**51,165,615**	**(788,517)**	**-**	**50,377,098**

(*) Corresponds mainly to the valuation of financial swaps associated with fixed-income securities that the Parent Company records jointly as indicated in Note 3.b.

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A) Financial Investments

Financial assets held for trading

The movement in this caption, broken down into portfolios, is detailed below (in thousands of Euros):

	HFT	
	Derivatives	Funds
Net book value at 31 December 2015	**405**	**-**
Purchases	85	-
Changes to consolidation method	-	-
Sales and amortisations	-	-
Additions to the consolidation scope	-	-
Reclassifications and transfers	-	-
Revaluations against reserves	-	-
Revaluations against results	(47)	-
Registered profit/loss	-	-
Net book value at 31 December 2016	**443**	**-**
Purchases	-	-
Changes to consolidation method	-	-
Sales and amortisations	(86)	-
Additions to the scope of consolidation (*)	-	136
Reclassifications and transfers	-	-

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	HFT	
	Derivatives	Funds
Revaluations against reserves	-	-
Revaluations against results	57	-
Registered profit/loss	-	-
Net book value at 31 December 2017	**414**	**136**

(*) Balances deriving from the addition of the acquisition of BPI Vida in the scope (See Notes 1 and 5)

Investments held in derivatives at 31 December 2017 mainly correspond to a call option on the euro Stoxx 50 that matures in 2018. The fair value of said investment has been calculated based on the final listing in organised markets.

Financial assets at fair value with changes in the profit and loss account

Presented below is the movement experienced by financial assets classified in the fair value category with changes in profits and loss, all of them valued and recorded at market value in the years 2017 and 2016 (excluding investments by life insurance policyholders who assume the risk of the investment):

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Other assets at fair value with changes registered in the profit and loss account	Thousands of Euros					
	Holdings in investment funds	Financial investments in capital	Debt securities	Derivatives	Guarantees	Total Portfolio
Net book value at 31 December 2015	**219,024**	**819**	**-**	**172**	**-**	**220,015**
Purchases	774,237	22,572	-	-	4,345	801,154
Implicit interest accrued	-	-	-	-	-	-
Sales and amortisations	(9,024)	(837)	-	-	-	(9,861)
Reclassifications and transfers	-	-	-	522	-	522
Revaluations against results	73,755	1,022	-	(694)	-	74,083
Registered profit/loss	-	-	-	-	-	-
Net book value at 31 December 2016	**1,057,992**	**23,576**	**-**	**-**	**4,345**	**1,085,913**
Purchases	848,644	34,103	-	-	6,740	889,487
Addition to the scope of consolidation (*)	-	-	953,625	-	-	953,625
Implicit interest accrued	-	-	-	-	-	-
Sales and amortisations	(223,950)	-	-	-	-	(223,950)
Reclassifications and transfers	-	-	-	-	-	-
Revaluations against results	111,645	4,912	-	-	-	116,557
Registered profit/loss	-	-	-	-	-	-
Net book value at 31 December 2017	**1,794,331**	**62,591**	**953,625**	**-**	**11,085**	**2,821,632**

(*) Balances deriving from the addition of the acquisition of BPI Vida in the scope (See Notes 1 and 5)

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These assets correspond to the management of the Flexible Investment Life Plan product and the incorporation of assets from BPI Vida.

Given that, in 2017 and 2016, the Parent Company registered the changes in the fair value of these assets in the profit and loss account symmetrically to the variation in the life insurance provision of these insurances, no accounting asymmetry arose that must be corrected.

The debt securities deriving from the addition of BPI Vida in the scope mainly include public debt of the euro zone.

In the 2017 financial year, gains of 212,193 thousand euros and losses of 95,636 thousand euros (79,444 and 5,361 thousand euros respectively in 2016) were obtained due to a change in the value of the investments under the managed portfolio of the Flexible Investment Life Plan product that are included in the "Tangible fixed asset and investment revenue" and "Tangible fixed asset and investment expenses" captions respectively, of the technical-life insurance profit and loss account.

The movement of the caption "Investments on behalf of life insurance policyholders who assume the risk of the Investment" is detailed below (in thousands of Euros):

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	Investment on behalf of life insurance policyholders who assume the risk of the investment
Net book value at 1 January 2016	**1,951,097**
Purchases and accruals	1,514,019
Sales, accruals and depreciations	(1,244,126)
Revaluations against results	44,279
Net book value at 31 December 2016	**2,265,269**
Purchases and accruals	2,756,826
Integration (*)	133,157
Addition to the scope of consolidation (**)	1,875,731
Sales, accruals and depreciations	(1,975,809)
Revaluations against results	23,677
Net book value at 31 December 2017	**5,078,851**

(*) Balances deriving from the integration of Barclays Vida y Pensiones - savings portfolio (see Note 5)

(**) Balances deriving from the addition of the acquisition of BPI Vida in the scope (See Notes 1 and 5)

During the 2017 financial year, the income net of expenses of investments on behalf of policyholders who assume the risk of the investment amounted to 115,859 thousand euros (72,410 thousand euros in 2016). Said income corresponds to the results for investments, the changes in value of the assets, as well as interest recognised by applying the effective interest method.

The majority of the recognised revaluations credited to the profit and loss account originated from financial instruments listed in organised markets or for those which, being non-listed, the Group has a sufficiently reliable market valuation.

At 31 December 2017, the Group held no hybrid instruments.

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Financial assets available for sale

The movement in this caption is detailed below (in thousands of Euros):

	AFS			Total
	Equity instruments	Debt securities	Other	
Net book value at 1 January 2016	**498**	**41,933,569**	**-**	**41,934,067**
Purchases	652	12,994,601	-	12,995,253
Implicit interest accrued	-	(130,240)	-	(130,240)
Sales and amortisations	(192)	(8,803,649)	-	(8,803,841)
Reclassifications and transfers	-	-	-	-
Revaluations against reserves	23	1,365,032	-	1,365,055
Changes in the losses through impairment of value	-	-	-	-
Sums transferred to the profit and loss account	-	(334,821)	-	(334,821)
Net book value at 31 December 2016	**981**	**47,024,492**	**-**	**47,025,473**
Purchases	305	23,017,270	-	23,017,575
Integration (*)	-	392,246	-	392,246
Addition to the scope of consolidation (**)	-	106,813	3	106,816
Implicit interest accrued	-	(227,436)	-	(227,436)
Sales and amortisations	(113)	(20,217,632)	-	(20,217,745)
Reclassifications and transfers	-	-	-	-
Revaluations against reserves	61	(892,444)	-	(892,383)
Changes in the losses through impairment of value	-	-	-	-
Sums transferred to the profit and loss account	-	(331,556)	-	(331,556)
Net book value at 31 December 2017	**1,234**	**48,871,753**	**3**	**48,872,990**

(*) Balances deriving from the integration of Barclays Vida y Pensiones - savings portfolio (see Note 5)

(**) Balances deriving from the addition of the acquisition of BPI Vida in the scope (See Notes 1 and 5)

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In 2017, the Group recorded a result of 331,556 thousand euros for disposal of financial investments classified in the caption "Financial assets available for sale". Part of said result was generated by sales to cover the rescue operations requested by customers, by disposals of financial investments in order to adapt the terms of the financial investments to the terms of the commitments with insurance policyholders, as well as disposals of financial assets available for sale through standard portfolio management transactions. As a result of these transactions, the Group recorded profits of 89,427 thousand euros and losses of 283 thousand euros, which are mostly recorded under the caption "Tangible fixed asset and investment revenue" and "Tangible fixed asset and investment expenses" in the attached technical consolidated profit and loss account for the life insurance, respectively.

In 2016, the Group recorded a result of 334,821 thousand euros for disposal of financial investments classified in the caption "Financial assets available for sale". This result was generated mainly by disposals of financial investments in order to adapt the terms of the financial investments to the terms of the commitments with insurance policyholders, as well as disposals of financial assets available for sale through standard portfolio management transactions. As a result of these transactions, the Group recorded profits of 375,768 thousand euros and losses of 124,925 thousand euros, which are recorded under the caption "Tangible fixed asset and investment revenue" and "Tangible fixed asset and investment expenses", respectively, in the attached technical consolidated profit and loss account of this financial year.

At 31 December 2017, the Group had contracted interest rate swaps formalised with various financial institutions, principally "CaixaBank", in order to adapt the flows derived from the investment portfolio to the liquidity requirements of the different affected policies, receiving from the various counterparties, in general terms, fixed and/or determinable sums. Their maturity dates are between 2018 and 2066. Although the Group disposes of the valuations of said swaps and their associated bonds, it values them jointly as indicated in Note 3.b.

The explicit fixed-income interest accrued and unpaid at 31 December 2017 totals 757,209 thousand euros (832,835 thousand euros at the close of 2016) and is recorded in the "Other Assets" caption of the accompanying balance sheet. The rest of the balance under this caption relates to the interest accrued and unpaid for the current accounts that the Group maintains with "CaixaBank" and other entities, the accrued but unpaid explicit interest of current accounts and fixed income of Unit Linked, premiums accrued and not issued and advance commissions and other acquisition costs.

The majority of the recognised revaluations credited to the reserves, net of the corresponding tax effect, originated from financial instruments listed in organised markets or for those which, being non-listed, the Group as a sufficiently reliable market valuation. These revaluations are principally imputed to life insurance policyholders. As a consequence of this, the Group's equity and the deferred taxes are not affected, since the counterpart of the variations in these capital gains net of losses are the life insurance reserves.

The Parent Company holds a framework contract of financial operations, entered into with "CaixaBank" on 20 July 2005. On 15 March 2016, the parent Company, along with the counterparty, incorporated an additional stipulation to said contract, committing the Parent Company to leave under guarantee an amount that would be renewable on a quarterly basis. On 31 December 2017, there were 3,211,300 thousand euros under the guarantee item and it was made up of negotiable financial government bonds issued by the Government of Spain.

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Loans and payments receivable

The movement in this caption is detailed below (in thousands of Euros):

	Debt securities	Non-mortgage loans and advance payments on policies	Deposits in credit entities	Total
Net book value at 31 December 2015	**-**	**476,990**	**53,042**	**530,032**
Purchases	-	1,554,568	-	1,554,568
Implicit interest accrued	-	(717)	1,737	1,020
Changes to consolidation method	-	-	-	-
Sales and amortisations	-	(1,556,615)	(17,229)	(1,573,844)
Additions to the consolidation scope	-	-	-	-
Reclassifications and transfers	-	-	-	-
Revaluations against reserves	-	-	-	-
Changes in the losses through impairment of value	-	-	-	-
Net book value at 31 December 2016	**-**	**474,226**	**37,550**	**511,776**
Purchases	-	373,989	975	374,964
Addition to the scope of consolidation (*) (See Note 6.a.4)	751,342	-	151,270	902,612
Implicit interest accrued	-	2,037	-	2,037
Changes to consolidation method	-	-	-	-
Sales and amortisations	-	(677,788)	(4,108)	(681,896)
Additions to the consolidation scope	-	-	-	-
Reclassifications and transfers	-	-	-	-
Revaluations against reserves	-	-	-	-
Changes in the losses through impairment of value	-	-	-	-
Net book value at 31 December 2017	**751,342**	**172,464**	**185,687**	**1,109,493**

(*) Balances deriving from the addition of the acquisition of BPI Vida in the scope (See Notes 1 and 5)

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Investments held to maturity

As a result of the acquisition of the Company BPI Vida (see note 1), the Group holds investments until maturity for an amount of 14,400 thousand euros at the close of the 2017 financial year. Said financial assets correspond to the debt securities issued by Ibercaja, with maturity dates varying between 2018 and 2019. The fair value of the same at 31 December 2017 was 13,736 thousand euros.

A.1) Financial investments in capital and holdings in investment funds

The following is the breakdown of the balances in this sub-caption at 31 December 2017 and 2016:

	Thousands of Euros					
	AFS Portfolio		Held for Trading Portfolio		FVCPL Portfolio	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Shares in Spanish listed companies	100	46	-	-	15,225	8,681
Shares in Spanish unlisted companies	1,134	935	-	-	-	-
Shares in listed foreign companies	-	-	-	-	203,494	169,551
Shares in unlisted foreign companies	3	-	-	-	-	-
Spanish ETFs	-	-	-	-	1,134	1,057
Listed foreign ETFs	-	-	-	-	319,829	187,832
Spanish investment funds	-	-	-	-	113,802	81,333
Listed foreign investment funds	-	-	136	-	3,616,761	1,337,251
Total	**1,237**	**981**	**136**	**-**	**4,270,245**	**1,785,705**

At 31 December 2017, the Group holds shares in the company called "Tecnologías de la información y redes para las entidades aseguradoras, S.A." (418 thousand euros), in the company GestiCaixa (346 thousand euros), and in the mutual fund of various Voluntary Social Welfare Entities (368 thousand euros), and has purchased some shares in Caixabank, S.A. (100 thousand euros).

For the shares in unlisted companies, their fair value has been calculated using valuation techniques that are generally accepted within the financial sector.

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A.2)) Fixed income securities

The following is the breakdown of the balances included in this sub-caption:

	Thousands of Euros							
	31.12.2017				31.12.2016			
	FVCPL Portfolio (*)	AFS Portfolio	L&PR Portfolio	HTM Portfolio	FVCPL Portfolio	AFS Portfolio	L&PR Portfolio	HTM Portfolio
Public debt and Government obligations and bonds	606,774	39,855,230	-	-	-	38,101,225	-	-
Other Public Administration	-	1,191,845	-	-	-	1,790,507	-	-
Issued by financial companies	202	9,606	24,999	14,400	-	923,865	-	-
Foreign public debt	342,750	4,151,486	50,000	-	-	2,712,926	-	-
Issued by foreign financial companies	3,899	1,196,761	676,343	-	-	1,186,123	-	-
Other fixed income securities	-	2,466,825	-	-	-	2,309,846	-	-
Total	**953,625**	**48,871,753**	**751,342**	**14,400**	**-**	**47,024,492**	**-**	**-**

(*) Includes debt securities classified under the caption "Other financial assets at fair value with changes in profit and loss" with the exception of those classified under the sub-caption "Instruments on behalf of life insurance policyholders who assume the investment risk".

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The maturity dates of the securities included in this sub-caption, according to their allocation portfolio at 31 December 2017 and 2016, and taking into consideration their fair value, are as follows:

Maturity	Thousands of Euros							
	31.12.2017				31.12.2016			
	FVCPL Portfolio (*)	AFS Portfolio	L&PR Portfolio	HTM Portfolio	FVCPL Portfolio	AFS Portfolio	L&PR Portfolio	HTM Portfolio
Less than 1 year	945,500	543,462	-	6,000	-	1,949,527	-	-
1 to 3 years	6,078	2,748,502	636,909	8,400	-	2,854,542	-	-
3 to 5 years	-	5,665,899	111,433	-	-	3,281,150	-	-
5 to 10 years	-	11,378,052	-	-	-	10,894,971	-	-
10 to 15 years	290	12,607,999	-	-	-	8,334,512	-	-
15 to 20 years	930	3,512,891	-	-	-	6,208,678	-	-
20 to 25 years	-	7,868,169	-	-	-	10,468,681	-	-
More than 25 years	827	4,546,779	-	-	-	3,032,431	-	-
Total	**953,625**	**48,871,753**	**751,342**	**14,400**	**-**	**47,024,492**	**-**	**-**

(*) Includes debt securities classified under the caption "Other financial assets at fair value with changes in profit and loss" with the exception of those classified under the sub-caption "Instruments on behalf of life insurance policyholders who assume the investment risk".

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A.3) Investments of insurance policyholders who assume the risk of the investment

The following is the breakdown by investment type at 31 December 2017 and 2016:

Investment on behalf of life insurance policyholders who assume the risk of the investment	Thousands of Euros			
	31.12.2017		31.12.2016	
	FVCPL	Other assets	FVCPL	Other assets
Financial investments in capital	477,091	-	343,545	-
Holdings in investment funds	1,936,230	-	360,592	-
Fixed-income securities	2,088,843	-	1,332,984	-
Deposits in credit entities	557,742	-	213,463	-
Derivatives	(140)	-	(195)	-
Guarantees	19,085	-	14,880	-
Cash and other equivalent assets	-	1,132,427	-	358,263
Loans and payments receivable	-	2,684	-	197
Accruals	-	10,803	-	10,864
Total	**5,078,851**	**1,145,914**	**2,265,269**	**369,324**

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The following is an annual breakdown by maturity dates of fixed-income securities, deposits in credit entities and derivatives:

Maturity	Thousands of Euros	
	31.12.2017	31.12.2016
	FVCPL	FVCPL
Less than 1 year	454,508	75,203
1 to 3 years	1,134,450	685,026
3 to 5 years	553,692	275,129
5 to 10 years	495,866	494,892
More than 10 years	7,929	16,002
Total	**2,646,445**	**1,546,252**

The variation during the 2017 financial year of the gains net of losses of these assets totalled 23,677 thousand euros (losses valued at 44,279 thousand euros in 2016). They are recorded in the "Revenue and expenses for investments subject to insurance in which the policyholder assumes the risk of the investment" caption in the profit and loss account of the Life segment.

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A.4) Loans and Other assets

The balances that make up this sub-caption at 31 December 2017 and 2016 are as follows:

	Thousands of Euros	
	31.12.2017	31.12.2016
Non-mortgage loans and advance payments on policies:		
- Unlisted loans	161,934	463,016
- Advance payments on policies	10,530	11,210
Mortgage loans:	-	-
Deposits in credit entities:	185,687	37,550
Deposits constituted for accepted reinsurance:	-	-
Debt securities	751,342	-
Total	**1,109,493**	**511,776**

The balance of the sub-caption "Non-mortgage loans and advance payments on policies" mainly includes the deposits contracted with CaixaBank, with a duration of more than 3 months following the acquisition date, as well as the advance payments on policies.

At 31 December 2017, the Parent Company held 12 deposits contracted with "CaixaBank" for an amount of 67,878 thousand euros that present a weighted average IRR of 2.03% with maturity dates in 2019, and 3 deposits for a total amount of 92,534 thousand euros maturing in 2019 that present a weighted average IRR of 7.94%. Said deposits generated income of 11,630 thousand euros.

Also, the balance for the caption "Deposits in Credit Entities" includes 48 deposits contracted by the Parent Company with Santander, BBVA and Royal Bank of Scotland for a total amount of 34,417 thousand euros. The maturity dates of said deposits vary between the years 2020 and 2044 and their weighted average IRR amounts to 5.56%. As a result of the acquisition of BPI Vida, the Group recorded 151,270 thousand euros of deposits in credit entities, 60,000 thousand euros contracted with Banco BPI and the others mainly contracted with Santander, Banco Comercial Portugués y Caixa Geral de Depósitos. All of the deposits mature in 2018 and their average weighted IRR is 0.09%.

Meanwhile, as a result of the acquisition of BPI Vida, the entire balance recorded in the sub-caption "Debt securities", amounting to 751,342 thousand euros, corresponds mainly to corporate debt issues of companies in Portugal (526,221 thousand euros) and other Eurozone countries (159,121 thousand euros). The maturity dates of all of the debt securities recorded in said sub-caption vary between the years 2018 and 2022, and their fair value at 31 December 2017 is 774,909 euros.

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B) Credits

The following is the breakdown of the credits derived from insurance, reinsurance and co-insurance contracts at 31 December 2017 and 2016:

	Thousands of Euros	
	L&PR	
	31.12.2017	31.12.2016
Credits through direct insurance and co-insurance operations:		
- Insurance policyholders - receipts pending:		
Direct and co-insurance business	23,713	39,305
Premiums accrued and not issued	4,647	1,661
(Reserve for premiums pending payment)	(7,626)	(7,401)
- Brokers:		
Pending balances with brokers	1,321	12,481
(Reserve for impairment of balance with brokers)	-	-
- Accounts receivable for co-insurance operations:		
Pending balances with co-insurers	4,200	4,299
(Reserve for impairment of balance with co-insurers)	-	-
Credits through reinsurance operations:		
Pending balance with reinsurance companies	20,555	13,577
(Reserve for impairment of balance with reinsurance)	-	-
Other credits:		
Rest of credits	199,277	212,635
(Reserve for impairment of other credits)	-	-
Total	**246,087**	**276,557**

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Recorded in the "Other Credits - Rest of Credits" caption of the attached balance sheet are some assets for the various emphyteutic censuses of the Parent Company with the Generalitat de Catalunya, which at 31 December 2017 and 2016 represent amounts of 751 and 7,218 thousand euros, respectively. Said censuses generated income for a value of 312 and 800 thousand euros in the financial years 2017 and 2016, respectively. The maturity date of the current census will be 2018 and the implicit interest rate is 6.30%.

On 29 November 2012, the parent Company signed two reinsurance operations with Berkshire Hathaway Life Insurance Company of Nebraska (hereinafter, the "reinsurer").

The first was a proportional quota-share reinsurance contract for the transfer of 100% of the portfolio for Family Life and Seviam products effective until 31 December 2012. The duration of the reinsurance contract is indefinite or, failing that, up to the expiry of the portfolio of said insurance contracts, covering the risk of death. The second transaction is an annuity reinsurance contract in effect until 1 October 2012, with the aim of covering the longevity risk assigned to said portfolio. The agreed expiry date will be 30 September 2022 or the date that coincides with the end of the covered obligations.

As a consequence of said operations, at 31 December 2017, the Parent Company has an amount of 17,224 thousand euros under the "Credits through reinsurance operations" caption of the accompanying balance sheet, recorded as receipts and payments pending with the reinsurer.

The movement and detail of the losses of value recorded during 2017 and 2016 are set out in the following table, the different variations having been recorded in the "Net reinsurance premiums imputed" and "Net operating expenses" captions in the profit and loss account applicable to each segment.

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	Reserve for pending premiums	Reserve for impairment of balance with reinsurance	Reserve for impairment of balance with broker
Balances at 31 December 2015	**(2,603)**	**-**	**-**
Allocations charged to profit and loss account	(7,401)	-	-
Applications with payment to profit and loss account	2,603	-	-
Balances at 31 December 2016	**(7,401)**	**-**	**-**
Allocations charged to profit and loss account	(7, 626)	-	-
Applications with payment to profit and loss account	7,401	-	-
Balances at 31 December 2017	**(7,626)**	**-**	**-**

The breakdown of other credits in the consolidated balance sheet at 31 December 2017 and 2016 is as follows:

Rest of Credits:	Thousands of Euros	
	31.12.2017	31.12.2016
Administration fees and other fees receivable	28,850	31,074
Other debtors	140,025	160,917
Creditors for securities	30,402	20,644
Total	199,277	212,635

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7. Joint ventures

At the close of the 2017 financial year, the Group held a direct and indirect share of 74.96% in a Temporary Joint Venture (TJV).

On 5 December 2011, the Group, via its parent company VidaCaixa, S.A.U. incorporated a TJV at 50% with SegurCaixa Adeslas, S.A. de Seguros y Reaseguros, pursuant to Law 18/1982 of 26 May, called "UTE SEGURCAIXA ADESLAS, S.A. Y VIDACAIXA, S.A., Unión Temporal de Empresas Ley 18/1982, de 26 de mayo (temporary joint venture Law 18/1982, of 26 May)" with the purpose of contracting corporate and personal life and accident policies to the executives and other personnel of Bilbao City Council.

The term of the TJV is 6 years, beginning its operations on 1 January 2012, and its address for tax purposes is in Barcelona, Carrer de Juan Gris 20-26, Torre Norte del Complejo "Torres Cerdá", piso 3º. Its members specify that the financing of the common activities is charged to the common operating fund that they have set up with an initial contribution of 123 thousand Euros, of which both parties paid half. Also, the member companies participate in equal share in the distribution of results and in the income and expenses of the TJV, having joint and unlimited responsibility before third parties for the acts and operations that the TJV performs for joint benefit.

The assets of the TJV's balance sheet and profit and loss account had a balance below one thousand euros at 31 December 2017.

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8. Shareholdings in companies valued by the equity method

The breakdown of the companies valued by the equity method is included in the accompanying Annex I.

The movement of these shareholdings in the capital of unlisted companies in which the Group exercises a significant influence during 2017 is as follows:

Company	Thousands of Euros				
	Balances at 31.12.2016	Consolidation scope additions and withdrawals	Increases through year result	Other Variations (*)	Balances at 31.12.2017
Grupo SegurCaixa Adeslas, S.A. de Seguros y Reaseguros	1,068,618	-	48,370	(89,855)	1,027,133
Gross total	**1,068,618**	**-**	**48,370**	**(89,855)**	**1,027,133**
Impairment losses	-	-	-	-	-
Net total	**1,068,618**		**48,370**	**(89,855)**	**1,027,133**

(*) Relates to the distribution of the share premium and reserves by SegurCaixa Adeslas (See Note 5.c).

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9. Tangible fixed assets and property investments

A) Tangible Fixed Assets

According to their nature, the following is the breakdown of the items making up the balance of these captions and sub-captions of the consolidated balance sheet at 31 December 2017 (in thousands of euros):

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2016	**17,839**	**8,699**	**2,162**	**-**	**28,700**
Accumulated depreciation at 1 January 2017	**(1,760)**	**(2,559)**	**(1,442)**	**-**	**(5,761**
Impairment losses	**(447)**	**-**	**-**	**-**	**(447)**
Net Book Value at 1 January 2017	**15,632**	**6,140**	**720**	**-**	**22,492**
Investments or additions	-	623	532	-	1,155
Reclassifications and transfers	-	-	-	-	-
Sales and disposals	-	(48)	-	-	(48)
Amortisation of financial year	(270)	(928)	(302)	-	(1,500)
Reclassifications and transfers of the depreciation	-	-	-	-	-
Disposals of the depreciation	-	48	-	-	48
Losses/Applications for impairment		-	-	-	-
Net book value at 31 December 2017	**15,362**	**5,835**	**950**	**-**	**22,147**

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The composition of the net book value at 31 December 2017 in thousands of euros is broken down below:

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2017	**17,839**	**9,274**	**2,694**	**-**	**29,807**
Accumulated depreciation at 31 December 2017	**(2,030)**	**(3,439)**	**(1,744)**	**-**	**(7,213)**
Impairment losses	**(447)**	**-**	**-**	**-**	**(447)**
Net book value at 31 December 2017	**15,362**	**5,835**	**950**	**-**	**22,147**

The following is the movement and breakdown corresponding to the 2016 financial year (in thousands of euros):

	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2015	**17,839**	**8,139**	**1,861**	**-**	**27,839**
Accumulated depreciation at 1 January 2016	**(1,488)**	**(1,714)**	**(1,191)**	**-**	**(4,393)**
Impairment losses	**(2,968)**	**-**	**-**	**-**	**(2,968)**
Net Book Value at 1 January 2016	**13,383**	**6,425**	**670**	**-**	**20,478**
Investments or additions	-	665	301	-	966
Reclassifications and transfers	-	-	-	-	-
Sales and disposals	-	(105)	-	-	(105)
Amortisation of financial year	(272)	(850)	(252)	-	(1,374)
Reclassifications and transfers of the depreciation	-	-	-	-	-
Disposals of the depreciation	-	5	1	-	6
Losses/Applications for impairment	2,521	-	-	-	2,521
Net book value at 31 December 2016	**15,632**	**6,140**	**720**	**-**	**22,492**

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	Buildings for own use	Furniture and fittings	Data processing equipment	Other tangible fixed assets	Total
Cost at 31 December 2016	**17,839**	**8,699**	**2,162**	**-**	**28,700**
Accumulated depreciation at 31 December 2016	**(1,760)**	**(2,559)**	**(1,442)**	**-**	**(5,761)**
Impairment losses	**(447)**	**-**	**-**	**-**	**(447)**
Net book value at 31 December 2016	**15,632**	**6,140**	**720**	**-**	**22,492**

At 31 December 2017 and 2016, the Group has full rights of ownership over the buildings for own use. Furthermore, the Group has no commitment to acquire new properties. At the close of the 2017 and 2016 financial years, all tangible fixed assets of the Group are used directly for operational purposes.

On 29 June 2010, the Parent Company acquired a property for the amount of 17,839 thousand Euros from the company Anaemba, S.A., for 32 buildings located in carrer Juan Gris, 2 - 8 de Barcelona, Edificio "Torre Sur". These properties are subject to a mortgage, subrogated with Banif, S.A. with a maturity date of 17 June 2019 and an outstanding capital at 31 December 2017 of 819 thousand euros (see Note 13).

The market value at 31 December 2017 of the properties used by the Group is summarised below (in thousands of euros):

	Market value at 31.12.2017			
	Non-life Segment	Life Segment	Other activities segment	Total
Buildings for own use	-	15,700	-	15,700

During the 2016 financial year, the Group recorded a reversal of the impairment of tangible fixed assets and property investments of 2,541 thousand euros.

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B) Property Investments

The breakdown and movement of this consolidated balance sheet caption is as follows (in thousands of Euros):

2017 Financial Year:

	Property investments third-party use
Cost at 31 December 2016	**802**
Accumulated depreciation at 31 December 2016	(30)
Impairment losses	(148)
Net book value at 31 December 2016	**624**
Investments or additions	-
Changes to consolidation method	-
Reclassifications and transfers	-
Sales and disposals	-
Amortisation of financial year	(2)
Changes to consolidation method	-
Reclassifications and transfers of the depreciation	-
Disposals of the depreciation	-
Reversal of losses through impairment	-
Net book value at 31 December 2017	**622**

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Breakdown of net book value at 31 December 2017	Property investments third-party use
Cost at 31 December 2017	**802**
Accumulated depreciation at 31 December 2017	(32)
Impairment losses	(148)
Net book value at 31 December 2017	**622**

2016 Financial Year:

	Property investments third-party use
Cost at 31 December 2015	**802**
Accumulated depreciation at 31 December 2015	(28)
Impairment losses	(168)
Net book value at 31 December 2015	**606**
Investments or additions	-
Changes to consolidation method	-
Reclassifications and transfers	-
Sales and disposals	-
Amortisation of financial year	(2)
Changes to consolidation method	-
Reclassifications and transfers of the depreciation	-
Disposals of the depreciation	-
Reversal of losses through impairment	20
Net book value at 31 December 2016	**624**

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Breakdown of Net Book Value at 31 December 2016	Property investments third-party use
Cost at 31 December 2016	**802**
Accumulated depreciation at 31 December 2016	(30)
Impairment losses	(148)
Net book value at 31 December 2016	**624**

The Group has full rights of ownership over the same and no additional commitments to the acquisition of new tangible assets.

At the close of the 2017 and 2016 financial years, there were no restrictions for making new property investments or for receiving income from the same, or concerning income obtained from a possible transfer.

The market value of the Group's property investments at 31 December 2017 is summarised below (in thousands of euros):

	Market value at 31.12.2017			
	Non-life Segment	Life Segment	Other Activities Segment	Total
Property investments third-party use	-	2,329	-	2,329

At the close of the financial year no additional compensation was shown that revealed the market value of property investments.

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10. Intangible fixed assets

The movements that occurred in this caption during the 2017 and 2016 financial years are set out in the accompanying Annexes II and III, respectively.

The breakdown of Goodwill and Intangible Assets is as follows, according to the nature and type of the companies of origin:

Goodwill	Thousands of Euros	
	31.12.2017	31.12.2016
la Caixa Gestión de Pensiones, E.G.F.P., S.A.U.	3,408	3,408
Fortis holding value	330,929	330,929
Insurance companies of Banca Cívica	249,240	249,240
	583,577	**583,577**

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At 31 December 2017 and 2016, the Group's goodwill amounted to 583,577 thousand euros and was generated by the following operations:

- Merger by absorption of "la Caixa Gestión de Pensiones, E.G.F.P., S.A.U." (previously called Morgan Stanley Gestión Pensiones, E.G.F.P, S.A.U), carried out by VidaCaixa, S.A.U. in the 2008 financial year. The record of assets and liabilities stemming from said merger showed a goodwill of 3,408 thousand euros.

- Merger by absorption of the VidaCaixa Group in 2013. The record of assets and liabilities stemming from said merger shows a goodwill of 330,929 thousand euros associated with the holding in VidaCaixa, S.A.U. Said goodwill originated in 2008 when CaixaBank (previously Criteria CaixaCorp, S.A.) acquired from Fortis the latter's holding in VidaCaixa, S.A.U.

- Acquisition and subsequent merger during 2013 of the companies Banca Cívica Vida y Pensiones, CajaSol Vida y Pensiones and CajaCanarias Vida y Pensiones which generated goodwill of 245,611 thousand Euros. Pursuant to the regulations, the Group had 12 months from the date of acquisition of said Companies to adjust the fair value of the combination of businesses. In 2014, the Group readjusted the value of the goodwill registered at 31 December 2014 for an amount of 249,240 thousand Euros.

The goodwill that arose in these operations was assigned to the cash-generating unit (hereinafter, CGU) of the Parent Company's Life and Pensions Insurance Business and reflects the way in which the Senior Management monitors the entity's business in a single CGU.

At least once a year, the Parent Company performs an impairment test of the overall CGU. The valuation of the CGU performed by the Parent Company is based on the Dividend Discount Model (DDM) considering the minimum regulatory capital. Said model, widely accepted by the financial community, is based on the projection of dividends that the Parent Company expects for the coming financial years. For this, some 5-year projections were made, based on the operational plans of the Parent Company, and the flows until maturity have been taken into account for the savings business. To determine the residual value from the projections, a growth rate of 2% has been taken, based on estimates of the most relevant macroeconomic variables applied to the Parent Company's activity. Also, a discount rate of 8.84% applied in the projections is considered, calculated on the interest rate of the 10-year sovereign Spanish bond, plus an associated country risk premium. The fall rates of the projected portfolio are based on internal studies of the actual experience of the Parent Company.

In addition to the central scenario, possible variations in the model's principal hypotheses have been calculated and a sensitivity analysis of the most significant variables has been conducted (increasing and decreasing the growth rate and the discount rate by 100 basic points). At 31 December 2017, no reasonably possible change in the key assumptions of the projection of income and expenditure would entail that the carrying amount would exceed its fair value.

The details of Other intangible fixed assets by origin are as follows:

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Intangible Assets	Thousands of Euros	
	31.12.2017	31.12.2016
Computer programs and other intangible assets	19,885	20,382
la Caixa Gestión de Pensiones, E.G.F.P., S.A.U	1,449	2,028
Fortis holding value	-	18,190
Banca Cívica Vida y Pensiones	35,273	42,698
CajaSol Vida y Pensiones	7,303	8,694
CajaCanarias Vida y Pensiones	4,499	5,356
Caja Guadalajara	544	633
Banco Valencia Funds	1,008	1,171
Barclays Vida y Pensiones – Pension Funds	6,845	7,655
Barclays Vida y Pensiones – Risk Portfolio	11,318	12,600
BPI Vida	15,306	-
Acquisition expenses	60,635	58,584
Other Intangible Assets	**164,065**	**177,991**

The intangible assets recorded as a consequence of business combinations are, basically, as follows:

- Intangible assets associated with the acquisition in 2013 of Banca Cívica Vida y Pensiones, CajaSol Vida y Pensiones and CajaCanarias Vida y Pensiones for an initial amount of 72,401, 14,876 and 9,424 thousand Euros respectively and calculated based on the best estimate of expected cash flows, assuming a constant growth rate of 2% and discounted at a rate of 8.62%, calculated on the interest rate of the 10-year Spanish bond, plus a risk premium associated with the insurance business. Pursuant to standard IFRS 3, the Parent Company had 12 months from the date of acquisition of said companies to adjust the fair value of the business combination. In 2014, the Parent Company readjusted the initial value of the intangible assets, fixing them at 72,401, 13,911 and 8,570 thousand Euros, respectively. The net value of the same at 31 December 2017 was 35,273, 7,303 and 4,499 thousand euros respectively. In the annual valuation of said intangibles, the Parent Company projected its expected cash flows until expiry. To complement the hypotheses used in the valuation

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model, the Parent Company conducted a sensitivity analysis on the most significant variables, without any significant deviations having arisen from the same that would reveal the need to make allocations in the financial year. The amount allocated to the amortisation of said intangible assets in 2017 amounted to 9,674 thousand euros at 31 December 2017. The remaining useful life of said intangibles is 5 years.

- Intangible assets associated with the merger by absorption in 2013 of the VidaCaixa Group, whose assets and liabilities stemming from said merger have been registered, showing the values in consolidated books of the “la Caixa” Group, revealing an initial net intangible asset of 90,951 thousand Euros associated with the consolidated book value of the holding of VidaCaixa, S.A.U. that was held by VidaCaixa Group. The amount allocated to the amortisation of said intangible asset in 2017 amounts to 18,190 thousand euros, recorded under the “Other expenses” caption of the Non-Technical Account. The useful life of said intangible asset is 10 years. On the date of said merger by absorption, the pending useful life was 5 years. Said intangible asset is fully amortised at the close of the 2017 financial year.

- Intangible asset associated with the merger by absorption of “la Caixa Gestión de Patrimonios, E.G.F.P., S.A.U.” (previously called Morgan Stanley Gestión Pensiones, E.G.F.P, S.A.U), carried out by VidaCaixa, S.A.U. in the 2008 financial year. Deriving from this, an intangible asset was identified for a value of 6,953 thousand Euros. The amortisation of the asset in 2017 amounted to 579 thousand euros, registered under the “Other expenses” caption of the Non-Technical Account. The useful life of said intangible asset is 12 years and the remaining useful life at 31 December 2017 is 2.5 years.

- On 29 January 2014, the Parent Company registered the partial transfer of the portfolio through which the entity Caja de Seguros Reunidos Compañía de Seguros y Reaseguros, S.A. (CASER) transferred to VidaCaixa, S.A.U. (as universal successor of CajaSol Vida y Pensiones de Seguros y Reaseguros, S.A.) all of the life risk insurances existing on the date of the portfolio transfer, with the exception of the collective insurances comprising pension commitments, taken out by the assignor and brokered by the banking-insurance operator, Caja Guadalajara. As a result of this, the Parent Company registered the amount arising from said agreement for 894 thousand Euros as intangible fixed assets. The amortisation of the asset in 2017 amounted to 90 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2017 is 6 years.

- In February 2014, VidaCaixa, S.A.U. integrated the pension plans contained in the “Agreement to mobilize Pension Plans between Bankia Mediación, Operador de Bancaseguros Vinculado S.A.U.; CaixaBank, S.A.; VidaCaixa, S.A.U. de Seguros y Reaseguros and Aseguradora Valenciana de Seguros y Reaseguros, S.A.”. As a result of this, the Parent Company registered the amount arising from said agreement for 1,635 thousand Euros as intangible fixed assets. The amortisation of the asset in 2017 amounted to 163 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2017 is 6 years.

- On 10 June 2016, VidaCaixa proceeded to integrate the pension plans of Barclays Vida y Pensiones S.A.U. arising from the agreement signed between both companies during the 2015 financial year. As a result of this, the Parent Company registered the amount arising from said agreement of 8,111 thousand euros as intangible fixed assets. The amortisation of the asset in 2017 amounted to 811 thousand euros.

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The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2017 is 8.5 years.

- On 31 October 2016, the Parent Company registered the part of the Barclays Vida y Pensiones Compañía de Seguros S.A.U. portfolio transfer related to its risk products in accordance with the Framework Agreement signed between both Companies in the 2015 financial year. As a result of this, the Parent Company recorded 13,011 thousand Euros as intangible fixed assets. Subsequently, on 30 December 2016, a part of the portfolio acquired on 31 October 2016 was transferred to CNP Partners de Seguros y Reaseguros S.A. Specifically, the transfer of the "Barclaycard" portfolio and the transfer of the "Caja Rural" portfolio went ahead for a total amount of 194 thousand euros. Given the proximity of the dates of both operations, the amount charged for transferring the portfolio to CNP was deducted from the initially-estimated intangible assets, with VidaCaixa registering neither a profit nor loss for said operation. Therefore, the gross amount finally activated by the risk part of the Barclays Vida y Pensiones Compañía de Seguros, S.A.U. portfolio transfer amounted to 12,817 thousand Euros.

  The amortisation of the asset in 2017 amounted to 1,282 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2017 is 9 years.

- On 29 December 2017, the Parent Company had acquired 100% of the share capital of BPI Vida. Deriving from this, a total intangible asset of 15,306 thousand euros has been identified, corresponding to the portfolio of pension fund customers for an amount of 2,656 thousand euros with a useful life of 10 years and a portfolio of the company's own policyholders for an amount of 12,650 thousand euros with a useful life of 5 years.

As a government concession, deriving from the operation to purchase Edificio Torre Sur, located in Carrer de Juan Gris 2-8, Barcelona, 1,221 thousand Euros were collected that were activated in 2010. The Parent Company amortises said asset in the 50-year period since the start of the concession. In 2012, the Parent Company registered an impairment for an amount of 89 thousand Euros. In 2014, an impairment of 113 thousand Euros was registered. During the 2016 financial year, part of the impairment was reversed, being fixed at 135 thousand euros.

Included in the acquisition costs are the cash premiums that are payable directly by the Parent Company, the fixed-term deposits paid by "CaixaBank" and the gifts-in-kind assumed by PromoCaixa associated with certain new types of pension plans and insurance products. The Group capitalises the amount of said premiums and amortises them over a maximum term of 5 years, taking into account the movements and falls in the portfolio.

Computer programs are also included under this caption, whereby the Parent Company records in this account the costs incurred in the acquisition and development of computer programmes, provided that it intends to use them over several financial years. The maintenance costs for Computer programs are registered in the profit and loss account of the financial year in which they are incurred.

At the close of the 2017 and 2016 financial years, the Group had fully amortised intangible fixed assets that continued in use, pursuant to the following list (in thousands of euros):

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Description	Book value 2017 (Gross)	Book value 2016 (Gross)
Computer programs	-	3,009
Total	**-**	**3,009**

11. Leases

11.1 The Group acting as a lessor

At the close of the 2017 and 2016 financial years, the main operating lease that the Group had contracted in its position of lessor is as follows:

- Lease of several parking spaces located on the underground floors of the Edificio Torre Sur, located in carrer Juan Gris 2-8, Barcelona. The rents received during the 2017 and 2016 financial years amounted to 19 thousand euros in each financial year.

11.2 The Group acting as a lessee

At the close of the 2017 and 2016 financial years, the main operating lease that the Parent Company had contracted in its position of lessee is as follows:

- Lease of the 3rd floor of the office located in Paseo de Recoletos 37-41, Madrid. The rents paid during the 2017 and 2016 financial years amounted to 519 thousand euros and 499 thousand euros respectively.

Furthermore, as a consequence of the acquisition of BPI Vida, at the close of 2017, the Group entered into the following operating lease agreement in the position of lessee:

- BPI Vida is lessee mainly of the offices located at Rua Braamcamp, 11- 6ª planta, Lisboa. This is a permanent lease.

At 31 December 2017, the Parent Company had contracted the following minimum lease rents with the lessors, pursuant to the current valid contracts, not taking into account the repercussion of shared costs, future increases in the CPI, or future updates of contractually agreed rents (in thousands of euros):

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Operating Leases Minimum payments	Thousands of Euros	
	2017	2016
Less than 1 year	45	351
Between 1 and 5 years	727	467
More than 5 years	-	-
Total	**772**	**818**

The amount of the operating lease and sub-lease rents recognised, respectively, as expenditure and income during the 2017 and 2016 financial years is as follows:

	Thousands of Euros	
	2017	2016
Lease payments	519	499
(Subletting rents)	-	-
Total	**519**	**499**

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12. Tax situation

Corporate income tax is based on each Company's reported profits calculated by application of generally accepted accounting principles, which do not necessarily agree with the fiscal results, this being understood as the tax base of the tax.

A) Tax Consolidation Regime

The Companies of the Group and its subsidiaries, except BPI Vida, are in the tax consolidation regime within the CaixaBank Tax Group, and therefore the balances payable for said items are recorded under Debts with Group Companies in the "Debits and payable items" caption of the attached balance sheet.

The company BPI Vida is subject to the tax regime corresponding to the Tax Code for Corporation Tax (IRC), for which the applicable tax rate is 21% plus the local and national government surcharges.

From 1 January 2008 up to the 2012 financial year, with the prior authorisation of the Tax Administration, the consolidated companies paid corporation tax under the Fiscal Consolidation Regime jointly with "la Caixa" and with the rest of the companies which, in accordance with the applicable regulations of each financial year, make up the tax consolidation group. From 2013, the Parent Company of the tax group changed to CaixaBank, S.A. The profits determined in compliance with the tax legislation for this consolidated tax group are subject to a rate of tax of 30% on the tax base in 2017 (see Note 3.g).

B) Assets and liabilities through current tax

The assets and liabilities through current tax consist of fiscal credits and debts which are expected to be offset at the moment of settlement of corporation tax with the Tax Administration. Given that the Group pays taxes under the tax consolidation regime, at 31 December 2017 and 2016, no assets and liabilities through current tax were shown, with the exception of those derived from the operations of BPI Vida.

C) Assets and liabilities through deferred tax

At 31 December 2017, the Group had assets and liabilities for deferred taxes for the amount of 261,810 and 255,139 thousand euros respectively, 280,417 and 318,335 thousand euros at 31 December 2016, recorded under the "Deferred tax assets" and "Deferred tax liabilities" sub-captions.

The deferred taxes that are credited or charged directly to the statement of recognised revenue and expenses (basically, the valuation adjustments derived from the classified financial instruments in the "available for sale" portfolio) have been recorded through said account with having any effect on the consolidated profit and loss account for the 2017 financial year.

D) Taxes charged on equity and deferred taxes

The following is the breakdown of the taxes:

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Deferred tax assets	Thousands of Euros	
	31.12.2017	31.12.2016
Sales for variable income	-	-
Deductions pending application	215,986	222,473
Losses of financial assets available for sale	5,845	-
Levelling of technical reserves	14,976	19,825
Other	25,003	38,119
Total	**261,810**	**280,417**

The deferred tax assets were recorded in the balance sheet since the Directors of the Parent Company consider that, in accordance with the best estimate regarding its future results, including certain tax planning measures, it is likely that these assets will be recovered.

Deferred tax liabilities	Thousands of Euros	
	31.12.2017	31.12.2016
Liabilities amortisation intangible assets	16,981	20,867
Levelling of technical reserves	217,678	277,678
Sales of variable income securities	-	-
Gains of financial assets available for sale	4,248	2,053
Other	16,232	17,737
Total	**255,139**	**318,335**

The deferred tax associated with the levellings of technical reserves is linked, in the 2017 financial year, to the value levelling adjustments arising from the results of the Liabilities Sufficiency Test in the Technical reserves.

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E) Reconciliation of the book results and corporation tax expenses

The following is the breakdown of the corporation tax expense of companies reflected in the attached consolidated profit and loss account for the financial years 2017 and 2016:

	Thousands of Euros	
	2017	2016
	"CaixaBank" Tax Group	"CaixaBank" Tax Group
Locally based taxable income before taxes	**705,666**	**746,671**
Consolidation and application of IFRS adjustments	(1,183)	(202,487)
Impact of permanent differences	(83,393)	(41,007)
Taxable income of Group	**621,090**	**503,177**
Payable value (30%)	**186,327**	**150,953**
Deductions	(652)	(422)
Other	(8,436)	541
Net tax payable	**177,239**	**151,072**
Reversal of deferred taxes	-	-
Total expense for taxation recognised in the consolidated profit and loss account	**177,239**	**151,072**

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F) Financial years subject to tax inspection

According to current legislation, tax liquidations may not be considered final until the presented declarations have been inspected by the tax authorities or the statute barred period of four years has passed. Therefore, the Group's last four financial years are open to inspection for all applicable taxes.

On 7 July 2015, the Parent Company was notified of the start of tax inspection on the following facts and items:

Item	Periods
Corporation tax	01/2010 to 12/2012
Value added tax	07/2011 to 12/2012
Withholdings / Payment on account of work / Professional earnings	07/2011 to 12/2012
Withholdings on account of non-resident taxation	07/2011 to 12/2012
Withholdings / Payment on account movable capital	01/2010 to 12/2012

On 13 July 2016, the consolidation procedure for corporation tax was signed as well as the declarations of conformity for the other taxes. As a result of said declarations in 2016, 123 thousand euros were paid out.

During the current financial year, the verification actions were finalised for the 2010 to 2012 financial years for the tax group to which the Parent Company belongs. The declarations of non-conformity signed by the tax Group, relating to corporation tax, are pending resolution, with no significant impact expected for the VidaCaixa Group.

On 16 May 2011, given that the Group forms part of the consolidated tax group, in the corporation tax, where the parent company is CaixaBank, S.A. (up to the 2012 financial year it was Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"), a verification was initiated as part of the activities carried out by the Tax Administration in relation to the "la Caixa" tax group, in order to verify compliance with the tax obligations of VidaCaixa, S.A.U. during the tax years 2008 to 2009. The corporation tax settlements were checked, finalising the actions with a Report, which was incorporated into the Group's records that have been contested and are awaiting a decision by the Central Economic Administrative Court (TEAC) with an insignificant impact.

The Directors of the Parent Company consider that the settlements of the relevant taxes have been made correctly; therefore, even in the event of a discrepancy in the interpretation of the current legislation regarding the tax treatment of transactions, any potential resulting liabilities, should they arise, would not significantly affect the attached annual accounts.

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13. Debits and payable items

According to their nature, the following is the breakdown of the items that make up the financial liabilities of the consolidated balance sheet at 31 December 2017 and 2016 (in thousands of euros):

Debits and payable items	Portfolio of debits and payable items	
	Thousands of Euros	
	31.12.2017	31.12.2016
Subordinated liabilities	60,000	-
Deposits received for ceded reinsurance	1,177	1,140
Debts through insurance and co-insurance operations	29,737	74,218
Debts through reinsurance operations	6,840	6,375
Debts with credit institutions (Note 9.a.)	819	1,359
Debts through temporary assignment of assets	201,837	201,756
Other debts	539,623	425,887
Total	**840,033**	**710,735**

Following the acquisition of BPI Vida (see note 5), the Parent Company has included 60,000 thousand euros of subordinated liabilities, issued on 6 September 2007, relating to the perpetual subordinated bonds admitted for listing on the Euronext Lisbon, with quarterly interest payments at a 3-month variable Euribor rate plus 1.65 percentage points. The subordinated liabilities are entered in the books at the amortised cost pursuant to requirement IAS 39. On the date when these consolidated annual accounts were prepared, said subordinated liabilities were amortised (See Note 22).

As a result of the “Modification of IAS 7” entering into effect on 1 January 2017, a reconciliation of the liabilities stemming from the financing activities is included below, separating the changes that generate cash flows from those that do not:

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	01.01.2017	Cash Flows	No cash flow impact			31.12.2017
			Variation in fair value	Reclassifications	Others (*)	
Subordinated debt	-	-	-	-	60,000	60,000
Debts with credit institutions	1,359	(540)	-	-	-	819
Temporary assignments of assets	201,756	81	-	-	-	201,837
Derivatives	-	-	-	-	530	530
Total liabilities from financing activities	**203,115**	**(459)**	**-**	**-**	**60,530**	**263,186**

(*) Includes the balances relating to the acquisition of BPI Vida

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A) Debts

The following is the breakdown of the debts derived from insurance, reinsurance and co-insurance contracts, together with other debts, at 31 December 2017 and 2016:

	Thousands of Euros	
	31.12.2017	31.12.2016
Debts through direct insurance and co-insurance operations:		
- With policyholders	364	28,701
- With co-insurers	1,033	1,384
- With brokers	26,575	40,441
- Preparatory debts of insurance contracts	538	536
- Conditioned debts	1,227	3,156
TOTAL	**29,737**	**74,218**
Debts through reinsurance operations	**6,840**	**6,375**
Other debts	**539,621**	**425,887**

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The "Other Debts" sub-caption includes the following items at 31 December 2017 and 2016:

	Thousands of Euros	
	31/12/2017	31/12/2016
Group and associated companies		
With 'la Caixa' through IS	183,129	162,944
Rest of Group company debts	133,144	27,849
Debts with Public Administrations	17,632	19,332
Sundry creditors	205,716	215,762
Total	**539,621**	**425,887**

At 31 December 2017, the amount recorded under "Rest of Group company debts" includes 60,000 thousand euros corresponding to the interim dividend pending payment, approved by the meeting of the Board of Directors of the Parent Company, held on 22 December 2017.

Information on Payment Deferrals made to Suppliers

Below is the information required by Additional Provision Three of Law 15/2010, of 5 July (modified through the Second final provision of Law 31/2014, of 3 December) prepared pursuant to ICAC's resolution of 29 January 2016, on the information to disclose in the notes of the annual accounts concerning the average payment period to suppliers in commercial transactions.

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	2017	2016
	Days	Days
Average term for payment to suppliers	13.47	9.41
Operations paid ratio	11.88	9.48
Operations pending payment ratio	67.39	8.41
	Thousands of Euros	Thousands of Euros
Total payments made	74,056	88,068
Total payments outstanding	2,194	5,874

In accordance with the ICAC's resolution, for the calculation of the average period for payment to suppliers, the commercial operations corresponding to the delivery of goods or provision of services which have taken place as of the date of entry into force of Law 31/2014 of 3 December have been taken into account.

For the exclusive purpose of providing the information referred to in this Resolution, suppliers are considered to be the commercial creditors for debts with suppliers of goods or services, included under the items "Other Debts - Rest of other Debts" of current liabilities in the balance sheet.

"Average term for payment to suppliers" is understood to be the time that passes from the delivery of the goods or provision of services by the supplier and the material payment of the operation.

The maximum legal payment deadline applicable to the Group during the 2017 financial year, according to Law 3/2004, of 29 December, which establishes the measures to deal with bad debts in commercial operations, is 30 days.

B) Debts with credit institutions: Debts through temporary assignment of assets

The amount recorded in the caption "Other debts - Debts for assignments of group assets" at 31 December 2017 and 2016 relates to the operations for the assignment of financial assets with repurchase agreement, whose book value is 201,837 and 201,756 thousand euros, respectively. The additions and withdrawals deriving from such operations in the 2017 financial year amounted to 1,395,989 and 1,395,908 thousand euros, respectively, (976,778 and 12,226,705 thousand euros, respectively, in 2016).

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14. Balances in foreign currency

The balances and most significant transactions in foreign currency, valued at the closing exchange rate and average exchange rate, respectively, taking into consideration the different nature of the items they comprise, and expressing their equivalent values in thousands of Euros, are as follows:

Balances held in:	Equivalent value in thousands of Euros			
	31.12.2017			
	Cash and cash equivalents	Other financial assets with changes in the P&L account - Unit Link	Other financial assets with changes in the P&L account - PVI Inv. Flex.	Financial Assets Available for Sale (*)
US dollars	59,217	313,376	58,585	65,506
Pounds sterling	19	525	-	87,507
Swiss Francs	-	4,115	-	-
Norwegian Krone	-	649	-	-
Danish Krone	-	72	-	-
Swiss Franc	-	62	-	-
Japanese yen	861	18,315	8,512	654
Total	**60,097**	**337,114**	**67,097**	**153,666**

(*) These are positions in passive currencies associated to flows of financial swap operations

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Balances held in:	Equivalent value in thousands of Euros			
	31.12.2016			
	Cash and cash equivalents	Other financial assets with changes in the P&L account - Unit Link	Other financial assets with changes in the P&L account - PVI Inv. Flex.	Financial Assets Available for Sale (*)
US dollars	929	102,925	11,427	85,714
Pounds sterling	6	104	-	22,565
Swiss Francs	-	2,916	-	-
Norwegian Krone	-	649	-	-
Japanese yen	-	15,722	4,699	837
Total	**935**	**122,316**	**16,126**	**109,116**

(*) These are positions in passive currencies associated to flows of financial swap operations

The exchange rates used in the conversion to euros of the balances held in foreign currencies are the same as those published by an external source of reference on the closing date.

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15. Technical reserves

The detail of the reserves established at 31 December 2017 and their movement with regard to the financial year ended 31 December 2016 is set out below, together with the reinsurance participation in the same:

Reserve	Thousands of Euros					
	Balances at 31 December 2016	Integration Barclays (*)	Addition of BPI Vida in the scope (**)	Endowments charged to results	Applications with payment to results	Balances at 31 December 2017
Technical reserves:						
Unearned premiums and unexpired risks	4,280	-	-	4,137	(4,280)	4,137
Life Insurance:						
- Related to life insurance (***)	48,103,101	424,209	1,815,834	53,015,299	(50,343,144)	53,015,299
- Related to life insurance when the risk is assumed by the policyholders	2,607,807	152,090	2,279,729	6,132,777	(5,039,626)	6,132,777
Claims	526,512	7,452	232	573,029	(534,196)	573,029
Profit-sharing and returns	45,710	-	508	36,914	(46,218)	36,914
Other technical reserves	-	-	105	105	(105)	105
Total	**51,287,410**	**583,751**	**4,096,408**	**59,762,261**	**(55,967,569)**	**59,762,261**
Share of reinsurance in technical reserves (ceded):						
Unearned premium reserves	(2,585)	-	-	(3,799)	2,585	(3,799)
Life Insurance reserve	(319,767)	-	-	(258,702)	319,767	(258,702)
Claims reserve	(14,371)	-	-	(10,932)	14,371	(10,932)
Other technical reserves	-	-	-	-	-	-
Total	**(336,723)**	**-**	**-**	**(273,433)**	**336,723**	**(273,433)**

(*) Balances deriving from the integration of Barclays Vida y Pensiones - Savings portfolio (see Note 5)
(*) Balances deriving from the acquisition of BPI Vida (See Notes 1 and 5)
(*) At 31 December 2017, it includes 50,697 thousand euros corresponding to unearned premium reserves for the products with coverages shorter than the year.

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The movement of these reserves in 2016 was as follows:

Reserve	Thousands of Euros				
	Balances at 31 December 2015	Integration Barclays (*)	Endowments charged to results	Applications with payment to results	Balances at 31 December 2016
Technical reserves:					
Unearned premiums and unexpired risks	2,962	1,002	4,280	(3,934)	4,280
Life Insurance:					
- Related to life insurance (**)	41,976,696	63,366	48,103,101	(42,040,062)	48,103,101
- Related to life insurance when the risk is assumed by the policyholders	2,075,392	-	2,607,807	(2,075,392)	2,607,807
Claims	465,733	13,118	526,512	(478,851)	526,512
Profit-sharing and returns	65,471	-	45,710	(65,471)	45,710
Total	**44,586,254**	**77,486**	**51,287,410**	**(44,663,740)**	**51,287,410**
Share of reinsurance in technical reserves (ceded):					
Unearned premium reserves	(1,824)	-	(2,585)	1,824	(2,585)
Life Insurance reserve	(381,274)	-	(319,767)	381,274	(319,767)
Claims reserve	(8,128)	-	(14,371)	8,128	(14,371)
Other technical reserves	-	-	-	-	-
Total	**(391,226)**	**-**	**(336,723)**	**391,226**	**(336,723)**

(*) Balances deriving from the integration of Barclays Vida y Pensiones - Savings portfolio (see Note 5)
(*) At 31 December 2016, it includes 254,561 thousand Euros corresponding to unearned premium reserves for the products with coverages shorter than the year.

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Up to 31 December 2016, the Parent Company classified the reserve associated with the "Seviam Obert-Vida entera" life insurance in the sub-caption "Life insurance reserves-Unconsumed premium reserves". At the close of 2017, said reserve was classified in the sub-caption "Life insurance reserves-policy reserves".

Up to 31 December 2016, the Parent Company used the PERF-2000C tables for contracts with technical bases that do not comply with Royal Decree 1060/2015, of 20 November, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies ("ROSSEAR" for its Spanish initials), maintaining the technical base tables for the rest. At the close of 2017, the Company had replaced the PERF-2000C tables with the tables of their own experience derived from the Partial Internal Model for Longevity and Mortality approved by the Directorate General of Insurance and Pension Funds (VC14). The effect of said change involved an allocation of 45 million euros during the 2017 financial year.

Furthermore, the Group calculates certain policy reserves at the maximum rate established by the DGIPF (the criteria established in article 33.1 of the Regulation on Administration and Supervision of Private Insurance, hereinafter, ROSSP, which was 1.09% for the 2017 financial year, see decision of 2 January 2017). On 31 December 2017, the Group held an additional reserve for this item of 93 thousand euros for the purposes of said calculation.

The Group performs a liabilities sufficiency test every year in order to identify any deficit in the reserves and make the corresponding allocation.

The liabilities sufficiency test consists of evaluating the liabilities for insurance contracts, based on the most recent estimates of future cash flows deriving from their contracts in relation to the assets assigned to its coverage. For this, future estimated cash flows that derive from insurance contracts and from financial assets assigned to a curve of interest rates of assets with a high credit rating will be deducted. To estimate future estimated cash flows derived from insurance contracts, the surrenders in the portfolio will be observed, pursuant to the average of the last 3 years for the Pension 2000 product and based on the average observed in the last 5 years, for the other products.

A sensitivity analysis of the discount curve used will also be carried out. This sensitivity curve consists of introducing a drop in the interest rate of 100, 150 and 200 basic points of the discount curve used, as well as an increase of 80, 100 and 200 basic points.

Below is the breakdown of the technical reserves of the direct business at 31 December 2017 according to the different businesses included in the Life and Non-life Insurance segments:

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Reserve at 31 December 2017	Thousands of Euros		
	Non-Life	Life	Total
	Accidents and illness		
Technical reserves:			
Unearned premiums and unexpired risks	4,137	50,697	54,834
Policy reserves	-	52,964,602	52,964,602
Reserve for life insurance when the policyholder assumes the investment risk	-	6,132,777	6,132,777
Claims	9,160	563,869	573,029
Profit-sharing and returns	1,073	35,841	36,914
Other technical reserves	-	105	105
Total	**14,370**	**59,747,891**	**59,762,261**

The breakdown of the technical reserves of the direct business for the 2016 financial year is as follows:

Reserve at 31 December 2016	Thousands of Euros		
	Non-Life	Life	Total
Technical reserves:			
Unearned premiums and unexpired risks	4,280	254,561	258,841
Policy reserves	-	47,848,540	47,848,540
Reserve for life insurance when the policyholder assumes the investment risk	-	2,607,807	2,607,807
Claims	13,632	512,880	526,512
Profit-sharing and returns	755	44,955	45,710
Total	**18,667**	**51,268,743**	**51,287,410**

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The unrealised gains of financial assets classified in the Available For Sale portfolio, and that are associated with the insurance contracts using financial immunisation techniques, are presented increasing the "Technical Reserves" caption:

	Thousands of Euros
Balance at 1 January 2017	**9,258,568**
Net movement through allocation of net unearned capital gains charged to equity	(1,223,518)
Balance at 31 December 2017	**8,035,050**

The movement experienced in the previous 2016 financial year is as follows:

	Thousands of Euros
Balance at 1 January 2016	**8,223,204**
Net movement through allocation of net unearned capital gains charged to equity	1,035,364
Balance at 31 December 2016	**9,258,568**

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The effect of the reinsurance on the profit and loss account for the financial years 2017 and 2016 was as follows:

	Thousands of Euros	
	2017 Financial Year	2016 Financial Year
Premiums imputed to the ceded reinsurance		
— Ceded premiums	(204,034)	(213,281)
— Change in unearned premium reserves	1,213	761
Fees (*)	139,019	4,192
Cost of the cession	**(63,802)**	**(208,328)**
Reinsurance loss (*)	117,216	121,633
Total cost of reinsurance	**53,414**	**(86,695)**

(*) The fees and loss of the reinsurance are represented in the profit and loss account netting the sub-captions “Net operating expenses” and “Net reinsurance loss in the financial year“, respectively.

The reinsurance loss includes settlements for the annuity reinsurance contract made during the 2017 and 2016 financial years.

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16. Non-technical reserves

The non-technical reserves are intended to cover current obligations derived from past events, the cancellation of which could give rise to an outflow of resources, but are indefinite in terms of their amount and/or time of cancellation.

The non-technical reserves are valued by taking the current value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account the information available about the event and its consequences, and recording the adjustments that arise due to the update of said reserves as a financial expense as they accrue.

The Group has no significant claims, lawsuits or litigation, other than those which correspond to the insurance business (and which, in this case are duly valued and included, wherever applicable, in the reserves for claims) which may damage or affect the consolidated financial statements, or the contingent liabilities, and which might involve the Group in litigation or result in fines or penalties with a significant effect on the assets thereof.

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17. Assets attributed to shareholders of the parent company

As part of the consolidated financial statements, the Group presents a consolidated statement of changes in equity which shows, among others:

- The financial year result derived from the profit and loss account;
- Each party that, according to IFRS, recognises direct variations in equity;
- The total of revenues and expenses for the financial year (sum of the two above sections), separately showing the total amount attributed to the shareholders of the Parent Company and to minority interests;
- The effects of the changes in the accounting policies and of the correction of errors in each of the components of equity, where these have occurred;
- The amounts of the transactions that the holders of equity instruments have carried out in their condition as such, for example the capital contributions, the repurchases of own shares maintained in their own portfolios and the distribution of dividends, showing these last distributions separately;
- The balance of the reserves through accumulated profits at the beginning of the financial year and on the date of the balance, as well as its movements during the financial year.

In addition, the Group separately details all the income and expenses recognised during the financial year, whether through the profit and loss account or directly in the assets. This statement is called the "Statement of recognised income and expenses" and supplements the information provided in the "Statement of changes in equity".

In 2017, the Group's Parent Company made no significant change to its accounting policies that affect the consolidated annual accounts, and nor was it necessary to correct errors from previous financial years.

A) Share capital and share premium

The share capital of the Parent Company at 31 December 2017 stands at 1,347,462 thousand euros, represented by 224,203,300 shares, each with a par value of 6.01 euros, fully subscribed and paid up. All these shares have identical political and economic rights.

At 31 December 2017, the shareholders of the parent company with a holding equal to or greater than 10% of the subscribed capital were as follows:

	Percentage Holding
CaixaBank, S.A. (direct holding)	100%

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At 31 December 2017, the Parent Company holds several contracts with its Sole Shareholder. The most significant are listed below:

- Agency contract for the marketing of insurance products through the CaixaBank network of offices (see Note 20).
- Framework contract of financial operations that formalises the agreement to carry out assignments by way of security (see Note 6).
- Securities lending agreement (see Note 13.b).
- Contract for the custody of securities.

At the same time, within the normal operation of the Parent Company, at 31 December 2017 the same holds various insurance policies where the policyholder is CaixaBank (see Note 20).

B) Reserves

The statement of changes in equity attached to these annual accounts details the balances of the reserves through accumulated profits at 31 December 2017 and at 31 December 2016, as well as the movements produced during the financial year.

The breakdown of each type of reserve at 31 December 2017 and 2016 is detailed below:

	Thousands of Euros	
	31.12.2017	31.12.2016
Legal Reserve	269,492	269,492
Voluntary reserves of the Parent Company	1,274,957	1,237,977
Reserves in fully consolidated companies	1,015	25
Reserves in companies consolidated by the equity method	90,228	48,378
Total reserves	**1,635,692**	**1,555,872**

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b.1) Legal Reserve

According to the Capital Companies Act, a sum equivalent to 10% of the financial year profits must be passed over to the legal reserve until the reserve reaches at least 20% of the share capital. The legal reserve may be used to increase the capital in the part that exceeds the 10% already increased. Otherwise, as long as the reserve does not exceed 20% of the share capital, it may only be used to compensate losses and provided there are no other sufficient reserves available for this purpose.

b.2) Reserves in Consolidated Companies

The breakdown of balances by companies in the attached consolidated balance sheet at 31 December 2017 and 2016, having considered the effect of the consolidation adjustments, is shown below (thousands of euros):

Reserves of fully consolidated companies	VidaCaixa Mediació	Total
Balances at 31.12.2016	**25**	**25**
Distribution of 2016 financial year result	990	990
Interim dividends paid out of 2016 income	-	-
Reclassification to Parent Company	-	-
Consolidation adjustments	-	-
Disposal due to sale and dissolution	-	-
Balances at 31.12.2017	**1,015**	**1,015**

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Reserves in companies consolidated by the equity method	SegurCaixa Adeslas
Balances at 31.12.2016	**48,378**
Distribution of 2016 financial year result	126,879
Interim dividends paid out of 2016 income	(85,029)
Variation of holdings	-
Reserves consolidated by the equity method	-
Balances at 31.12.2017	**90,228**

C) Distribution of results

The proposed distribution of the earnings for the financial year, drawn up by the Directors of the Parent Company and submitted for the approval to the Sole Shareholder, is as follows:

	Financial Year 2017 (thousands of euros)
To Other Reserves:	
- Legal Reserve	-
- Goodwill Reserve	-
- Voluntary Reservess	-
To dividends:	
- Interim	420,000
- Complementary	107,692
Total	**527,692**

On 26 June 2017, the Board of Directors of the Parent Company agreed to distribute an interim dividend of the 2017 results for an amount of 140,000 thousand euros. This amount is registered in the “Own Funds-Interim Dividend” caption and was paid to the Shareholder on 30 June 2017.

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In accordance with the provisions established in article 277 of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, the Board of Directors of the Parent Company prepared the following accounting statement of sufficient liquidity for its distribution:

VIDACAIXA	
Statement of liquidity at 31 May 2017	
Interim dividend proposal:	In thousands of euros
Profit for the period 01.01.2017 to 31.05.2017 (net of taxes)	**177,631,91**
Distributable profit	**177,631,91**
Proposed 1st interim dividend to pay out of 2017 income	**140,000,00**
	In thousands of euros
Available in current accounts and other equivalent assets on 31.05.2017	**1,666,896,42**
Surplus liquidity	**1,666,896,42**
1 year cash flow forecast:	
Surplus liquidity at 31 May 2017	1,666,896,42
(+) Receivables	39,029,002,30
(-) Payables	-38,528,895,94
Surplus liquidity at 31 May 2018	**2,167,002,78**

On 27 September 2017, the Board of Directors of the Parent Company agreed to distribute a second interim dividend from the 2017 results for an amount of 80,000 thousand euros. This amount is registered in the “Own Funds-Interim Dividend” caption and was paid to the Shareholder on 29 September 2017.

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In accordance with the provisions established in article 277 of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, the Board of Directors of the Parent Company prepared the following accounting statement of sufficient liquidity for its distribution:

VIDACAIXA	
Statement of liquidity at 31 August 2017	
Interim dividend proposal:	In thousands of euros
Profit for the period 01.01.2017 to 31.08.2017 (net of taxes)	278,214,51
1er. Interim dividend	-140,000,00
Distributable profit	138,214,51
Proposed 2nd interim dividend to pay out of 2017 income	**80,000,00**
	In thousands of euros
Available in current accounts and other equivalent assets on 31.08.2017	**1,966,724,16**
Surplus liquidity	**1,966,724,16**
1 year cash flow forecast:	
Surplus liquidity at 31 August 2017	1,966,724,16
(+) Receivables	39,029,002,30
(-) Payables	-38,528,895,94
Surplus liquidity at 31 August 2018	**2,466,830,52**

On 20 December 2017, the Board of Directors of the Parent Company agreed to distribute a third interim dividend from the 2017 results for an amount of 200,000 thousand euros. Said amount appears recorded in the caption "Own Funds-Interim Dividend" and on 29 December, 140,000 thousand euros were paid to the Sole Shareholder, leaving 60,000 thousand euros pending payment at the close of the financial year.

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In accordance with the provisions established in article 277 of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, the Board of Directors of the Parent Company prepared the following accounting statement of sufficient liquidity for its distribution:

VIDACAIXA	
Statement of liquidity at 30 November 2017	
Interim dividend proposal:	In thousands of euros
Profit for the period 01.01.2017 to 30.11.2017 (net of taxes)	467,134,74
1er. Interim dividend	-140,000,00
2nd Interim dividend	-80,000,00
Distributable profit	247,134,74
Proposed 3rd interim dividend to pay out of 2017 income	**200,000,00**
	In thousands of euros
Available in current accounts and other equivalent assets on 30.11.2017	**2,687,060,80**
Surplus liquidity	**2,687,060,80**
1 year cash flow forecast:	
Surplus liquidity at 30 November 2017	2,687,060,80
(+) Receivables	39,029,002,30
(-) Payables	-38,528,895,94
Surplus liquidity at 30 November 2018	**3,187,167,16**

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The distribution of the net profit for the 2016 financial year, which was approved by the Sole Shareholder on 31 March 2017, was as follows:

		Financial Year 2016 (thousands of Euros)
To Other Reserves:		
-	Legal Reserve	-
-	Goodwill Reserve	-
-	Voluntary Reserves	121,362
To dividends:		
-	Interim	370,000
-	Complementary	42,500
Total		**533,862**

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The data for the 2016 financial year in the above table, corresponding to the distribution approved by the Sole Shareholder, are presented, only and exclusively, for purposes of comparison.

On 31 March 2017, VidaCaixa paid the supplementary dividend for the results of the 2016 financial year, for an amount of 42,500 thousand euros.

D) Recognised income and expenses

The main item registered in the recognised income and expenses outside the profit and loss account refers to adjustments through changes in value of the reserves for valuation adjustments to assets classified in the "available for sale" portfolio, including the reversion of the gains and losses of assets subject to the insurance contracts (See note 15).

Adjustments for changes in value (Assets available for sale)

This item principally includes the net amount of those variations in the fair value of the financial assets classified as available for sale which, according to Note 3.b, must be classified as an integral part of the Group's consolidated assets. These variations are recorded in the consolidated profit and loss account when the sale of the assets in which they originate takes place.

With regard to the remainder of these changes in value, which total 3,061,859 thousand euros, the Group considers that they should be allocated to policyholders, and for this reason they were allocated at 31 December 2017, increasing the amount of policy reserves.

Corrections of accounting mismatches

This item includes the variations of unearned gains derived from financial assets classified in the available for sale and at fair value with changes in profit and loss portfolios which are imputable to life insurance policyholders.

With regard to the remainder of these changes in value, which total 4,973,191 thousand euros, the Group considers that they should be allocated to policyholders, and for this reason they were allocated at 31 December 2017, increasing the amount of policy reserves.

18. Minority interests

At 31 December 2017 and 2016, the balance under the "Minority interests" caption and the sub-caption "Profits and Losses attributable to external partners" is null since there are no minority shareholders in the Group.

19. Information on Insurance Contracts According to Segments

The total volume of the premiums accrued for direct insurance and accepted reinsurance during the 2017 and 2016 financial years totalled 9,664,105 and 9,492,008 thousand euros, respectively.

The breakdown of the imputed premiums of the 2017 financial year and the remaining income and expense items in accordance with the main segments and sub-segments defined is as follows:

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(Thousands of Euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Premiums imputed to direct reinsurance business Accepted (I)	**20,284**	**9,847,602**	**9,867,886**
Accrued direct insurance premiums	20,140	9,643,965	9,664,105
Change in reserve for premiums pending payment	1	(226)	(225)
Change in reserve for direct insurance unearned premiums and unexpired risks	143	203,863	204,006
Premiums imputed to reinsurance (II)	**(13,489)**	**(189,332)**	**(202,821)**
Total premiums imputed net of reinsurance (I-II)	**6,795**	**9,658,270**	**9,665,065**
Other technical income net of expenses (III)	**(1,253)**	**(17,291)**	**(18,544)**
Other technical revenue	-	,	-
Other technical expenses	(1,253)	(17,291)	(18,544)
Losses incurred in the period, net of reinsurance (IV)	**2,276**	**(5,738,084)**	**(5,735,808)**
Direct and accepted insurance claims paid	(10,391)	(5,795,655)	(5,806,046)
Ceded reinsurance claims paid	7,898	112,757	120,655
Change in direct insurance claims reserve	4,471	(43,303)	(38,832)
Change in the ceded reinsurance claims reserve	693	(4,132)	(3,439)
Expenses imputed to claims	(395)	(7,751)	(8,146)
Variation of other technical reserves (V)	**(1,387)**	**(5,283,970)**	**(5,285,357)**
Change in reserve for share in profits and returns	(1,387)	(30,209)	(31,596)
Variation of other technical reserves (policy reserves)	-	(5,253,761)	(5,253,761)

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(Thousands of Euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Net operating expenses (VI)	**(5,072)**	**(186,415)**	**(191,487)**
Acquisition expenses (fees and other expenses)	(7,111)	(203,174)	(210,285)
Administration expenses	(586)	(119,635)	(120,221)
Commissions and holdings in ceded reinsurance	2,625	136,394	139,019
Net investment income (VII)	**156,042**	**2,127,246**	**2,283,288**
Income from financial investments	156,108	2,377,242	2,533,350
Management expenses of financial investments and assets	(66)	(365,855)	(365,921)
Financial results of Investments on behalf of life insurance policyholders who assume the risk of the Investment	-	115,859	115,859
TECHNICAL-FINANCIAL RESULT (I-II+III-IV+V-VI+VII+VIII)	**157,401**	**559,756**	**717,157**

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The breakdown of the imputed premiums of the 2016 financial year and the remaining income and expense items in accordance with the main segments and sub-segments defined is as follows:

(Thousands of Euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Premiums imputed to direct reinsurance business Accepted (I)	**17,896**	**9,391,330**	**9,409,226**
Accrued direct insurance premiums	19,250	9,472,758	9,492,008
Change in reserve for premiums pending payment	32	(4,831)	(4,799)
Change in reserve for direct insurance unearned premiums and unexpired risks	(1,386)	(76,597)	(77,983)
Premiums imputed to reinsurance (II)	**(9,495)**	**(203,024)**	**(212,519)**
Total premiums imputed net of reinsurance (I-II)	**8,401**	**9,188,306**	**9,196,707**
Other technical income net of expenses (III)	**(363)**	**17,675**	**17,312**
Other technical revenue	-	30,361	30,361
Other technical expenses	(363)	(12,686)	(13,049)
Losses incurred in the period, net of reinsurance (IV)	**(7,751)**	**(4,918,100)**	**(4,925,851)**
Direct and accepted insurance claims paid	(9,645)	(4,983,518)	(4,993,163)
Ceded reinsurance claims paid	3,129	117,388	120,517
Change in direct insurance claims reserve	(1,085)	(46,577)	(47,662)
Change in the ceded reinsurance claims reserve	9	1,107	1,116
Expenses imputed to claims	(159)	(6,500)	(6,659)
Variation of other technical reserves (V)	**(451)**	**(5,583,059)**	**(5,583,510)**
Change in reserve for share in profits and returns	(352)	(39,028)	(39,380)
Variation of other technical reserves (policy reserves)	(99)	(5,544,031)	(5,544,130)

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(Thousands of Euros)	Non-life Segment	Life Segment	Total
	Accidents and illness		
Net operating expenses (VI)	**478**	**(272,162)**	**(271,684)**
Acquisition expenses (fees and other expenses)	(2,588)	(178,646)	(181,234)
Administration expenses	(491)	(94,151)	(94,642)
Fees and holdings in ceded reinsurance	3,557	635	4,192
Net investment income (VII)	**125,849**	**2,022,958**	**2,148,807**
Income from financial investments	125,881	2,205,983	2,331,864
Management expenses of financial investments and assets	(32)	(254,835)	(254,867)
Financial results of Investments on behalf of life insurance policyholders who assume the risk of the Investment	-	71,810	71,810
TECHNICAL-FINANCIAL RESULT (I-II+III-IV+V-VI+VII+VIII)	**126,163**	**455,618**	**581,781**

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In the profit and loss account, the caption "Results from other activities" corresponding to the 2017 financial year, "Other income" and "Other expenses", includes the following items:

Operating income – 2017 financial year	Thousands of Euros
	Other Activities Segment
Pension fund administration income	223,227
Income from healthcare activity	-
Other income	18,252
Rest of other income	**241,479**
Pension-fund marketing expenses	(121,384)
Other expenses	(65,420)
Rest of other expenses	**(186,804)**
Total	**54,675**

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The breakdown of the income and expenses in the "Other activities" segment for the previous financial year is as follows:

Operating income – 2016 financial year	Thousands of Euros
	Other Activities Segment
Pension fund administration income	202,706
Income from healthcare activity	-
Other income	11,199
Rest of other income	**213,905**
Pension-fund marketing expenses	(106,779)
Other expenses	(69,107)
Rest of other expenses	**(175,886)**
Total	**38,019**

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A) Composition of life business by volume of premiums

The composition of the life business (direct insurance) by volume of premiums for the 2017 and 2016 financial years is as follows:

Life insurance (direct)	Thousands of Euros	
	2017	2016
Premiums on individual policies	8,734,435	8,644,845
Premiums on group policies	907,331	788,110
	9,641,766	**9,432,955**
Regular premiums	2,197,581	1,820,427
Single premiums	7,444,185	7,612,528
	9,641,766	**9,432,955**
Premiums on policies without profit sharing	7,740,758	8,079,968
Premiums on policies with profit sharing	340,156	311,197
Premiums in which the investment risk is attributed to the policyholder	1,560,852	1,041,790
	9,641,766	**9,432,955**

Said premiums are registered under the caption “Premiums applied to period, net of reinsurance” in the Life segment of the Consolidated Profit and Loss Account.

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B) Technical conditions of the main types of life insurance

The technical conditions of the main types of life insurance, which represent more than 5% of the premiums or reserves of the life business, are as follows:

2017 Financial Year

Format and type of coverage	Technical interest	Biometric table	Profit sharing		Thousands of Euros		
			Applies? Yes/No	Form of distribution	Premiums	Policy reserves (*)	Profit-sharing reserves amount
PVI	2.46%	(1)	No	-	4,424,380	20,733,729	-
Pension 2000	6.86%	(2)	Yes	Policy reserves	48,057	4,808,737	530
PAA/PIAS	0.20%	(5)	No	-	2,020,779	4,167,407	-
Group Insurance	Variable	(3)	Yes	Claims	813,093	9,044,776	35,911
PPA	2.69%	(4)	No	-	47,488	1,860,828	-
Unit Link (**)	-	(6)	No	-	1,554,902	5,975,904	-

(*) The biometric tables specified in the Technical Notes are indicated, along with the policy reserve derived from applying these tables.
(**) Includes the balance of the policy reserve of the UL products of the entity BPI Vida (See Notes 1 and 5).

(1) Depending on the format, tables GR-80, GR-80 less two years, GR-95 and GK-95 are used. From 21/12/2012, depending on the format, PASEM 2010 Unisex (mix sector), GR-95 Unisex (mix company, savings portfolio), PER2000P Unisex (mix company, savings portfolio) or PER2000P Women (over 70 years) tables are used.

(2) Depending on the format, GR-70, GR-80, GK-80, GR-95 and GK-95 tables are used. From 21/12/2012 tables GR-95 Unisex (mix company, savings portfolio) are used.

(3) Depending on the format, GR-80, GR-80 less two, GR-70, GR-95 and PER2000P tables are used. From 21/12/2012, depending on the format, PER2000P Unisex or PASEM2010 Unisex tables are used.

(4) For policies taken out before 01/01/2009, the GKM-80/GKF-80 tables are used. For policies taken out between 01/01/2009 and 20/12/2012 the INE 2004-2005 tables are used. Policies taken out after 21/12/2012 use the PASEM 2010 Unisex tables (mix sector).

(5) Depending on the format, GR-80 less two years, GR-95 and GK-95 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used for new production.

(6) Depending on the format, GK-80, GK-95 and INE 2005 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used.

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2016 Financial Year

Format and type of coverage	Technical interest	Biometric table	Profit sharing		Thousands of Euros		
			Applies? Yes/No	Form of distribution	Premiums	Policy reserves (*)	Profit-sharing reserves amount
PVI	2.76%	(1)	No	-	4,835,727	17,313,205	-
Pension 2000	6.87%	(2)	Yes	Policy reserves	52,708	4,767,632	530
PAA/PIAS	0.32%	(5)	No	-	1,897,778	3,089,505	-
Group Insurance	Variable	(3)	Yes	Claims	755,658	9,040,941	44,895
PPA	2.69%	(4)	No	-	203,942	2,547,811	-
Unit Link	-	(6)	No	-	1,041,790	2,598,741	-

(*) The biometric tables specified in the Technical Notes are indicated, along with the policy reserve derived from applying these tables.

(1) Depending on the format, tables GR-80, GR-80 less two years, GR-95 and GK-95 are used. From 21/12/2012, depending on the format, PASEM 2010 Unisex (mix sector), GR-95 Unisex (mix company, savings portfolio), PER2000P Unisex (mix company, savings portfolio) or PER2000P Women (over 70 years) tables are used.

(2) Depending on the format, GR-70, GR-80, GK-80, GR-95 and GK-95 tables are used. From 21/12/2012 tables GR-95 Unisex (mix company, savings portfolio) are used.

(3) Depending on the format, GR-80, GR-80 less two, GR-70, GR-95 and PER2000P tables are used. From 21/12/2012, depending on the format, PER2000P Unisex or PASEM2010 Unisex tables are used.

(4) For policies taken out before 01/01/2009, the GKM-80/GKF-80 tables are used. For policies taken out between 01/01/2009 and 20/12/2012 the INE 2004-2005 tables are used. Policies taken out after 21/12/2012 use the GR10EU tables.

(5) Depending on the format, GR-80 less two years, GR-95 and GK-95 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used for new production.

(6) Depending on the format, GK-80, GK-95 and INE 2005 tables are used. From 21/12/2012, the PASEM 2010 Unisex (mix sector) tables are used.

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For certain types of individual Life and various group Life policy, profit sharing is distributed as an increase in the life insurance reserve, in accordance with the periods envisaged in the different policies. The amount of the benefits accrued in favour of policyholders and beneficiaries that has still not been allocated is recorded in the sub-caption "Technical reserves – Reserves for share in profit and returns".

Following the guidelines of the Internal Inspection Instructions 9/2009 published by the Directorate General of Insurance and Pension Funds, on interpreting the concept of real yield for the purposes of article 33 and the Second Transitional Reserve of the Regulation on Administration and Supervision of Private Insurance, approved by Royal Decree 2486/1998, of 20 November (kept up-to-date by the 5th Additional Provision of Royal Decree 1060/2015, of 20 November on Administration, Supervision and Solvency of Insurance and Reinsurance Companies, or ROSSEAR for its Spanish initials), the financial term of the Parent Company's assets (excluding property) and liabilities at 31 December 2017 and 2016 are listed below:

31 December 2017

Assets	Book value (thousands of Euros)	Real Yield	Financial Duration	Percentage Excluded (*)
Portfolio before 1 January 1999. (Second transitional provision of the ROSSP).	7,600,395	5.87%	10.89	0.00%
Immunized portfolio. (Art. 33.2 ROSSP).	28,345,935	3.77%	9.95	0.00%
Portfolio after 1 January 1999. (Art. 33.1 ROSSP).	5,621,483	2.07%	1.73	0.00%

(*) Percentage of the assets portfolio value for which the financial duration calculation cannot be performed (investments in equity instruments)

Liabilities	Policy Reserve (thousands of Euros)	Average Interest Policy Reserve	Financial Duration
Portfolio before 1 January 1999. (Second transitional provision of the ROSSP).	7,323,542	5.52%	12.34
Immunized portfolio. (Art. 33.2 ROSSP).	27,914,425	2.80%	10.13
Portfolio after 1 January 1999. (Art. 33.1 ROSSP).	5,902,991	1.06%	1.03

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31 December 2016

Assets	Book value (thousands of Euros)	Real Yield	Financial Duration	Percentatge Exclòs (*)
Portfolio before 1 January 1999. (Second transitional provision of the ROSSP).	7,306,400	5.98%	11.74	0.00%
Immunized portfolio. (Art. 33.2 ROSSP).	26,194,513	4.05%	10.12	0.00%
Portfolio after 1 January 1999. (Art. 33.1 ROSSP).	4,506,598	2.53%	2.03	0.00%

(*) Percentage of the assets portfolio value for which the financial duration calculation cannot be performed (investments in equity instruments)

Liabilities	Policy Reserve (thousands of Euros)	Average Interest Policy Reserve	Financial Duration
Portfolio before 1 January 1999. (Second transitional provision of the ROSSP).	7,285,771	5.62%	13.09
Immunized portfolio. (Art. 33.2 ROSSP).	25,947,412	3.07%	10.39
Portfolio after 1 January 1999. (Art. 33.1 ROSSP).	4,678,498	1.81%	1.57

C) Technical result by year of occurrence

The payments made in 2017 for claims opened in 2016 or previous years amounted to 424 thousand euros. Also, in 2016, payments were made for an amount of 374 thousand euros to cover claims opened in 2015 and previous years. The claims reserve set up on 31 December 2016 and 31 December 2015 was sufficient.

D) Other expenses by segments

The breakdown of the allocations made by segments and sub-segments as provisions for amortisation and depreciation of the intangible assets, property investments and tangible fixed assets is set out in Notes 3.c), 3.d) and 3.e) of the Report.

The composition of the personnel expenses of the financial years 2017 and 2016, and their allocation in the profit and loss account by segments and sub-segments, is as follows:

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	Thousands of Euros	
	2017 Financial Year	2016 Financial Year
Wages and Salaries	29,629	27,650
Social Security	6,289	5,678
Contributions to external pension funds and life insurance premiums	1,463	1,459
Compensations and awards	916	899
Other personnel expenses	3,504	5,373
Total	**41,801**	**41,059**

Allocation of personnel expenses – 2017 financial year	Non-life Segment	Life Segment	Others Segment	Total
Losses incurred in the period, net of reinsurance	144	3,701	-	3,845
Tangible fixed asset and investment expenses	23	2,084	-	2,107
Other technical expenses	761	10,443	-	11,204
Net operating expenses	3,136	10,949	10,560	24,645
Net total	**4,064**	**27,177**	**10,560**	**41,801**

Allocation of personnel expenses – 2016 financial year	Non-life Segment	Life Segment	Others Segment	Total
Losses incurred in the period, net of reinsurance	73	3,395	-	3,468
Tangible fixed asset and investment expenses	18	2,711	-	2,729
Other technical expenses	228	8,918	-	9,146
Net operating expenses	432	11,969	13,315	25,716
Net total	**751**	**26,993**	**13,315**	**41,059**

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20. Breakdown of associated company transactions

20.1 Transactions between group and associated companies

The details of the main transactions carried out in the financial year 2017 are as follows:

Item	Thousands of Euros	
	Income	Expenses
Income from sales	22,958	-
Expenses for sales	-	(18,096)
Income from leasing	-	-
Financial income/expenses	-	(422,388)
Credited interests	-	-
Dividends and other profits	4	-
Insurance operations	195,101	(517)
Fees for marketing of premiums	-	(346,593)
Income from reinsurance	10,523	-
Costs for reinsurance	-	(12,654)
Income from fees	2	-

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The same information for the 2016 financial year is as follows:

Item	Thousands of Euros	
	Income	Expenses
Income from sales	65,051	-
Expenses for sales	-	(112,512)
Income from leasing	-	-
Financial income/expenses	-	(235,441)
Credited interests	143	-
Dividends and other profits	1	-
Insurance operations	190,300	(631)
Fees for marketing of premiums	-	(266,733)
Income from reinsurance	6,468	-
Costs for reinsurance	,	(9,802)
Income from fees	-	-

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20.2. Transactions between group and associated companies

Below is a breakdown of the balances in the balance sheet with group and associated companies at the close of the 2017 and 2016 financial years according to the value that appears in the Group's books (in thousands of euros):

2017 Financial Year

Item	Thousands of Euros	
	Controlling entity	Other group companies and associates
Cash and cash equivalents	1,179,346	390,910
Equity instruments	-	-
- Financial investments in capital	100	-
Debt securities	(2,416,790)	-
Hybrid instruments	-	-
Hedging derivatives	-	(530)
Deposits and repos in credit entities	161,769	140,498
Deposits and repos in credit entities with expiry date Less than 3 months	973,983	-
Received guarantees or endorsements	9,322,827	-
Insurance policies	(2,168,169)	(18,514)
Reinsurance balances	-	(1,513)
Debts through the assignment of assets	(201,837)	-
Credits and debts with the group	(133,310)	(169)
Other debtors among group and associated companies	-	79,878
Corporation tax	(183,129)	-

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2016 Financial Year

Item	Thousands of Euros	
	Controlling entity	Other group companies and associates
Cash and cash equivalents	260,292	-
Equity instruments	-	-
- Financial investments in capital	46	-
Debt securities	(1,598,396)	-
Hybrid instruments	-	-
Deposits and repos in credit entities	463,016	-
Deposits and repos in credit entities with expiry date Less than 3 months	-	-
Received guarantees or endorsements	60,221	-
Insurance policies	(1,988,710)	(778)
Debts through the assignment of assets	(201,756)	-
Credits and debts with the group	(64,106)	(3,334)
Other debtors among group and associated companies	-	-
Corporation tax	(222,519)	-

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21. Other information (including remunerations and other benefits for the Board of Directors and the Senior Management and remunerations for auditors)

A) Employees

In accordance with the provisions established in the Capital Companies Act, the average number of employees of the Parent Company and the subsidiary companies during the 2017 and 2016 financial years, distributed according to professional category and gender, is as follows:

Professional Category	Number of employees		
	2017 Financial Year		
	Men	Women	Total
Management	20	10	30
Technical personnel and middle management	150	163	313
Administrative personnel	34	102	136
Sales personnel	29	28	57
Total	**233**	**303**	**536**

Professional Category	Number of employees		
	2016 Financial Year		
	Men	Women	Total
Directors	24	7	31
Technical personnel and middle management	125	153	278
Administrative personnel	33	89	122
Sales personnel	23	27	50
Total	**205**	**276**	**481**

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The average number of employees during the 2017 and 2016 financial years, with disability of more than or equal to 33%, broken down by categories, is as follows:

Categories	2017	2016
Management	-	-
Technical personnel and middle management	1	-
Administrative personnel	1	1
Sales personnel	-	-
Total	**2**	**1**

At 31 December 2017 and 2016, the Board of Directors of the Parent Company was made up of 13 directors, all physical persons, including 12 men and 1 woman.

B) Remuneration and other benefits to the Board of Directors and the Senior Management

The remuneration received during the 2017 financial year by the members of the Board of Directors and the Senior Management of VidaCaixa S.A.U., classified by items, was as follows (in thousands of euros):

2017 Financial Year

	Wages (*)	Remuneration	Other items	Pension Plans	Insurance premiums (1)	Severance arrangements	Payments based on equity instruments	Remuneration of physical persons who represent the Company (2)
Board of Directors	-	1,973	-	-	-	-	-	-
Senior Management	2,130	-	-	-	376	2,003	-	-

(*) This amount includes the total fixed and variable remuneration received by the Senior Management, in both cash and shares, from the Parent Company's Shareholder, as well as the part of deferred variable remuneration (cash and shares) to be received in three years.

(1) In 2017, no insurance premiums were paid out to cover the civil liability of Directors for damages caused by acts or omissions.

(2) Includes the remunerations paid to the physical persons who represent the Parent Company on the Boards of Directors of other companies..

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In 2017, 1 person joined and 1 person left the Board of Directors. On 31 December 2017, 8 Senior Management positions were included.

The Parent Company has no loans or advance payments granted, or life insurance taken out in favour of the members of its Board of Directors.

The remunerations received during the 2016 financial year by the members of the Board of Directors and the Senior Management of VidaCaixa S.A.U., classified by items, were as follows (in thousands of euros):

2016 Financial Year

	Wages (*)	Remuneration	Other items	Pension Plans	Insurance premiums (1)	Severance arrangements	Payments based on equity instruments	Remuneration of physical persons who represent the Company (2)
Board of Directors	-	2,979	-	-	12	-	-	-
Senior Management	2,631	-	-	-	400	-	-	-

(*) This amount includes the total fixed and variable remuneration received by Senior Management, in both cash and shares, from the Parent Company's Shareholder, as well as the part of deferred variable remuneration (cash and shares) to be received in three years.
(1) Includes the amount paid for the insurance premium to cover the civil liability of the Directors for damages caused by acts or omissions, for the amount of 12 thousand euros.
(2) Includes the remunerations paid to the physical persons who represent the Parent Company on the Boards of Directors of other companies..

During the 2016 financial year, 5 people joined and 5 people left the Board of Directors of the Parent Company. On 31 December 2016, 8 Senior Management positions were included.

The Parent Company had no loans or advance payments granted, or life insurance taken out in favour of the members of its Board of Directors.

Article 229.3 of the Capital Companies Act, amended by Law 31/2014 of 3 December, amending the Capital Companies Act to improve corporate governance, in force since last 24 December, introduces, among director's other duties, the duty to notify the Board of Directors of the Parent Company of any situation of conflict of interest, either direct or indirect, between any of the Directors or people connected to them and the Group's interest.

For this purpose, the members of the Board of Directors of the Parent Company reported the following information at 31 December 2017:

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Board member	Re:
Gortázar Rotaeche, Gonzalo	Abstention and absence in the deliberation and vote concerning the approval of the exclusivity of the deposit agreements with CecaBank.
Muniesa Arantegui, Tomás	---
Mercader Miró, Jorge	---
Allende Fernández, Víctor Manuel	---
Capella Pifarré, Natividad Pilar	---
Deulofeu Xicoira, Jordi	Abstention and absence in the deliberation and vote concerning the approval of the exclusivity of the deposit agreements with CecaBank.
Gil Aluja, Jaime	Abstention in the vote on the proposal of my appointment as Chair of the Audit and Control Committee.
Guàrdia Canela, Josep Delfí	---
Ibarz Alegría, Javier	Abstention and absence in the deliberation and vote concerning the approval of the exclusivity of the deposit agreements with CecaBank.
Leal Villalba, José María	---
Rosell Lastortras, Juan	Abstention and absence in the deliberation and vote concerning the approval of the exclusivity of the deposit agreements with CecaBank.
Valls Maseda, Miquel	---
Vilarasau Salat, José	---

Also, the Directors that held this position at any time during the financial year and that no longer hold this position on the date of formulating these consolidated annual accounts, have not informed the Group of any situation of conflict of interest, either direct or indirect, that they or any of the people connected to them might have had with the interests of the Group, in fulfilment of the good governance practices and for the purpose of enhancing the transparency of the Group.

C) Associated operations

In accordance with the provisions established in Order EHA-3050-2004 of 15 September, it is stated for the record that, apart from the emoluments received, during the financial year no associated operations have occurred with directors or managers, or similar operations to such effect, except for those which correspond to the ordinary business activity of the company, were performed under normal market conditions and are of little significance.

D) Remuneration to Auditors

During the 2017 financial year, the fees corresponding to the auditing of the accounts and other services rendered by the auditor of the Group's consolidated annual accounts, Deloitte, S.L., and by companies belonging to the Deloitte network, as well as the fees for services invoiced by the auditors of individual annual accounts of the companies included in the consolidation, were as follows (not including VAT):

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2017 Financial Year

Categories	Thousands of Euros			
	Auditing of Accounts	Other Verification Services	Tax Consultancy	Other Services
Deloitte, S.L.	199	311	-	7
Price Waterhouse Cooper, S.L.	72	40	-	-
Total	**271**	**351**	**-**	**7**

During the 2016 financial year, the fees corresponding to the auditing of the accounts and other services rendered by the auditor of the Group's consolidated annual accounts, Deloitte, S.L., and by companies belonging to the Deloitte network, were as follows (not including VAT):

2016 Financial Year

Categories	Thousands of Euros			
	Auditing of Accounts	Other Verification Services	Tax Consultancy	Other Services
Deloitte, S.L.	199	311	-	147
Total	**199**	**311**	**-**	**147**

E) Communications with the Regulatory bodies

On 19 January 2017, the Directorate General of Insurance and Pension Funds informed Vida Caixa, S.A.U. de Seguros y Reaseguros of the start of a procedure to check the quality of the data of the group's internal model on the risks of maternal mortality and longevity, according to the provisions of article 113.1 d) of Law 20/2015 of 14 July, on Administration, Supervision and Solvency of Insurance and Reinsurance Companies. This procedure is still underway.

On 25 October 2017, the Parent Company received a report from the Directorate General of Insurance and Pension Funds requesting documentation relating to the Employment Pension Plan of CaixaBank, S.A. On the date when these annual accounts were prepared, the Directorate General of Insurance and Pension Funds was reviewing these documents and it had not reported any new findings or issued new requests. Nevertheless, the Parent Company's Directors do not expect any significant aspects to arise from said review that could affect either the annual accounts, the aforementioned Fund or the Parent Company.

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22. Subsequent Events

On 6 March 2018, BPI Vida amortised the full amount of subordinated liabilities for an amount of 60,000 thousand euros.

In the period from 31 December 2017 until the preparation of the present annual accounts, there were no other events with a significant impact on the Group that require specific mention in the consolidated annual accounts, except for that commented on above.

Annex I

List of Subsidiary and Associated Companies at 31.12.2017

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information		
			Direct	Indirect	Equity	Result	Book value
GROUP COMPANIES:							
VIDACAIXA MEDIACION, SOCIEDAD DE AGENCIA DE SEGUROS VINCULADOS	P.º de Recoletos 37, 3ª.Madrid	Private insurance agent and linked insurance agency company	100.00%	-	**4,672**	**380**	3,277
BPI VIDA Y PENSIONES	Rua Braamcamp, 11- 6º 1250-049 LISBOA	Insurance Company	100.00%		**124,402**	**-**	135,000
GEROCAIXA PYME EPSV DE EMPLEO	Gran Vía López de Haro, 38. Bilbao	Employee Voluntary Social Welfare Entity	100.00%	-	**28,022**	**595**	58
GEROCAIXA EPSV INDIVIDUAL	Gran Vía López de Haro, 38. Bilbao	Individual Voluntary Social Welfare Entity	100.00%	-	**755,206**	**14,293**	260
GEROCAIXA PRIVADA PENSIONES EPSV ASOCIADA	Gran Vía López de Haro, 38. Bilbao	Associated Voluntary Social Welfare Entity	100.00%	-	**1,280**	**26**	50
GESTICAIXA	Pedro i Pons, 9-11. Barcelona	Securitisation Funds Management Company	9.00%	-	**2,998**	**2,240**	347
CAIXABANK	Pintor Sorolla, 2-4, València	Banking	0.00%	-	**21,981,146**	**1,428,131**	100

Annex I

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information		
			Direct	Indirect	Equity	Result	Book value
ASSOCIATED COMPANIES:							
SEGURCAIXA ADESLAS	Paseo de la Castellana 259-C. Madrid	Insurance Company	49.92%	-	**889,143**	**235,974**	888,535
ADESLAS DENTAL	Joaquín Costa, 35-28002 Madrid	Dental	-	49.92%	**48,752**	**13,514**	-
ADESLAS SALUD	Paseo de la Castellana 259-C. Madrid	Consultancy	-	49.92%	**1,311**	**125**	-
GENERAL DE INVERSIONES ALAVESAS	Plaza Amárica, 4-01005 Vitoria	Real Estate Company	-	49.92%	**1,280**	**(8)**	-
AGENCAIXA	Paseo de la Castellana 259-C. Madrid	Insurance intermediary	-	49.92%	**7,011**	**2,085**	-
GRUPO IQUIMESA	Plaza Amárica, 4-01005 Vitoria	Administrator	-	49.92%	**86,552**	**8,004**	-
SANATORIO MÉDICO QUIRÚRGICO CRISTO REY	Paseo de la Estación, 40 - 23008 Jaén	Clinic	-	20.56%	**4,130**	**26**	-
GRUPO CLÍNICA VICENTE SAN SEBASTIÁN	c/ Ballets Olaeta, 4 – Bilbao	Hospital Activities	-	9.84%	**30,989**	**881**	-

Annex I

Name of the Company	Registered Address	Activity	% Holding		Abridged financial information		
			Direct	Indirect	Equity	Result	Book value
GRUPO IMQ	Cl. Máximo Aguirre, 18 BIS - 48011 BILBAO	Insurance Company	-	22.46%	**104,901**	**19,663**	-
GRUPO IMQ ASTURIAS	CL CABRALES, 72- BAJO Y 1º-33201-GIJON (ASTURIAS)	Insurance Company	-	22.42%	**26,508**	**1,474**	-
SOCIEDAD INMOBILIARIA DEL IMQ	Cl. Máximo Aguirre, 18 BIS - 48011 BILBAO	Real Estate Company	-	9.97%	**20,557**	**(371)**	-
GRUPO IGURCO	Cl. Máximo Aguirre, 18 BIS, 4º - 48011 BILBAO	Geriatric Services	-	15.79%	**20,304**	**1,973**	-

Annex II

Movement of Intangible Fixed Assets during the 2017 Financial Year

	Thousands of Euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible fixed assets									Total intangible fixed assets
	Consolidated goodwill	Merger goodwill		Consolidated intangible assets	Merger intangible assets	Trademark	Customer portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	
Cost at 31 December 2016	**-**	**583,577**	**-**	**-**	**216,241**	**-**	**-**	**1,085**	**40,145**	**-**	**-**	**256,409**	**1,097,457**
Accumulated Amortisation at 31 December 2016	**-**	**-**	**-**	**-**	**(117,215)**	**-**	**-**	**(158)**	**(20,690)**	**-**	**-**	**(197,826)**	**(335,889)**
Net Book Value at 31 December 2016	**-**	**583,577**	**-**	**-**	**99,026**	**-**	**-**	**927**	**19,455**	**-**	**-**	**58,583**	**761,568**
Additions	-	-	-	15,306	-	-	-	-	14,792	-	-	28,330	58,428
Changes to consolidation method (cost)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	(33,109)	-	-	-	(33,109)
Reclassifications and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of financial year	-	-	-	-	(30,787)	-	-	(24)	(4,978)	-	-	(26,279)	(62,068)
Changes to consolidation method (amortisation)	-	-	-	-	-	-	-	-	-	-	-	-	-

Annex II

	Thousands of Euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible fixed assets									Total intangible fixed assets
	Consolidated goodwill	Merger goodwill		Consolidated intangible assets	Merger intangible assets	Trademark	Customer portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	
Disposals in the Amortisation	-	-	-	-	-	-	-	-	22,823	-	-	-	22,823
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Losses/Applications for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 31 December 2017	**-**	**583,577**	**-**	**15,306**	**216,241**	**-**	**-**	**1,085**	**21,828**	**-**	**-**	**284,739**	**1,122,776**
Accumulated Amortisation at 31 December 2017	**-**	**-**	**-**	**-**	**(148,002)**	**-**	**-**	**(182)**	**(2,845)**	**-**	**-**	**(224,105)**	**(375,134)**
Net Book Value at 31 December 2017	**-**	**583,577**	**-**	**15,306**	**68,239**	**-**	**-**	**903**	**18,983**	**-**	**-**	**60,634**	**747,642**

Annex III

Movement of Intangible Fixed Assets during the 2016 Financial Year

	Thousands of Euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible fixed assets									Total intangible fixed assets
	Consolidated goodwill	Merger goodwill		Consolidated intangible assets	Merger intangible assets	Trademark	Customer portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	
Cost at 31 December 2015	**-**	**583,577**	**-**	**-**	**195,693**	**-**	**-**	**1,019**	**51,377**	**-**	**-**	**231,026**	**1,062,692**
Accumulated Amortisation at 31 December 2015	**-**	**-**	**-**	**-**	**(88,268)**	**-**	**-**	**(134)**	**(33,257)**	**-**	**-**	**(163,117)**	**(284,776)**
Net Book Value at 31 December 2015	**-**	**583,577**	**-**	**-**	**107,425**	**-**	**-**	**885**	**18,120**	**-**	**-**	**67,909**	**777,916**
Additions	-	-	-	-	20,928	-	-	-	10,486	-	-	25,383	56,797
Changes to consolidation method (cost)	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(380)	-	-	-	(21,718)	-	-	-	(22,098)
Reclassifications and transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of financial year	-	-	-	-	(28,795)	-	-	(24)	(9,100)	-	-	(34,709)	(73,201)
Changes to consolidation method (amortisation)	-	-	-	-	-	-	-	-	-	-	-	-	-

Annex III

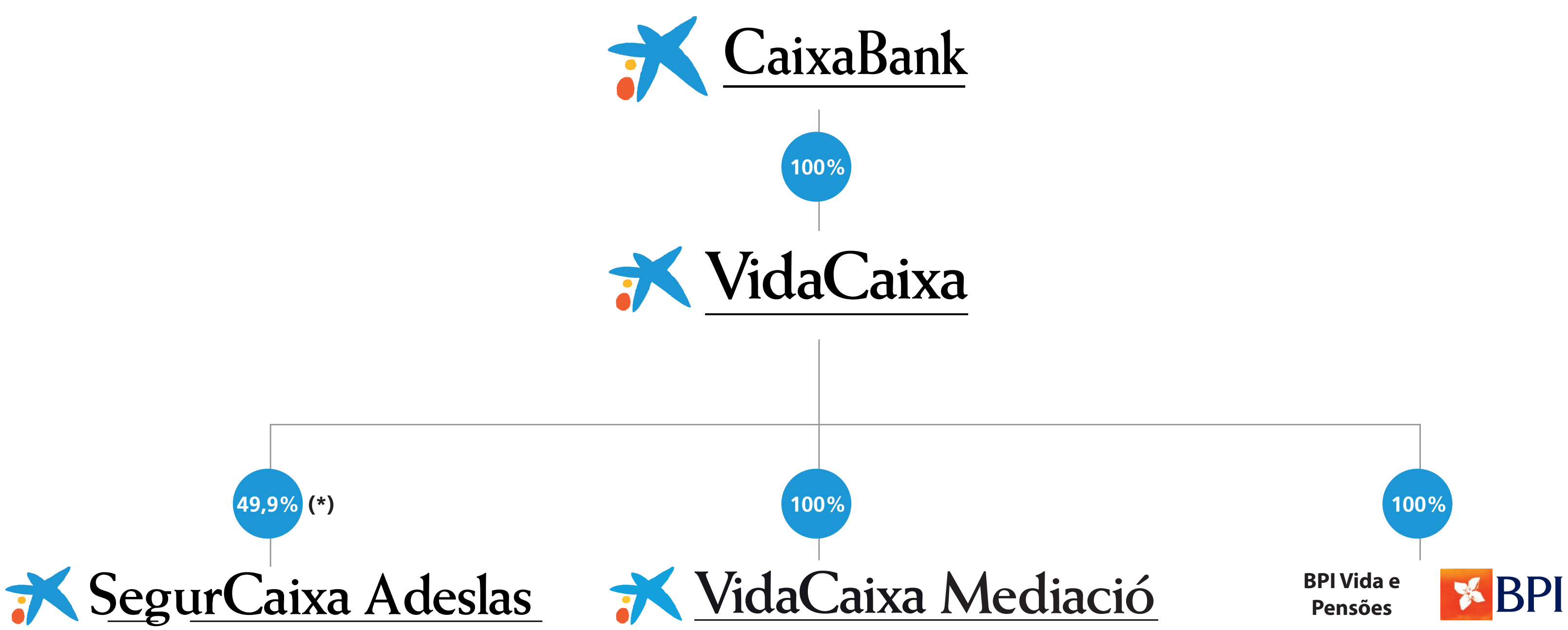
	Thousands of Euros												
	Goodwill		Financial rights derived from the policy portfolio acquired from brokers	Other intangible fixed assets									Total intangible fixed assets
	Consolidated goodwill	Merger goodwill		Consolidated intangible assets	Merger intangible assets	Trademark	Customer portfolio	Concessions	Computer programs	Pension fund expenses	Marketing expenses of other Non-life insurance policies	Other expenses of acquisition of pension funds and life insurance contracts	
Disposals in the Amortisation	-	-	-	-	421	-	-	-	21,667	-	-	-	22,088
Reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-
Losses/Applications for impairment	-	-	-	-	-	-	-	66	-	-	-	-	66
Cost at 31 December 2016	**-**	**583,577**	**-**	**-**	**216,241**	**-**	**-**	**1,085**	**40,145**	**-**	**-**	**256,409**	**1,097,457**
Accumulated Amortisation at 31 December 2016	**-**	**-**	**-**	**-**	**(117,215)**	**-**	**-**	**(158)**	**(20,690)**	**-**	**-**	**(197,826)**	**(335,889)**
Net Book Value at 31 December 2016	**-**	**583,577**	**-**	**-**	**99,026**	**-**	**-**	**927**	**19,455**	**-**	**-**	**58,583**	**761,568**

Management Report for the 2017 Financial Year

VidaCaixa, company belonging to the "CaixaBank" Insurance Group is the company that channels the life insurance business and manages pension funds for individual customers, Small and Medium-Sized Businesses and large companies and groups.

On 23 November 2017, the purchase and sales contract was formalised, through which VidaCaixa acquired all of the shares of the company BPI Vida for 135 million euros. The effective date of the acquisition was 29 December 2017, at which time all of the suspensive conditions stipulated in said contract had been fulfilled.

At 31 December 2017, the Group has the following structure:



(*) Minority shareholders represent 0.08%

Management Report for the 2017 Financial Year

Given the date on which the acquisition of BPI Vida occurred, the VidaCaixa Group has not entered said company's results for the 2017 financial year. The principal amounts included are listed in Note 5 of the attached Report.

In the 2017 financial year, the VidaCaixa Group earned a consolidated profit of 634 million euros, with a 29% increase year on year, due to the excellent growth of all the businesses in which it operates.

In total, the volume of the Group's premiums and contributions remained at similar levels to those reached in the previous year, selling 11,527 million euros of life insurance and pension plans

Total VidaCaixa Group (*)				
	In millions of euros	2016	2017	Var. 17/16
Premiums & Contributions	Life-Risk and Accident	769.2	832.7	8.26%
	Subtotal Risk (Individual + Companies)	**769.2**	832.7	**8.26%**
	Life-Savings Insurance	8,722.7	8,833.6	1.27%
	Pension Plans	2,207.1	1,860.0	-15.72 %
	Subtotal Savings (Individual + Companies)	**10,929.8**	**10,693.6**	**-2.16 %**
	Total Risk and Savings (Individual + Companies)	**11,699.0**	**11,526.3**	**-1.48%**
Man. Res.	Life Insurance	42,701.9	48,307.0	13.13%
	Pension Plans and Voluntary Pension Schemes (EPSV)	25,188.8	26,914.8	6.85%
	Total Customer Man. Res. (Indiv. + Co.)	**67,890.7**	**75,221.8**	**10.80%**
	Consolidated Net Result VidaCaixa Group	**492.3**	**634.0**	**28.77%**

(*) BPI is not included, as it was acquired on 29 December 2017.

Management Report for the 2017 Financial Year

In 2017, the Group's Parent Company managed a volume of resources of 75,222 million euros, representing a growth of 10.80% year on year. Of this figure, 26,915 million euros related to pension plans and EPSV with an increase of 6.85% compared to the 4% rise in the market according to data from Inverco.

The rest, 48,307 million euros, relates to life insurance, with an increase of 13.1% year on year, while the sector grew by 3.3% (data from ICEA).

VidaCaixa's market share (Parent Company of the Group) in all of the life insurance premiums rose from 30.4% in December 2016 to 32.8% in 2017. This share reflects the strengthening of the Group's leadership in the sector, maintaining its position as the largest insurance company in the country.

The Group has complied with the Ministry of Justice Order of 8 October 2001 relating to environmental information, issuing a declaration on the part of the Directors of the Parent Company confirming that there are no matters that need to be included in the document apart from environmental information. In parallel, as part of its Corporate Social Responsibility strategy, VidaCaixa, S.A.U. undertakes various projects in the field of reducing waste generation and in energy consumption savings.

With regard to management of the Group's investments, VidaCaixa, as the Parent Company, principally manages a fixed-income portfolio, and has very limited exposure to variable income securities. The Group's investment management is based on principles of consistency, profitability, security, liquidity and dispersal. The main financial risks of assets are also considered:

-Market Risk: Understood as the risk of losses being incurred through holding positions on markets as a result of adverse movements in financial variables such as interest rates, exchange rates, share prices, commodities, etc.

-Credit Risk: This is the risk of incurring losses through a failure on the part of debtors to meet their contractual obligations, or the expansion of the risk premium tied to their financial solvency.

-Liquidity Risk: Assumed on the positioning of the various assets, this being the possibility of selling or mobilising the asset positions at any time.

When implementing the investments policy, consideration is also given to all the Group's liquidity needs, this being a fundamental parameter for management purposes. This analysis is supplemented and optimised by the centralisation of the liquidity balances of the different areas of the Group.

Management of the Group's credit is determined by strict internal compliance with an operational framework. Said framework of action is included within the scope of global application and consistent at the level of the "CaixaBank" Group. It defines the category of assets liable to be incorporated within the investments portfolio, using parameters such as solvency, liquidity and geographical exposure.

The management of investments is structured mainly through cash investments in the various classes of assets on financial markets. Nonetheless, the Group can use various categories of financial derivatives to the following ends:

- To guarantee adequate cover for the risks assumed in whole or in part by the asset portfolio held by the Group.
- As an investment in order to manage the portfolio appropriately.
- Within the framework of an administration policy intended to obtain a certain return.

The Group's financial derivatives management policy also covers the use of counterparties which, as financial

Management Report for the 2017 Financial Year

institutions subject to the supervision of the governing authorities of the member states of the European Union, have sufficient solvency. Contractually, these positions have an explicit guarantee allowing them to be left without effect at any time during the operation, either through their liquidation or through being ceded to third parties. This liquidation is guaranteed by a commitment on the part of the counterparties to publish the execution prices on a daily basis, together with a clear specification of the method of valuation used.

Financial derivatives are mainly used in financial swaps in order to adapt the flows of the investment portfolio to the needs derived from agreements with policyholders contained in the insurance contracts.

The Group's risk control strategy is based on the implementation by the investment managers of the directives and strategies established by the governing bodies of the Group, and is supplemented by a clear segregation of the functions of administration, control and management of investments. In addition, the internal audit unit is responsible for reviewing and guaranteeing compliance with control systems and procedures.

Finally, within the sphere of the risks facing the Group, there is also Operational Risk. All of these are controlled and managed using the Group's Internal Control systems.

As regards non-financial information and diversity, Royal Decree-Law 18/2017 of 24 November amending the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Directive 2014/95/EU of the European Parliament and of the Council of 22 October have been taken into consideration. The non-financial information concerning the VidaCaixa Group is included in the CaixaBank Group's Consolidated Management Report, available in the CaixaBank Group's Consolidated Annual Accounts for the financial year ending 31 December 2017.

During the present financial year, the Parent Company has not held its own shares. With regards to Research and Development, it is important to highlight the digital transformation that the Group is undergoing and that has become one of its main challenges. Such a transformation is intended to cover all stages, from the initiation of savings to the definition of retirement goals and the follow-up of the same.

As indicated in Note 4 of the attached Report, on 1 January 2016, the regulations related to Solvency II came into effect. This note explains all the work performed by the Group to comply with the aforementioned regulations.

The average term for payment to suppliers of the Group in the 2017 financial year was 13.47 days.

In the future, the Group plans to maintain its current strategy of providing cover for the security and savings needs of families, using life-risk, life-savings and pension plans, encompassed in the range of VidaCaixa Group products, and to continue developing the range in the area of savings for retirement. Furthermore, the Group will continue its policy of continually improving the quality of the service it has provided since it was founded and hopes to increase its level of commercial activity by entering new customer segments and new markets through the Group's different distribution channels.

From the close of the financial year on 31 December 2017 up to the date of the formulation of this management report, no subsequent events of special relevance have occurred that are not mentioned in the Report.

Management Report for the 2017 Financial Year

During the 2017 financial year, 1 person joined and 1 person left the Board of Directors of the Parent Company, which was composed as follows on the date of preparing these annual accounts:

Chair:	Gonzalo Gortázar Rotaeche
Executive Vice-Chair/Chief Executive Officer:	Tomás Muniesa Arantegui
Vice-Chair:	Jorge Mercader Miró
Members:	Víctor Manuel Allende Fernández
	Jaime Gil Aluja
	Josep Delfí Guàrdia Canela
	Javier Ibarz Alegría
	Natividad Pilar Capella Pifarré
	José María Leal Villalba
	Jordi Deulofeu Xicoira
	Miquel Valls Maseda
	José Vilarasau Salat
	Juan Rosell Lastortras
Managing Director (non-Board Member):	Francisco Javier Valle T-Figueras
Secretary (non-Board Member):	Óscar Figueres Fortuna
Vice-Secretary (non-Board Member):	María Blanca Zamora García