VidaCaixa

# Consolidated Annual Accounts 2018

# INDEX

# INDEPENDENT AUDIT REPORT

***This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, the original language version of our report takes precedence over this translation.***

## *Independent auditor's report on the consolidated annual accounts*

To the Sole Shareholder of Vida-Caixa, S.A.U. de Seguros y Reaseguros:

### *Report on the consolidated annual accounts*

#### *Opinion*

We have audited the consolidated annual accounts of Vida-Caixa, S.A.U. de Seguros y Reaseguros (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

#### *Basis for opinion*

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

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

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

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, 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.

*PricewaterhouseCoopers Auditores, S.L., Avinguda Diagonal, 640, 08017 Barcelona, España*
*Tel.: +34 932 532 700 / +34 902 021 111, Fax: +34 934 059 032, www.pwc.es*



R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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**Key audit matter**

*Valuation of liabilities for life insurance contracts*

The Group develops the life insurance business by selling protection, savings and unit-linked products.

The Group books the technical reserves related to these contracts in accordance with regulatory legislation applicable in Spain, where, in some cases, elements of certain judgment and estimates by the Management of the Group and subsidiaries are incorporated, to reflect the unearned amounts from the premiums written, the mathematical reserve and the reserve for claims.

In relation to protection products, the estimated cost of the claims outstanding and the claims incurred but not reported, as of the date of presentation of the consolidated annual accounts as of December 31, 2018, is included. In addition, the Group recognizes liabilities for the internal expenses necessary to settle outstanding claims, as well as an unearned premiums reserve and a reserve for premium deficiencies, if necessary.

In the case of savings products, the Group calculates the mathematical reserve through complex actuarial techniques based on hypotheses such as the technical interest rate, the expenses hypothesis or the mortality tables according to the applicable regulations. Specifically, the Group calculates the reserve of a significant part of its savings portfolio according with the article 33.2 sections a and b, not repealed, of the Private Insurance Regulation and Supervision Regulation (ROSSP).

For more information about liabilities for life insurance contracts, see Note 15 of the consolidated annual accounts for the 2018 year end.

**How our audit addressed the key audit matter**

We have gained an understanding of the process of estimating and recording liabilities for life insurance contracts, which has included an evaluation of the design and effectiveness of internal control related to this area including the controls of the main key information systems. Our procedures have focused on aspects such as:

- Understanding of the calculations methodology for calculating life insurance reserves according with the nature of the products and the reserve for claims, as well as their application in a consistent manner with respect to the prior financial year.
- Verifying the adequate accounting record of the reserves for insurance contracts, as well as their variations during the period.
- Performing tests in detail on the consistency of information on reserves established at the end of the period and payments made during the period.

Regarding, specifically, the mathematical reserve, we have performed additional procedures, carried out with our actuarial specialists, in relation to:

- Review of the integrity and reconciliation of the data of the technical-actuarial calculations.
- Veryfing the application of biometric hypotheses appropriate to the applicable regulations and, in particular, the longevity hypotheses regarding the internal model of experience approved by the regulator, for a sample of products.
- Review of the sufficiency of real expenses according to article 35, not repealed, of the Regulations for the Regulation and Supervision of Private Insurance.
- Review of the compliance of the specific regulation regarding interest rates to be applied in the calculation of the mathematical reserve, including an analysis of the liabilities cash flows considered in the cashflow maturity portfolio for a selected sample.
- Actuarial recalculation of the mathematical reserve for a policy selection according to sampling procedures.



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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

- Review of complementary reserves for interest rate and mortality adequacy.
- Review of the liability adequacy test.

On the other hand, regarding specifically the reserve for claims, we have performed additional complementary procedures in relation to:

- Review of the sufficiency of reserves for outstanding and incurred but not reported claims reserves by a review of a sample of files and the analysis of the adequacy of the reserve established in the previous year.
- Review of the adequacy of the incurred but not reported reserve at the end of the period based on independent actuarial reprojections.

Regarding specifically to protection products, we have performed the following audit procedures:

- Review of the calculation basis and the unearned premiums provision calculation for a selected sample of protection products.
- Review, where appropriate, the need to book a reserve for premium deficiencies based on the stipulations of Article 31, not repealed, of the Regulations for the Regulation and Supervision of Private Insurance and additional legislation.

Review of information regarding the valuation of liabilities for life insurance contracts included in the consolidated annual accounts.

As a result of the procedures described above, no relevant aspect to highlight has been revealed.

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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

**Key audit matter**

*Valuation of Financial Investments without an active market booked at fair value*

Although most of the financial assets of the investment portfolio are quoted in active markets where liquid prices are obtained from market sources, the Group's financial investment portfolio includes certain structured financial assets that do not have an active market, mainly used for the immunization of long-term saving insurance liabilities.

Given that these financial assets do not have an active market, their valuation is performed by the Parent Company through valuation methodologies that incorporate certain judgment and estimates by the Management or by the related counterparty.

The instruments that are valued on the basis of models and assumptions that are not observable by third parties are included in Note 6 of the accompanying consolidated financial statements for the year 2018.

**How our audit addressed the key audit matter**

In the case of the valuation of illiquid investments where prices are not available in an active market, we have gained an understanding of the valuation process of this type of assets. Additionally, we have proceeded to evaluate the control environment of this area in terms of its design and its effectiveness.

The audit tests included the completion of the following procedures carried out with the participation of specialists in valuation of financial assets:

- Reconciliation of the accounting records with the underlying information of these assets.
- Evaluation of the methodology and assumptions used in the valuation models, in particular, interest rate curves and discounted cash flows, as well as obtaining the market value calculated, as the case may be, by the related counterparts.
- Review of the market value of a sample of assets recorded at fair value.

Review of information regarding the valuation of financial investments without an active market recorded at fair value, included in the consolidated annual accounts.

As a result of the procedures described above, no relevant aspect to highlight has been revealed.



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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

**Key audit matter**

*Valuation of the ownership interest in Segurcaixa Adeslas, S.A. de Seguros y Reaseguros, S.A.*

The Parent company holds a 49.92% stake in the share capital of SegurCaixa Adeslas, S.A. de Seguros y Reaseguros, an entity not listed on regulated markets whose activity is the commercialization of non-life insurance products.

The Parent company performs annually the corresponding impairment test applying market hypotheses in order to verify that the recoverable value of the asset is not in an amount lower than its book value. This analysis requires judgments and estimates from the Management, such as business growth, margins or the discount rate to be used.

The aforementioned aspects, as well as the relevance of the investment held, amounting to 947 million euros at December 31, 2018, means that we consider the situation described as a key issue of our audit.

See Note 8 to the accompanying consolidated annual accounts.

**How our audit addressed the key audit matter**

We have gained an understanding of the process of evaluating the recoverability of the ownership interest, as well as the internal control environment of the process of testing the impairment of ownership interests.

The audit tests included the completion of the following procedures with the participation of specialists in valuation of intangible assets and actuaries:

- Evaluation of the methodology used by the directors and the management for the evaluation of impairment indicators of the participation, including the evaluation of the supervision controls of the process and of the implicit approvals of the same.
- Analysis of the adequacy of the valuation methodology used and review of the arithmetic correction of the calculations made.
- Evaluation of the future cash flows with approved business plans.
- Review of the reasonableness of the main hypotheses of the valuation model, such as growth rates and discount rates used.
- Obtaining of the audited annual accounts of Segurcaixa Adeslas.

Review of the information regarding the investment of the ownership interest in SegurCaixa Adeslas included in the consolidated annual accounts.

As a result of the procedures described above, no relevant aspect to highlight has been revealed.



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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

**Key audit matter**

*Valuation of the Goodwill and other intangible assets*

As a result of certain business combinations, the Group has intangible assets recorded as Goodwill and Other Intangible Assets originated on different acquisitions for a combined value of 652 million euros. The main highlights are the merger by absorption of VidaCaixa Group and the acquisition and subsequent merger of the Banca Cívica Vida y Pensiones S.A., CajaSol Vida y Pensiones, S.A. and CajaCanarias Vida y Pensiones, S.A.

The Group proceeds to identify the cash generating unit with the objective of annually perform an impairment test that integrates all of the Group's goodwill and other intangible assets. The evaluation by the management of the Parent Company involves a complex process that requires the use of a high level of assumptions, estimates and judgments, mainly related to future dividend flows, discount rates applied and growth rates at perpetuity.

For more information on intangible assets, see Note 10 to the consolidated annual accounts for the 2018 fiscal year.

**How our audit addressed the key audit matter**

We have gained an understanding of the evaluation process of the recoverability of intangible assets (goodwill and other intangible assets), as well as the internal control environment for the process of testing the impairment of intangible assets.

The audit tests included the completion of the following procedures with the participation of specialists in valuation of intangible assets and actuaries:

- Evaluation of the methodology used by the directors and the management for the evaluation of the existence of impairment indicators of the intangible assets, including the evaluation of the controls of the process supervision and of the implicit approvals thereof.
- Analysis of the adequacy of the valuation methodology used and review of the arithmetic correction of the calculations performed.
- Review of the reasonableness of the main hypotheses of the valuation model, such as growth rates and discount rates used.

Review of the information regarding the valuation of the Goodwill and other intangible assets included in the consolidated annual accounts.

As a result of the procedures described above, no relevant aspect to highlight has been revealed.

*Other matter*

The consolidated annual accounts of Vida-Caixa, S.A.U. de Seguros y Reaseguros, for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 22, 2018.

# INDEPENDENT AUDIT REPORT

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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

### *Other information: Management report*

Other information comprises only the consolidated management report for the 2018 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility on the information contained in the consolidated management report is defined in legislation governing the audit practice, which establishes two distinct levels in this regards:

a) A specific level applicable to the consolidated statement of non-financial information that consists of verifying solely that the aforementioned information has been provided in the management report or, if appropriate, that the consolidated management report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the consolidated management report, that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the mentioned financial statements, and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the information mentioned in the paragraph a) above has been included in the consolidated management report of Group CaixaBank, in which the Group is integrated, and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

### *Responsibility of the directors and the audit committee for the consolidated annual accounts*

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the 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.

In preparing the consolidated annual accounts, the Parent company'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 company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

### *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 legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

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

- Identify and assess the risks of material misstatement of the 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 company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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Vida-Caixa, S.A.U. de Seguros y Reaseguros and subsidiaries

We communicate with the Parent company's audit 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 company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit 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.

## *Report on other legal and regulatory requirements*

### *Report to the Parent company's audit committee*

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated March 27, 2019.

### *Appointment period*

The General Ordinary Shareholder's Meeting of the Parent company held on March 25, 2017 appointed us as auditors of the Group for a period of three years, as from the year ended December 31, 2018.

### *Services provided*

Services provided to the Group for services other than the audit of the accounts are indicated in the Note 21.d of the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Pedro Díaz-Leante Sanz (20488)

March 27, 2019

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## Consolidated Balance Sheets

| ASSETS | Note in the Annual Report | (Figures in Thousands of Euros) | |
|---|---|---|---|
| | | 31.12.2018 | 31.12.2017 (*) |
| **1. Cash and other equivalent liquid assets** | **Note 6** | **1,732,464** | **2,780,222** |
| **2. Financial assets held for trading** | **Note 6** | **129** | **550** |
| **3. Other financial assets at fair value with changes registered in the profit and loss account** | **Note 6** | **8,858,004** | **7,900,483** |
| a) Equity instruments | | 2,569,235 | 1,868,007 |
| b) Debt securities | | 944,588 | 953,625 |
| c) Hybrid instruments | | - | - |
| d) Investment on behalf of life insurance policyholders who assume the risk of the investment | | 5,328,593 | 5,078,851 |
| e) Other | | 15,588 | - |
| **4. Financial assets available for sale** | **Note 6** | **50,746,891** | **48,872,990** |
| a) Equity instruments | | 985 | 1,234 |
| b) Debt securities | | 50,745,903 | 48,871,753 |
| c) Loans | | - | - |
| d) Deposits in credit entities | | - | - |
| e) Other | | 3 | 3 |
| **5. Loans and payments receivable** | **Note 6** | **1,943,541** | **1,355,580** |
| a) Debt securities | | 630,713 | 751,342 |
| b) Loans and deposits | | 1,028,711 | 358,151 |
| c) Payments receivable | | 284,117 | 246,087 |

| ASSETS | Note in the Annual Report | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|---|
| | | 31.12.2018 | | 31.12.2017 (*) | |
| **6. Investments held to maturity** | | | **8,400** | | **14,400** |
| **7. Hedging derivatives** | | | **-** | | **-** |
| **8. Share of reinsurance in technical reserves** | **Note 15** | | **224,803** | | **273,433** |
| **9. Tangible fixed assets and property investments** | **Note 9** | | **21,682** | | **22,769** |
| a) Tangible fixed assets | | 20,936 | | 22,147 | |
| b) Property investments | | 746 | | 622 | |
| **10. Intangible fixed assets** | **Note 10** | | **740,883** | | **747,642** |
| a) Goodwill | | 583,577 | | 583,577 | |
| b) Policy portfolio acquisition expenses | | - | | - | |
| c) Other intangible assets | | 157,306 | | 164,065 | |
| **11. Shareholdings in companies valued by the equity method** | **Note 8** | | **947,390** | | **1,027,133** |
| **12. Tax assets** | **Note 12** | | **239,641** | | **262,006** |
| a) Assets through current tax | | 1,151 | | 196 | |
| b) Deferred tax assets | | 238,490 | | 261,810 | |
| **13. Other assets** | | | **781,425** | | **795,956** |
| **14. Assets held for sale** | | | **-** | | **-** |
| **TOTAL ASSETS** | | | **66,245,253** | | **64,053,164** |

(*) 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 2018.

## Consolidated Balance Sheets

| NET ASSETS AND LIABILITIES | Note in the Annual Report | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|---|
| | | 31.12.2018 | | 31.12.2017 (*) | |
| **TOTAL LIABILITIES** | | | **62,928,825** | | **60,859,252** |
| **1. Financial liabilities held for trading** | | | **-** | | **-** |
| **2. Other financial liabilities at fair value with changes in the profit and loss account** | | | **9,067** | | **-** |
| **3. Debits and payable items** | **Note 13** | | **664,244** | | **840,033** |
| a) Subordinated liabilities | | - | | 60,000 | |
| b) Other debts | | 664,244 | | 780,033 | |
| **4. Hedging derivatives** | | | **227** | | **530** |
| **5. Technical reserves** | **Note 15** | | **61,991,734** | | **59,762,261** |
| a) For unearned premiums | | 3,561 | | 4,137 | |
| b) For unexpired risks | | - | | - | |
| c) For life insurance | | 61,294,515 | | 59,148,076 | |
| - Reserve for unearned premiums and unexpired risks | | 51,650 | | 50,697 | |
| - Policy reserves | | 54,905,046 | | 52,964,602 | |
| - Reserves for life insurance when the policyholder assumes the investment risk | | 6,337,819 | | 6,132,777 | |
| d) Claims reserves | | 671,417 | | 573,029 | |
| e) Share in profits and returns | | 22,132 | | 36,914 | |
| f) Other technical reserves | | 109 | | 105 | |
| **6. Non-technical reserves** | **Note 16** | | **178** | | **-** |

| NET ASSETS AND LIABILITIES | Note in the Annual Report | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|---|
| | | 31.12.2018 | | 31.12.2017 (*) | |
| **7. Tax liabilities** | **Note 12** | | **256,879** | | **255,139** |
| a) Current tax liabilities | | (63) | | - | |
| b) Deferred tax liabilities | | 256,942 | | 255,139 | |
| **8. Other liabilities** | | | **6,496** | | **1,289** |
| **9. Liabilities associated with assets held for sale** | | | **-** | | **-** |
| | | | | | |
| **TOTAL NET ASSETS** | | | **3,316,428** | | **3,193,912** |
| | | | | | |
| **Own funds** | | | **3,322,122** | | **3,197,126** |
| 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** | 1,741,971 | | 1,635,692 | |
| 4. *Less*: Shares and holdings in own assets | | - | | - | |
| 5. Previous financial years' earnings | | - | | - | |
| 6. Other shareholder contributions | | - | | - | |
| 7. Financial year result attributed to the Parent Company | | 662,689 | | 633,972 | |
| a) Consolidated Profit and Loss | | 662,689 | | 633,972 | |
| b) Profit and Loss attributable to external partners | | - | | - | |

| NET ASSETS AND LIABILITIES | Note in the Annual Report | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|---|
| | | 31.12.2018 | | 31.12.2017 (*) | |
| 8. *Less*: Interim dividend | **Note 17** | (430,000) | | (420,000) | |
| 9. Other net equity instruments | | - | | - | |
| **Value adjustments** | **Note 6** | | **(5,694)** | | **(3,214)** |
| 1. Financial assets available for sale | | (5,694) | | (3,214) | |
| 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** | | | **3,316,428** | | **3,193,912** |
| | | | | | |
| **MINORITY INTERESTS** | **Note 18** | | **-** | | **-** |
| 1. Value adjustments | | - | | - | |
| 2. Other | | - | | - | |
| | | | | | |
| **TOTAL NET ASSETS AND LIABILITIES** | | | **66,245,253** | | **64,053,164** |

(*) 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 2018.

## Consolidated Profit and Loss Accounts

| | Note in the Annual Report | (Figures in Thousands of Euros) | |
|---|---|---|---|
| | | 2018 Financial Year | 2017 Financial Year (*) |
| 1. Premiums applied to period, net of reinsurance | | 7,347 | 6,795 |
| 2. Tangible fixed asset and investment revenue | | 171,177 | 156,108 |
| 3. Other technical revenue | | - | - |
| 4. Losses incurred in the period, net of reinsurance | | (5,138) | 2,276 |
| 5. Change in other technical reserves, net of reinsurance | | - | - |
| 6. Profit-sharing and returns | | (367) | (1,387) |
| 7. Net operating expenses | | (3,483) | (5,072) |
| 8. Other technical expenses | | (1,081) | (1,253) |
| 9. Tangible fixed asset and investment expenses | | (175) | (66) |
| | | | |
| **A) RESULT FOR NON-LIFE INSURANCE** | **Note 19** | **168,280** | **157,401** |
| 10. Premiums applied to period, net of reinsurance | | 8,181,187 | 9,658,270 |
| 11. Tangible fixed asset and investment revenue | | 2,072,882 | 2,377,242 |
| 12. Revenue for investments subject to insurance in which the policyholder assumes the investment risk | | 553,098 | 1,038,699 |
| 13. Other technical revenue | | - | - |
| 14. Losses incurred in the period, net of reinsurance | | (6,455,472) | (5,738,084) |
| 15. Change in other technical reserves, net of reinsurance | | (2,024,309) | (5,253,761) |
| 16. Profit-sharing and returns | | (25,871) | (30,209) |

| | Note in the Annual Report | (Figures in Thousands of Euros) | |
|---|---|---|---|
| | | 2018 Financial Year | 2017 Financial Year (*) |
| 17. Net operating expenses | | (281,080) | (186,415) |
| 18. Other technical expenses | | (17,364) | (17,291) |
| 19. Tangible fixed asset and investment expenses | | (679,826) | (365,855) |
| 20. Expenses of investments subject to insurance in which the policyholder assumes the investment risk | | (770,663) | (922,840) |
| | | | |
| **B) RESULT FOR LIFE INSURANCE** | **Note 19** | **552,582** | **559,756** |
| 21. Tangible fixed asset and investment revenue | | 55,555 | 39,467 |
| 22. Negative consolidation difference | | - | - |
| 23. Tangible fixed asset and investment expenses | | (663) | (88) |
| 24. Other income | | 236,852 | 241,479 |
| 25. Other expenses | | (162,856) | (186,804) |
| | | | |
| **C) RESULT FROM OTHER ACTIVITIES** | | **128,888** | **94,054** |
| | | | |
| **E) PROFIT/LOSS BEFORE TAX** | | **849,750** | **811,211** |
| 26. Corporate Income Tax | **Note 12** | (187,061) | (177,239) |
| | | | |
| **F) RESULT FOR THE YEAR FROM CONTINUED OPERATIONS** | | **662,689** | **633,972** |
| 27. Result of financial year from interrupted operations net of tax | | - | - |

| | Note in the Annual Report | (Figures in Thousands of Euros) | |
|---|---|---|---|
| | | 2018 Financial Year | 2017 Financial Year (*) |
| **G) CONSOLIDATED PROFIT/LOSS FOR THE YEAR** | | **662,689** | **633,972** |
| a) Profit attributed to the parent company | | 662,689 | 633,972 |
| b) Profit attributed to minority interests | **Note 18** | - | - |
| | | | |
| **PER SHARE EARNINGS** | | | |
| Basic and diluted earnings per share (in euros) | | 3 | 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 2018 financial year.

## Consolidated Balance Sheet by Segments at 31 December 2018

| ASSETS | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|
| | Non-life segment | Life segment | Others segment | Total |
| 1. Cash and other equivalent liquid assets | **65,128** | **1,662,227** | **5,109** | **1,732,464** |
| 2. Financial assets held for trading | **-** | **129** | **-** | **129** |
| 3. Other financial assets at fair value with changes registered in the profit and loss account | **-** | **8,858,004** | **-** | **8,858,004** |
| 4. Financial assets available for sale | **-** | **50,746,891** | **-** | **50,746,891** |
| 5. Loans and payments receivable | **124,970** | **1,818,571** | **-** | **1,943,541** |
| a) Debt securities | - | 630,713 | - | 630,713 |
| b) Loans and deposits | - | 1,028,711 | - | 1,028,711 |
| c) Payments receivable | 124,970 | 159,147 | - | 284,117 |
| 6. Investments held to maturity | **-** | **8,400** | **-** | **8,400** |
| 7. Hedging derivatives | **-** | **-** | **-** | **-** |
| 8. Share of reinsurance in technical reserves | **2,726** | **222,077** | **-** | **224,803** |
| 9. Tangible fixed assets and property investments | **-** | **21,682** | **-** | **21,682** |
| a) Tangible fixed assets | - | 20,936 | - | 20,936 |
| b) Property investments | - | 746 | - | 746 |
| 10. Intangible fixed assets | **-** | **740,883** | **-** | **740,883** |
| a) Goodwill | - | 583,577 | - | 583,577 |
| b) Policy portfolio acquisition expenses | - | - | - | - |
| c) Other intangible assets | - | 157,306 | - | 157,306 |

| ASSETS | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|
| | Non-life segment | Life segment | Others segment | Total |
| 11. Shareholdings in companies valued by the equity method | **947,390** | **-** | **-** | **947,390** |
| 12. Tax assets | **-** | **239,641** | **-** | **239,641** |
| a) Assets through current tax | - | 1,151 | - | 1,151 |
| b) Deferred tax assets | - | 238,490 | - | 238,490 |
| 13. Other assets | **-** | **781,401** | **24** | **781,425** |
| 14. Assets held for sale | **-** | **-** | **-** | **-** |
| **TOTAL ASSETS** | **1,140,214** | **65,099,906** | **5,133** | **66,245,253** |

| NET ASSETS AND LIABILITIES | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|
| | Non-life segment | Life segment | Others segment | Total |
| **TOTAL LIABILITIES** | **21,818** | **62,906,866** | **141** | **62,928,825** |
| 1. Financial liabilities held for trading | **-** | **-** | **-** | **-** |
| 2. Other financial liabilities at fair value with changes in the profit and loss account | **-** | **9,067** | **-** | **9,067** |
| 3. Debits and payable items | **-** | **664,109** | **135** | **664,244** |
| 4. Hedging derivatives | **-** | **227** | **-** | **227** |
| 5. Technical reserves | **21,818** | **61,969,916** | **-** | **61,991,734** |
| 6. Non-technical reserves | **-** | **178** | **-** | **178** |
| 7. Tax liabilities | **-** | **256,879** | **-** | **256,879** |

| NET ASSETS AND LIABILITIES | (Figures in Thousands of Euros) | | | |
| --- | --- | --- | --- | --- |
| | Non-life segment | Life segment | Others segment | Total |
| 8. Other liabilities | **-** | **6,490** | **6** | **6,496** |
| 9. Liabilities associated with assets held for sale | **-** | **-** | **-** | **-** |
| | | | | |
| **TOTAL NET ASSETS** | **1,115,670** | **2,200,448** | **310** | **3,316,428** |
| **Own funds** | **1,115,670** | **2,206,142** | **310** | **3,322,122** |
| 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 | **947,390** | **794,581** | **-** | **1,741,971** |
| 4. *Less:* Shares and holdings in own assets | **-** | **-** | **-** | **-** |
| 5. Previous financial years' earnings | **-** | **-** | **-** | **-** |
| 6. Other shareholder contributions | **-** | **-** | **-** | **-** |
| 7. Financial year result attributed to the Parent Company | **168,280** | **494,099** | **310** | **662,689** |
| a) Consolidated Profit and Loss | 168,280 | 494,099 | 310 | 662,689 |
| b) Profit and Loss attributable to external partners | - | - | - | - |
| 8. *Less:* Interim dividend | **-** | **(430,000)** | **-** | **(430,000)** |
| 9. Other net equity instruments | **-** | **-** | **-** | **-** |

| NET ASSETS AND LIABILITIES | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|
| | Non-life segment | Life segment | Others segment | Total |
| **Value adjustments** | - | **(5,694)** | - | **(5,694)** |
| 1. Financial assets available for sale | - | **(5,694)** | - | **(5,694)** |
| 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** | **1,115,670** | **2,200,448** | **310** | **3,316,428** |
| | | | | |
| **MINORITY INTERESTS** | - | - | - | - |
| | | | | |
| **TOTAL NET ASSETS AND LIABILITIES** | **1,137,488** | **65,107,314** | **451** | **66,245,253** |

## 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 | - | 358,151 | - | 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 |

| 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** |

| NET ASSETS AND 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** |

| NET ASSETS AND LIABILITIES | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|
| | Non-life segment | Life segment | Others segment | Total |
| 8. Other liabilities | **-** | **1,283** | **6** | **1,289** |
| 9. Liabilities associated with assets held for sale | **-** | **-** | **-** | **-** |
| | | | | |
| **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. Previous financial years' earnings | **-** | **-** | **-** | **-** |
| 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 | **-** | **-** | **-** | **-** |

| NET ASSETS AND LIABILITIES | (Figures in Thousands of Euros) | | | |
|---|---|---|---|---|
| | Non-life segment | Life segment | Others segment | Total |
| **Value adjustments** | - | **(3,214)** | - | **(3,214)** |
| 1. Financial assets available for sale | - | **(3,214)** | - | **(3,214)** |
| 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** | **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 Statements of Changes in Equity

## A) CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

| | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year (*) |
| **A) CONSOLIDATED PROFIT/LOSS FOR THE YEAR** | **662,689** | **633,972** |
| **B) OTHER GLOBAL RESULT** | **(2,480)** | **219** |
| **Items that can be reclassified in results:** | **(2,480)** | **219** |
| 1. Financial assets available for sale: | (3,543) | 313 |
| a) Profit/(Loss) through valuation | (3,543) | 313 |
| 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 | - | - |

| | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 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 | - | - |
| 10. Income tax related to items that can be reclassified in results | 1,063 | (94) |

| | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year (*) |
| **Items that will not be reclassified in results:** | - | - |
| 11. Actuarial Profit/(Loss) in pension plans | - | - |
| a) Profit/(Loss) through valuation | - | - |
| b) Amounts transferred to reserves | - | - |
| **TOTAL GLOBAL RESULT FOR THE YEAR (A + B)** | **660,209** | **634,191** |
| a) Attributed to the Parent Company | 660,209 | 634,191 |
| 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 2018 financial year.

## Consolidated Statements of Changes in Equity

### B) CONSOLIDATED STATEMENTS OF CHANGES IN NET EQUITY

| | (Figures in Thousands of Euros) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to the Parent Company | | | | | | | | | |
| | Own Funds | | | | | | Value adjustments | 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 2016 (*)** | **1,347,462** | **1,555,872** | **-** | **492,320** | **(370,000)** | **-** | **(3,433)** | **-** | **-** | **3,022,221** |
| Adjustments through change of accounting criteria | - | - | - | - | - | - | - | - | - | - |
| 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 global result for the 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. Payment of dividends | - | - | - | - | (462,500) | - | - | - | - | (462,500) |
| 4. Operations with shares or holdings in own assets (net) | - | - | - | - | - | - | - | - | - | - |
| 5. Increases/(Reductions) through business combinations | - | - | - | - | - | - | - | - | - | - |

| | (Figures in Thousands of Euros) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to the Parent Company | | | | | | | | | |
| | Own Funds | | | | | | Value adjustments | 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** | **-** | **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** |
| Adjustments through change of accounting criteria | - | - | - | - | - | - | - | - | - | - |
| Adjustments for errors | - | - | - | - | - | - | - | - | - | - |
| **Adjusted balance at 1 January 2018** | **1,347,462** | **1,635,692** | **-** | **633,972** | **(420,000)** | **-** | **(3,214)** | **-** | **-** | **3,193,912** |
| **I. Total global result for the year 2018** | **-** | **-** | **-** | **662,689** | **-** | **-** | **(2,480)** | **-** | **-** | **660,209** |
| **II. Transactions with shareholders or owners** | **-** | **-** | **-** | **-** | **(537,693)** | **-** | **-** | **-** | **-** | **(537,693)** |
| 1. Capital increases/(reductions) | - | - | - | - | - | - | - | - | - | - |
| 2. Conversion of financial liabilities into equity | - | - | - | - | - | - | - | - | - | - |
| 3. Payment of dividends | - | - | - | - | (537,693) | - | - | - | - | (537,693) |

| | (Figures in Thousands of Euros) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Equity attributable to the Parent Company | | | | | | | | | |
| | Own Funds | | | | | | Value adjustments | 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** | **-** | **106,279** | **-** | **(633,972)** | **527,693** | **-** | **-** | **-** | **-** | **-** |
| 1. Payments based on equity instruments | - | - | - | - | - | - | - | - | - | - |
| 2. Transfers between net equity items | - | 106,279 | - | (633,972) | 527,693 | - | - | - | - | - |
| 3. Other changes | - | - | - | - | - | - | - | - | - | - |
| **Final balance at 31 December 2018** | **1,347,462** | **1,741,971** | **-** | **662,689** | **(430,000)** | **-** | **(5,694)** | **-** | **-** | **3,316,428** |

(*) 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 2018.

## Consolidated Cash Flow Statements (Direct Method)

| | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year |
| **A) CASH FLOW OF OPERATING ACTIVITIES (1+2+3)** | **1,548,382** | **3,418,057** |
| **1. Insurance activity:** | **1,616,853** | **3,529,675** |
| (+) Cash collections from insurance activity | 8,864,187 | 10,509,947 |
| (-) Cash payments from insurance activity | (7,247,334) | (6,980,272) |
| **2. Other operating activities:** | **92,316** | **97,758** |
| (+) Cash collections from other operating activities | 237,137 | 247,412 |
| (-) Cash payments from other operating activities | (144,821) | (149,654) |
| **3. Receipts/(payments) for corporate income tax** | **(160,787)** | **(209,376)** |
| **B) CASH FLOW OF INVESTMENT ACTIVITIES (1 + 2)** | **(2,052,709)** | **(1,353,772)** |
| **1. Collections from investment activities:** | **34,059,688** | **34,292,968** |
| (+) Tangible fixed assets | - | - |
| (+) Property investments | - | - |
| (+) Intangible fixed assets | - | - |
| (+) Financial instruments | 31,223,693 | 31,384,042 |
| (+) Holdings | 113,365 | 89,972 |
| (+) Subsidiaries and other business units | 2,527,584 | 2,452,289 |
| (+) Interest received | 161,561 | 164,821 |

| | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year |
| (+) Dividends received | - | - |
| (+) Other payments related to investment activities | 33,484 | 201,844 |
| **2. Payments from investment activities:** | **(36,112,397)** | **(35,646,740)** |
| (-) Tangible fixed assets | - | (1,155) |
| (-) Property investments | - | - |
| (-) Intangible fixed assets | - | (14,792) |
| (-) Financial instruments | (36,112,458) | (35,495,496) |
| (-) Holdings | 61 | (135,297) |
| (-) Subsidiaries and other business units | - | - |
| (-) Other payments related to investment activities | - | - |
| **C) CASH FLOW OF FINANCING ACTIVITIES (1 + 2)** | **(543,431)** | **(411,337)** |
| **1. Collections from financing activities:** | **834,882** | **1,395,989** |
| (+) Subordinated liabilities | - | - |
| (+) Collections for issue of equity and capital increase instruments | - | - |
| (+) Asset apportionment and contributions of shareholders or policyholders | - | - |
| (+) Transfer of own shares | - | - |
| (+) Other collections related to financing activities | 834,882 | 1,395,989 |
| **2. Payments from financing activities:** | **(1,378,313)** | **(1,807,326)** |
| (-) Dividends paid to the shareholders | (537,692) | (408,704) |

| | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year |
| (-) Interest paid | (199) | (806) |
| (-) Subordinated liabilities | (60,000) | - |
| (-) Payments for repayment of contributions to shareholders | - | - |
| (-) Liability apportionment and repayment of contributions to shareholders or policyholders | - | - |
| (-) Acquisition of own shares | - | - |
| (-) Other payments related to financing activities | (780,422) | (1,397,816) |
| **D) EFFECT OF CHANGES IN EXCHANGE RATES** | **-** | **-** |
| **E) NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A + B + C+ D)** | **(1,047,758)** | **1,652,948** |
| **F) CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR** | **2,780,222** | **1,127,274** |
| **G) CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (E + F)** | **1,732,464** | **2,780,222** |

| ELEMENTS OF CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | (Figures in Thousands of Euros) | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year |
| (+) Cash and banks | 1,215,234 | 1,366,104 |
| (+) Other financial assets | 517,230 | 1,414,118 |
| (-) *Less:* Bank overdrafts payable on demand | - | - |
| **TOTAL CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | **1,732,464** | **2,780,222** |

(*) 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 2018 financial year.

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 2018 (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, 3º, 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 11 December 2018, the sales contract was formalised by means of which VidaCaixa sold its entire stake in the company CaixaBank Titulización S.G.F.T., S.A. (previously Gesticaixa) to the company CaixaBank, S.A. for the amount of 1,700 thousand euros, generating a benefit for the Parent Company of 1,353 thousand euros, which is recognised under "Tangible fixed asset and investment revenue" in the Vida consolidated profit and loss account.

On 23 November 2017, the sales contract was formalised through which VidaCaixa acquired all of the 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 were 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 2018 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 2018 and 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.

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 2018, the Group managed 194 pension funds and 4 Voluntary Social Welfare Entities (EPSVs for their Spanish initials) with a volume of consolidated rights of 29,395,609 thousand euros (32,769,808 thousand euros at 31 December 2017). The gross income accrued through management fees of the various funds rose to 232,105 thousand euros during the financial year 2018 (223,227 thousand euros in the financial year 2017) and is recorded under the caption "Result from other activities — Other income". Also, the expenses associated with said management were 157,386 thousand euros (121,384 thousand euros in 2017), 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 at the close of the 2018 financial year are the Shareholders' and Associates Ombudsman and the Customer Care Service (hereinafter, SAC).

Following the criteria defined by the CaixaBank Group for the 2018 financial year, this note details the claims in which the Parent Company is the "claimant". They are basically claims for abusive clauses, profitability and economic losses, discrepancies in contractual terms, incidents related to claims (delay, rejection or failure to pay compensation) and surrenders.

The types of claim submitted to the Parent Company were as follows:

| Subjects of claims | Shareholders' and Associates Ombudsman | CCS | Total |
|---|---|---|---|
| Passive operations | - | - | - |
| Active operations | - | - | - |
| Collection and payment services | - | - | - |
| Insurance policies and pension funds | 40 | 361 | 401 |
| **Pending processing** | **7** | **46** | **53** |
| **Total accepted** | **27** | **190** | **217** |
| **Not accepted** | **6** | **125** | **131** |
| **Total 2018** | **40** | **361** | **401** |

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

| Type of resolution | Shareholders' and Associates Ombudsman | CCS | Total |
|---|---|---|---|
| Not accepted | 6 | 121 | 127 |
| Upheld | 2 | 60 | 62 |
| Rejected | 11 | 117 | 128 |
| Partially favourable to the customer | - | 12 | 12 |
| Agreement/Negotiation | - | 1 | 1 |
| Levelling by the entity | 13 | - | 13 |
| Withdrawn by the customer | 1 | 4 | 5 |
| Pending resolution | 7 | 46 | 53 |
| **Total 2018** | **40** | **361** | **401** |

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 2018 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 losses account and are presented according to their application.

At 31 December 2018, 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. Likewise, when determining the information that should be disclosed in this report, its relative importance in relation to the annual accounting period has been taken into account.

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 2018 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 2018 financial year**

On 1 January 2018, the Group adopted the following accounting regulations:

## RULES AND INTERPRETATIONS BROUGHT INTO FORCE IN 2018

| STANDARDS AND INTERPRETATIONS | TITLE |
|---|---|
| IFRS 9 | Financial instruments |
| IFRS 15* | Revenue from ordinary activities arising from contracts with customers |
| Modification of IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| Modification of IFRS 2* | Classification and Measurement of Share-Based Payment Transactions |
| Modification of IAS 40* | Transfer of investment properties |
| Interpretation IFRIC 22* | Foreign Currency Transactions and Advance Consideration |
| Modification of IAS 1* | Application of IFRS 9 Financial Instruments with IAS 1 Presentation of Financial Statements |

(*) They have not had a significant impact on the Group.

• **IFRS 9 "Financial Instruments" and amendment to IFRS 4:** this standard exhaustively establishes the accounting requirements for the recording and valuation of financial assets and liabilities (excluding those relating to macro-hedges). It entered into force on 1 January 2018, when it replaced International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" that was applied as of 31 December 2017. There are significant differences with the previous regulations in relation to aspects such as the classification and valuation of financial assets and liabilities, the impairment of financial assets and accounting hedges.

Also, in accordance with the provisions of EU Regulation 2017/1988, deferral of the application of IFRS 9 is permitted for insurers that are part of a financial conglomerate as defined in Article 2, paragraph 14, of Directive 2002/87/EC. Such deferral is also established in IFRS 4, Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts.

The VidaCaixa Group has decided to apply this temporary exemption of IFRS 9 for the insurance companies of the VidaCaixa Group, S.A.U. de Seguros y Reaseguros and BPI Vida until the entry into force of IFRS 17 "Insurance Contracts".

The following table shows the fair value at the end of the year, differentiating those assets whose cash flows represent solely payments of principal and interest (SPPI), in accordance with IFRS 9, from those which are managed based on their fair value (non-SPPI):

| SPPI Test Compliance (thousands of euros) | SPPI (*) | NON-SPPI | TOTAL |
|---|---|---|---|
| Financial assets not held for trading or managed based on fair value | 50,745,450 | 453 | 50,745,903 |

| Amount of change in fair value during the 2018 financial year (thousands of euros) | SPPI (*) | NON-SPPI | TOTAL |
|---|---|---|---|
| Financial assets not held for trading or managed based on fair value | 1,906,336 | (32,187) | 1,874,149 |

(*) The Group uses a combination of financial instruments in financial immunisation strategies to cover the risks to which its activities are exposed. For these purposes, in the investing operations of the Group's insurance business, different fixed-income securities include financial swaps that, in accordance with industry practice and the applicable supervisory criteria, are accounted for together in "Financial assets available for sale", with the fair value shown in the table above.

These financial swaps evaluated on an individual basis based solely on their legal form will not comply with the SPPI test envisaged in IFRS 9. In this regard, within the framework of the project for the implementation of IFRS 9 that continues to be rolled out in the Group, the different accounting alternatives foreseen in the regulatory framework (including hedge accounting) have been analysed jointly with the main changes that will be introduced by IFRS 17 "Insurance Contracts" in the valuation of technical provisions; all of this, with the ultimate objective of avoiding asymmetries in the Group's income and equity account.

Regarding fixed income instruments, the Group has not estimated the expected loss that, in the first application of IFRS 9, would be recorded against reserves. Specifically, at the close of the 2018 financial year, the expected loss estimated by the Parent Company amounted to 11,928 thousand euros.

- **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).

It did not have any significant impact as a consequence of its first application.

- **Modification of IAS 1 "Presentation of financial statements":** this amendment establishes the separate breakdown of interest income calculated using the effective interest method in the profit and loss account.

It did not have any significant impact as a consequence of its first application.

***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 summarised interim consolidated financial statements, or because they still have not been approved by the European Union, are as follows:

## STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB NOT IN FORCE

| STANDARDS AND INTERPRETATIONS | TITLE | MANDATORY APPLICATION FOR FINANCIAL YEARS BEGINNING AS OF: |
|---|---|---|
| **APPROVED FOR APPLICATION IN THE EU*** | | |
| IFRS 16 | Leases | 1 January 2019 |
| Modification of IFRS 9 ** | Characteristics of Early Termination with Negative Compensation | 1 January 2019 |
| Interpretation IFRIC23 ** | Uncertainty regarding tax treatments | 1 January 2019 |
| | | |
| **NOT APPROVED FOR THEIR APPLICATION** | | |
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| Modification of IAS 28 ** | Long-Term Shares in Associates and Joint Ventures | 1 January 2019 |
| Modification of IAS 19 ** | Modification, Reduction or Liquidation of the Plan | 1 January 2019 |

(*) The Group has decided not to exercise the option of early application of these standards, if this is possible.
(**) No relevant impacts for the Group are expected derived from them.

***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 negligible 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 2018, 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 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.

***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.

In addition to the above standards, other rules and interpretations issued by the IASB that have not yet been endorsed at European level and for which the Group is working on its implementation are detailed below.

***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 currently approved 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.

In December 2018, the issuer of the IFRS tentatively decided, among other aspects, to defer the date of first application of the rule by one year, so that in the event of such a corroborated decision, the effective date would finally be 1 January 2022 (with comparative information of at least one year).

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. With regard in particular to the financial income or expenses of the insurance activity as a result of changes in the discount rate, entities may choose to register them in full in the income statement or in 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 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, carried out during the first half of 2018, has had the following objectives:

- 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,
- Guarantee the identification and planning of all the quantitative and qualitative needs and the planning of the same to achieve the implementation at the date of application,
- Guarantee the capacity to calculate impact prior to the date of application.

During the second semester of 2018 the second phase of the project was initiated, basically focused on the elaboration of a detailed implementation plan (in which products, systems, processes, organisation, etc. are included), the definition of those responsible and determination of terms, having advanced in the modelling of the main insurance products and in the selection of the technological solution in which the new calculations required by IFRS 17 will be made.

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, as part of the definition of the project's governance model, a Monitoring Committee has been created, made up of those responsible for the aforementioned areas, who controls and supervises the evolution of the project and has 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 IAS 28 "Long-Term Shares in Associates and Joint Ventures"***

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

***Modification IAS 19 "Modification, Reduction or Liquidation of the Plan"***

This amendment clarifies that when a modification, reduction or liquidation of a plan occurs, a revaluation of liabilities for pension commitments must be made, specifying that the cost for the services of the remaining period of time until the next accounting close must be calculated and recorded in the profit and loss account on the basis of updated assumptions as of the date on which the modification or reduction occurred.

## 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 2018 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 2017 financial year.

During the 2018 financial year there have been no significant variations in the consolidation perimeter.

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 in the 2017 financial year due to their low impact on the profit and loss account.

## 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 2018 financial year.

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:

| 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 | (1,449) | (1,449) | 27,008 | - | 61 | - | - |
| GeroCaixa EPSV Individual | Gran Vía López de Haro, 38, Bilbao | Voluntary Social Welfare Entity. | 100.00% | 50 | (36,600) | (36,600) | 724,554 | - | 360 | - | - |
| GeroCaixa Privada Pensiones EPSV Asociada | Gran Vía López de Haro, 38, Bilbao | Voluntary Social Welfare Entity. | 100.00% | 50 | (33) | (33) | 1,194 | - | 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 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 2018 and 2017 financial years, in addition to the period between 31 December 2018 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 from financial assets and liabilities 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.

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.

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 2018 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.

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 Measurement, 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 2018 and 2017, 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 principal 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.

  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 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.

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 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 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:

| Tangible fixed assets | 2018 | 2017 |
|---|---|---|
| | 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.

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 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,
- 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 2018 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 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 2018, said liability 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 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 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 2018 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 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 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 2018 financial year, the subsidiary companies contributed 532 thousand euros to this Fund (464 thousand euros in 2017).

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 2018 and 2017 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.

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) INCOME AND EXPENSES

The Group enters the income and expenses 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) Income and expenses 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 income and expenses 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.

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, 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.

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 7 May 2018, VidaCaixa sent the DGIPF the individual annual report for the 2017 financial year and, on 15 June 2018, the consolidated annual report for the 2017 financial year, which demonstrated compliance of the required SCR and MCR levels.

The redemption value and the market value of the assets assigned to the portfolios affected by the cash flow adjustment of the Group's Parent Company amounted to 39,127 and 44,668 thousand euros, respectively, at 31 December 2018.

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

Breakdown of credit rating at 31 December 2018 and 2017:

| Rating | Thousands of Euros | | | |
|---|---|---|---|---|
| | Nominal Value | | Weighting | |
| | 31.12.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 |
| Between AA- and AAA | 682,317 | 508,376 | 1% | 1% |
| Between A- and A+ | 2,076,960 | 1,594,441 | 3% | 2% |
| Between BBB- and BBB+ | 70,520,374 | 67,987,997 | 95% | 96% |
| Between BB- and BB+ | 202,879 | 204,094 | - | - |
| Between B- and B+ | 8,400 | 208,969 | - | - |
| Below B- | 451 | 451 | - | - |
| Unrated | 397,847 | 449,347 | 1% | 1% |
| **Total** | **73,889,228** | **70,953,675** | **100%** | **100%** |

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 2018 and 2017 are as follows:

**Geographical diversification**

| 2018 Financial Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| Country | Thousands of Euros | | | | | | |
| | Debt securities | Variable income | Funds | Derivatives | Loans and deposits in credit entities | Other assets | Guarantees |
| Germany | 640,265 | - | - | - | - | - | - |
| Angola | - | - | - | - | - | 3 | - |
| Australia | - | - | - | - | - | - | - |
| Austria | 25,865 | - | - | - | - | - | - |
| Belgium | 46,309 | - | - | - | - | - | - |
| Brazil | 551 | - | - | - | - | - | - |
| Canada | 9,548 | - | - | - | - | - | - |
| Denmark | 15,419 | - | - | - | - | - | - |
| Slovakia | 1,062 | - | - | - | - | - | - |
| Spain | 44,210,130 | 985 | - | - | 729,106 | - | 9,649 |
| United States | 521,216 | 502,565 | 293,818 | 15,588 | - | - | 25,139 |
| Finland | 8,960 | - | - | - | - | - | - |
| France | 551,573 | - | 65,535 | - | 20 | - | - |

| 2018 Financial Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| Country | Thousands of Euros | | | | | | |
| | Debt securities | Variable income | Funds | Derivatives | Loans and deposits in credit entities | Other assets | Guarantees |
| Guernsey | 3,767 | - | - | - | - | - | - |
| Netherlands | 540,572 | - | - | - | 8 | - | - |
| Ireland | 86,815 | 4,213 | 233,372 | - | - | - | - |
| Jersey | - | - | - | - | - | - | - |
| Cayman Islands | 6,045 | - | - | - | - | - | - |
| Italy | 4,067,375 | - | - | - | - | - | - |
| Japan | - | - | 27,881 | - | - | - | - |
| Luxembourg | 82,163 | - | 1,367,651 | - | - | - | - |
| Mexico | 25,868 | - | - | - | - | - | - |
| Nigeria | 5,328 | - | - | - | - | - | - |
| Norway | 8,922 | - | - | - | - | - | - |
| Portugal | 1,131,767 | - | 128 | - | 277,413 | - | - |
| United Kingdom | 294,928 | - | 36,704 | - | 13,149 | - | - |
| Czech Republic | 4,091 | 963 | - | - | - | - | - |
| Sweden | 15,659 | - | - | - | - | - | - |
| Switzerland | 25,405 | 1,747 | - | - | - | - | - |
| Venezuela | - | - | - | - | - | - | - |
| **Total** | **52,329,603** | **510,473** | **2,025,089** | **15,588** | **1,019,696** | **3** | **34,788** |

| 2017 Financial Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| Country | Thousands of Euros | | | | | | |
| | Debt securities | Variable income | Funds | Derivatives | Loans and deposits in credit entities | Other assets | Guarantees |
| Germany | 555,208 | - | - | - | - | - | 5,133 |
| Angola | - | - | - | - | - | 3 | - |
| Australia | - | - | 28,294 | - | - | - | - |
| Austria | 24,412 | - | - | - | - | - | - |
| Belgium | 61,121 | - | - | - | - | - | - |
| Brazil | 581 | - | - | - | - | - | - |
| Canada | 9,243 | - | - | - | - | - | - |
| Denmark | 28,858 | - | - | - | - | - | - |
| Slovakia | 1,103 | - | - | - | - | - | - |
| Spain | 42,696,992 | 1,234 | - | 414 | 181,976 | - | - |
| United States | 525,901 | 62,590 | 448,869 | - | - | - | 5,306 |
| Finland | - | - | - | - | - | - | - |
| France | 422,118 | - | 483,889 | - | - | - | - |
| Guernsey | 3,919 | - | - | - | - | - | - |
| Netherlands | 348,974 | - | - | - | 14,376 | - | - |
| Ireland | 44,259 | - | 68,821 | - | - | - | - |
| Jersey | 4,726 | - | - | - | - | - | - |

| 2017 Financial Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| Country | Thousands of Euros | | | | | | |
| | Debt securities | Variable income | Funds | Derivatives | Loans and deposits in credit entities | Other assets | Guarantees |
| Cayman Islands | 6,073 | - | - | - | - | - | - |
| Italy | 4,393,701 | - | - | - | - | - | - |
| Japan | - | - | - | - | - | - | 646 |
| Luxembourg | 129,664 | - | 515,064 | - | - | - | - |
| Mexico | 26,974 | - | - | - | - | - | - |
| Nigeria | 5,268 | - | - | - | - | - | - |
| Norway | 9,353 | - | - | - | - | - | - |
| Portugal | 832,014 | - | 134 | - | 151,269 | - | - |
| United Kingdom | 413,009 | - | 249,397 | - | - | - | - |
| Czech Republic | 4,272 | - | - | - | - | - | - |
| Sweden | 16,479 | - | - | - | - | - | - |
| Switzerland | 25,887 | - | - | - | - | - | - |
| Venezuela | 1,011 | - | - | - | - | - | - |
| **Total** | **50,591,120** | **63,824** | **1,794,468** | **414** | **347,621** | **3** | **11,085** |

**Diversification by sector**

| 2018 Financial Year | | | | | | | |
|---|---|---|---|---|---|---|---|
| Sector | Thousands of Euros | | | | | | |
| | Debt securities | Variable income | Funds | Derivatives | Loans and deposits in credit entities | Other assets | Guarantees |
| Communications | 757,457 | 13,002 | - | - | - | - | - |
| Consumer goods. Non-Cyclical | 80,484 | 183,353 | - | - | - | - | - |
| Energy | 116,885 | 32,272 | - | - | - | - | - |
| Financial | 988,643 | 81,074 | 2,025,088 | 15,588 | 777,763 | 3 | 34,788 |
| Government | 48,142,754 | - | - | - | 241,933 | - | - |
| Industrial | 1,041,379 | 174,516 | - | - | - | - | - |
| Raw materials | 59,106 | 10,768 | - | - | - | - | - |
| Utilities | 1,142,895 | 15,488 | - | - | - | - | - |
| **Total** | **52,329,603** | **510,473** | **2,025,088** | **15,588** | **1,019,696** | **3** | **34,788** |

| 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** |

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

**Transactions performed during the 2018 financial year**

### A) SALE OF CAIXABANK TITULIZACIÓN S.G.F.T., S.A. (PREVIOUSLY GESTICAIXA)

As indicated in Note 1, on 11 December 2018, the sale and purchase agreement was formalised by which the Parent Company sold its entire stake (9%) in the Company CaixaBank Titulización S.G.F.T., S.A. to CaixaBank S.A. for the amount of 1,700 thousand euros, generating a profit of 1,353 thousand euros.

### B) DISTRIBUTION OF SHARE PREMIUM AND RESERVES OF SEGURCAIXA ADESLAS S.A. DE SEGUROS Y REASEGUROS

On 21 December 2018, SegurCaixa Adeslas S.A. de Seguros y Reaseguros (hereinafter, “SegurCaixa Adeslas”) proceeded to distribute a share premium and reserves for an amount of 226,839 thousand 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 113,248 thousand euros. The Parent Company considered recording the amount received as a decrease in the net book value of the stake in SegurCaixa Adeslas, considering that the balance received corresponds to own funds included in the cost of acquisition, and as such is not generated as profits from that date, meaning it is not susceptible to distribution as a dividend.

**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 amounted to 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. Derived from this analysis, the following intangible asset (millions of euros) was identified:

| | 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.<br>• Marketing fees paid to Banco BPI stipulated by contract.<br>• Forecast of operating costs as an average of all the costs incurred by BPI Vida for all of the assets under management. |

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 | LIABILITIES AND ADJUSTMENTS FOR CHANGES IN VALUE | thousands of Euros |
|---|---|---|---|
| Cash and other equivalent liquid assets | 440,135 | Debits and payable items | 83,772 |
| Financial assets held for trading | 136 | Hedging derivatives | 530 |
| Other financial assets at fair value with changes registered in the profit and loss account | 2,829,356 | Technical reserves | 4,096,408 |
| Financial assets available for sale | 106,816 | Tax liabilities | 176 |
| Loans and payments receivable | 904,791 | Other liabilities | 1,283 |
| Investments held to maturity | 14,400 | | |
| Tangible fixed assets and property investments | 3 | | |
| Tax assets | 226 | **Total liabilities** | **4,182,169** |
| Other assets | 10,708 | Adjustments for changes in value | 514 |
| **Total assets** | **4,306,571** | **Total Liabilities and Adjustments for Changes in Value** | **4,182,683** |

### 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 related to own funds included in the acquisition cost.

## 6. Financial assets

The breakdown of the financial assets at 31 December 2018 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 31.12.2018 |
|---|---|---|---|---|---|---|---|
| **FINANCIAL INVESTMENTS:** | **1,732,464** | **129** | **8,858,004** | **50,746,891** | **1,659,424** | **8,400** | **63,005,312** |
| Equity instruments | - | 129 | 2,569,235 | 985 | - | - | 2,570,349 |
| - Financial investments in capital | - | - | 776,232 | 985 | - | - | 777,217 |
| - Holdings in investment funds | - | 129 | 1,793,003 | - | - | - | 1,793,132 |
| Debt securities | - | - | 944,588 | 50,745,903 | 630,713 | 8,400 | 52,329,604 |
| Investment on behalf of life insurance policyholders who assume the risk of the investment | 1,015,392 | - | 5,328,593 | - | - | - | 6,343,985 |
| Loans | - | - | - | - | 484,317 | - | 484,317 |
| Other financial assets | - | - | 15,588 | 3 | - | - | 15,591 |
| Transactions with repurchase agreement | 20,247 | - | - | - | 236,854 | - | 257,101 |
| Deposits in credit entities | 39,076 | - | - | - | 307,540 | - | 346,616 |
| Deposits constituted for accepted reinsurance | - | - | - | - | - | - | - |
| Cash and cash equivalents | 657,749 | - | - | - | - | - | 657,749 |

| 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 31.12.2018 |
|---|---|---|---|---|---|---|---|
| **CREDITS:** | **-** | **-** | **-** | **-** | **284,117** | **-** | **284,117** |
| Credits through direct insurance and co-insurance operations | - | - | - | - | 41,363 | - | 41,363 |
| Credits through reinsurance operations | - | - | - | - | 19,897 | - | 19,897 |
| Other credits | - | - | - | - | 222,857 | - | 222,857 |
| Value impairment | - | - | - | - | - | - | - |
| **Total** | **1,732,464** | **129** | **8,858,004** | **50,746,891** | **1,943,541** | **8,400** | **63,289,429** |

The same information for the close of 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 | 48,971,753 | 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 | - | - | - | 5,211,278 |
| 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 |

| 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** |

The breakdown of the financial assets, according to the inputs used, at 31 December 2018 is as follows (in thousands of Euros):

| | Level 1 | Level 2 (*) | Level 3 | Total at 31.12.2018 |
|---|---|---|---|---|
| **Financial assets held for trading** | | | | |
| Debt securities | - | - | - | **-** |
| Derivatives | - | - | - | **-** |
| Holdings in investment funds | 129 | - | - | **129** |
| **Other financial assets at fair value with changes in the profit and loss account** | | | | |
| Debt securities | 942,650 | 1,938 | - | **944,588** |
| Equity instruments | 2,569,235 | - | - | **2,569,235** |
| Investments on behalf of life insurance policyholders who assume the risk of the investment | 5,320,071 | 8,328 | 194 | **5,328,593** |
| Hybrid instruments | - | - | - | **-** |
| Loans | - | - | - | **-** |
| Other financial assets | 15,571 | 17 | - | **15,588** |
| Deposits in credit entities | - | - | - | **-** |
| **Financial assets available for sale** | | | | |
| Financial investments in capital | - | 985 | - | **985** |
| Holdings in investment funds | - | - | - | **-** |

| | Level 1 | Level 2 (*) | Level 3 | Total at 31.12.2018 |
|---|---|---|---|---|
| Debt securities | 51,933,478 | (1,187,575) | - | **50,745,903** |
| Loans | - | - | - | **-** |
| Other financial assets without published prices | - | - | 3 | **3** |
| Deposits in credit entities | - | - | - | **-** |
| **Total at 31 December 2018** | **60,781,134** | **(1,176,307)** | **197** | **59,605,024** |

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

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 account** | | | | |
| 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 | - | - | - | **-** |

| | Level 1 | Level 2 (*) | Level 3 | Total at 31.12.2017 |
|---|---|---|---|---|
| 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 of definite and/or predetermined cash flows associated with fixed-income securities that the Parent Company records jointly as indicated in Note 3.b.

## 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 2016** | **443** | **-** |
| Purchases | - | - |
| Changes to consolidation method | - | - |
| Sales and amortisations | (86) | - |
| Additions to the scope of consolidation (*) | - | 136 |
| Reclassifications and transfers | - | - |
| Revaluations against reserves | - | - |
| Revaluations against results | 57 | - |
| Registered profit/loss | - | - |
| **Net book value at 31 December 2017** | **414** | **136** |
| Purchases | - | - |
| Changes to consolidation method | - | - |
| Sales and amortisations | (300) | - |

| | HFT | |
|---|---|---|
| | Derivatives | Funds |
| Additions to the consolidation scope | - | - |
| Reclassifications and transfers | - | - |
| Revaluations against reserves | - | - |
| Revaluations against results | (114) | (7) |
| Registered profit/loss | - | - |
| **Net book value at 31 December 2018** | **-** | **129** |

(*) 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 corresponded to a call option on the euro Stoxx 50 that matured in 2018. The fair value of said investment was 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 2018 and 2017 (excluding investments by life insurance policyholders who assume the risk of the investment):

| 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 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** |
| Purchases | 1,626,346 | 2,083,702 | 1,781,588 | 451,571 | 23,703 | 5,966,910 |
| Additions to the consolidation scope | - | - | - | - | - | - |
| Implicit interest accrued | - | - | - | - | - | - |
| Sales and amortisations | (1,301,749) | (1,319,324) | (1,782,389) | (436,000) | - | (4,839,462) |
| Reclassifications and transfers | - | - | - | - | - | - |
| Revaluations against results | (325,925) | (85,525) | (8,236) | 17 | - | (419,669) |
| Registered profit/loss | - | - | - | - | - | - |
| **Net book value at 31 December 2018** | **1,793,003** | **741,444** | **944,588** | **15,588** | **34,788** | **3,529,411** |

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

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

Given that, in 2018 and 2017, 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 correspond to assets of BPI Vida and include mainly public debt of the euro zone.

During the 2018 financial year, net capital losses of (411,448) thousand euros (net capital gains of 116,557 thousand euros in 2017) were obtained due to a change in the value of the investments under the managed portfolio of the Flexible Investment Life Plan included under the "Tangible fixed asset and investment expenses" and "Tangible fixed asset and investment revenue" 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):

| | Investment on behalf of life insurance policyholders who assume the risk of the investment |
|---|---|
| **Net book value at 1 January 2017** | **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** |
| Purchases and accruals | 12,770,846 |
| Integration | - |

| | Investment on behalf of life insurance policyholders who assume the risk of the investment |
|---|---|
| Additions to the consolidation scope | - |
| Sales, accruals and depreciations | (12,365,786) |
| Revaluations against results | (155,318) |
| **Net book value at 31 December 2018** | **5,328,593** |

(*) 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 2018 financial year, the income net of expenses of investments on behalf of policyholders who assume the risk of the investment amounted to (217,565) thousand euros (115,859 thousand euros in 2017). 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 2018, the Group held no hybrid instruments.

**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 2017** | **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** |
| Purchases | 103 | 10,392,538 | - | 10,392,641 |

| | AFS | | | Total |
|---|---|---|---|---|
| | Equity instruments | Debt securities | Other | |
| Integration | - | - | - | - |
| Additions to the consolidation scope | - | - | - | - |
| Implicit interest accrued | - | 525,333 | - | 525,333 |
| Sales and amortisations | (1,749) | (8,980,629) | - | (8,982,378) |
| Reclassifications and transfers | - | (101,493) | - | (101,493) |
| Revaluations against reserves | 34 | 202,682 | - | 202,716 |
| Changes in the losses through impairment of value | - | - | - | - |
| Sums transferred to the profit and loss account | 1,363 | (164,281) | - | (162,918) |
| **Net book value at 31 December 2018** | **985** | **50,745,903** | **3** | **50,746,891** |

(*) 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)

In 2018, the Group recorded a result of 164,280 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 868 thousand euros which are mostly recorded under the caption "Tangible fixed asset and investment revenue" and "Tangible fixed asset and investment expenses" in the technical consolidated profit and loss account for the life insurance, respectively.

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 recorded under the caption "Tangible fixed asset and investment revenue" and "Tangible fixed asset and investment expenses", respectively, in the life insurance technical consolidated profit and loss account for the 2017 financial year.

At 31 December 2018, 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 2019 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 2018 totals 750,256 thousand euros (757,209 thousand euros at the close of 2017) 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 2018, there were 3,363,073 thousand euros under the guarantee item and it was made up of negotiable financial government bonds issued by the Government of Spain.

**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 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** |
| Purchases | 22,489 | 626,043 | 560,417 | 1,208,949 |

| | Debt securities | Non-mortgage loans and advance payments on policies | Deposits in credit entities | Total |
|---|---|---|---|---|
| Additions to the consolidation scope | - | - | - | - |
| Implicit interest accrued | 4,534 | 495 | - | 5,029 |
| Changes to consolidation method | - | - | - | - |
| Sales and amortisations | (147,652) | (77,831) | (438,564) | (664,047) |
| 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 2018** | **630,713** | **721,171** | **307,540** | **1,659,424** |

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

**Investments held to maturity**

As a result of the acquisition of the Company BPI Vida in the 2017 financial year (see note 1), the Group holds investments until maturity for an amount of 8,400 thousand euros at the close of the 2018 financial year (14,400 thousand euros at the close of the 2017 financial year).

These financial assets correspond to debt securities issued by Ibercaja, which mature during the 2019 financial year. The fair value of the same at 31 December 2018 was 8,188 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 2018 and 2017:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | AFS Portfolio | | Held for Trading Portfolio | | FVCPL Portfolio | |
| | 31.12.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 |
| Shares in Spanish listed companies | 61 | 100 | - | - | 13,161 | 15,225 |
| Shares in Spanish unlisted companies | 924 | 1,134 | - | - | - | - |
| Shares in listed foreign companies | - | - | - | - | 811,090 | 203,494 |
| Shares in unlisted foreign companies | 3 | 3 | - | - | - | - |
| Spanish ETFs | - | - | - | - | 956 | 1,134 |
| Listed foreign ETFs | - | - | - | - | 1,527,875 | 319,829 |
| Spanish investment funds | - | - | - | - | 88,009 | 113,802 |
| Listed foreign investment funds | - | - | 129 | 136 | 2,759,624 | 3,616,761 |
| **Total** | **988** | **1,237** | **129** | **136** | **5,200,715** | **4,270,245** |

At 31 December 2018, the Group holds shares in the company called "Tecnologías de la información y redes para las entidades aseguradoras, S.A." (453 thousand euros) and in the mutual fund of various Voluntary Social Welfare Entities (471 thousand euros), and has purchased some shares in CaixaBank, S.A. (61 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.

**a.2) Fixed income securities**

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

| | Thousands of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.12.2018 | | | | 31.12.2017 | | | |
| | 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 | 391,778 | 41,874,114 | - | - | 606,774 | 39,855,230 | - | - |
| Other Public Administration | - | 1,131,659 | - | - | - | 1,191,845 | - | - |
| Issued by financial companies | - | (306,922) | 34,289 | 8,400 | 202 | 9,606 | 24,999 | 14,400 |
| Foreign public debt | 549,399 | 4,164,166 | - | - | 342,750 | 4,151,486 | 50,000 | - |
| Issued by foreign financial companies | 3,411 | 1,113,729 | 596,424 | - | 3,899 | 1,196,761 | 676,343 | - |
| Other fixed income securities | - | 2,769,157 | - | - | - | 2,466,825 | - | - |
| **Total** | **944,588** | **50,745,903** | **630,713** | **8,400** | **953,625** | **48,871,753** | **751,342** | **14,400** |

(*) 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".

The maturity dates of the securities included in this sub-caption, according to their allocation portfolio at 31 December 2018 and 2017, and taking into consideration their fair value, are as follows:

| Maturity | Thousands of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.12.2018 | | | | 31.12.2017 | | | |
| | FVCPL Portfolio (*) | AFS Portfolio | L&PR Portfolio | HTM Portfolio | FVCPL Portfolio | AFS Portfolio | L&PR Portfolio | HTM Portfolio |
| Less than 1 year | 939,740 | 1,130,192 | 277,411 | 8,400 | 945,500 | 543,462 | - | 6,000 |
| 1 to 3 years | 2,513 | 3,995,082 | 259,443 | - | 6,078 | 2,748,502 | 639,909 | 8,400 |
| 3 to 5 years | 225 | 3,969,016 | 93,859 | - | - | 5,665,899 | 111,433 | - |
| 5 to 10 years | - | 11,136,150 | - | - | - | 11,378,052 | - | - |
| 10 to 15 years | 297 | 11,768,506 | - | - | 290 | 12,607,999 | - | - |
| 15 to 20 years | 970 | 2,998,464 | - | - | 930 | 3,512,891 | - | - |
| 20 to 25 years | 517 | 5,809,198 | - | - | - | 7,868,169 | - | - |
| more than 25 years | 326 | 9,939,295 | - | - | 827 | 4,546,779 | - | - |
| **Total** | **944,588** | **50,745,903** | **630,713** | **8,400** | **953,625** | **48,871,753** | **751,342** | **14,400** |

(*) 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”.

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

The following is the breakdown by investment type at 31 December 2018 and 2017:

| Investment on behalf of life insurance policyholders who assume the risk of the investment | Thousands of Euros | | | |
|---|---|---|---|---|
| | 31.12.2018 | | 31.12.2017 | |
| | FVCPL | Other assets | FVCPL | Other assets |
| Financial investments in capital | 728,149 | - | 477,091 | - |
| Holdings in investment funds | 1,938,120 | - | 1,936,230 | - |
| Fixed-income securities | 2,335,157 | - | 2,088,843 | - |
| Deposits in credit entities | 304,861 | - | 557,742 | - |
| Derivatives | 3,713 | - | (140) | - |
| Guarantees | 18,593 | - | 19,085 | - |
| Cash and other equivalent assets | - | 1,015,392 | - | 1,132,427 |
| Loans and payments receivable | - | 4,493 | - | 2,684 |
| Accruals | - | 13,121 | - | 10,803 |
| **Total** | **5,328,593** | **1,033,006** | **5,078,851** | **1,145,914** |

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

| Maturity | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| | FVCPL | FVCPL |
| Less than 1 year | 1,019,474 | 454,508 |
| 1 to 3 years | 606,723 | 1,134,450 |
| 3 to 5 years | 508,628 | 553,692 |
| 5 to 10 years | 506,902 | 495,866 |
| More than 10 years | 2,004 | 7,929 |
| **Total** | **2,643,731** | **2,646,445** |

The variation experienced in the year 2018 of the capital losses net of capital gains of these assets amounts to (599,201) thousand euros (capital gains net of losses for a value of 23,677 thousand euros in the year 2017), and are presented within the caption "Revenue and expenses for investments subject to insurance in which the policyholder assumes the risk of the investment" and the captions "Tangible fixed asset and investment revenue" and "Tangible fixed asset and investment expenses" of the profit and loss account of the Life segment.

**a.4) Loans and Other assets**

The balances that make up this sub-caption at 31 December 2018 and 2017 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| **Non-mortgage loans and advance payments on policies:** | | |
| - Unlisted loans | 712,155 | 161,934 |
| - Advance payments on policies | 9,016 | 10,530 |
| **Mortgage loans:** | **-** | **-** |
| **Deposits in credit entities:** | **307,540** | **185,687** |
| **Deposits constituted for accepted reinsurance:** | **-** | **-** |
| **Debt securities** | **630,713** | **751,342** |
| **Total** | **1,659,424** | **1,109,493** |

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 2018, the Parent Company has 13 deposits contracted with "CaixaBank" amounting to 612,752 thousand euros, which have a weighted average IRR of 0.36% with maturities in 2019. This caption also includes 3 deposits with a total amount of 92,534 thousand euros with maturity in 2019, which have a weighted average IRR of 7.94%. These deposits and repos have generated revenues of 4,573 thousand euros.

Also, the balance for the caption "Deposits in Credit Entities" includes 54 deposits contracted by the Parent Company with Santander, BBVA and Royal Bank of Scotland for a total amount of 30,128 thousand euros. The maturity dates of said deposits vary between the years 2020 and 2044 and their weighted average IRR amounts to 5.60%. For its part, through BPI Vida, the Group has recorded 277,412 thousand euros of deposits in credit entities, 108,912 thousand euros contracted with Banco BPI and the rest contracted mainly with Santander (120,000 thousand euros) and Banco Sabadell (48,500 thousand euros). All of the deposits mature in 2019 and their average weighted IRR is 0.03%.

On the other hand, through BPI Vida, the Group has recorded in the sub-caption "Securities representing debt" 630,713 thousand euros, which corresponds mainly to corporate debt issues of companies in Portugal (608,223 thousand euros) and Spain (22,490 thousand euros). The maturity dates of all of the debt securities recorded in said sub-caption vary between the years 2019 and 2022, and their fair value at 31 December 2018 is 674,869 euros.

### B) CREDITS

The following is the breakdown of the credits derived from insurance, reinsurance and co-insurance contracts at 31 December 2018 and 2017:

| | Thousands of Euros | |
|---|---|---|
| | L&PR | |
| | 31.12.2018 | 31.12.2017 |
| **Credits through direct insurance and co-insurance operations:** | | |
| - Insurance policyholders - receipts pending: | | |
| Direct and co-insurance business | 31,648 | 23,713 |
| Premiums accrued and not issued | 4,572 | 4,647 |
| (Reserve for premiums pending payment) | (4,522) | (7,626) |
| - Brokers: | | |
| Pending balances with brokers | 9,316 | 1,321 |
| (Reserve for impairment of balance with brokers) | - | - |
| - Accounts receivable for co-insurance operations: | | |
| Pending balances with co-insurers | 19,897 | 4,200 |
| (Reserve for impairment of balance with co-insurers) | - | - |
| **Credits through reinsurance operations:** | | |
| Pending balance with reinsurance companies | 349 | 20,555 |
| (Reserve for impairment of balance with reinsurance) | - | - |
| **Other credits:** | | |
| Rest of credits | 222,857 | 199,277 |
| (Reserve for impairment of other credits) | - | - |
| **Total** | **284,117** | **246,087** |

Recorded in the "Other Credits - Rest of Credits" caption of the attached balance sheet were some assets for the various emphyteutic censuses of the Parent Company with the Generalitat de Catalunya, which at 31 December 2017 represented 751 thousand euros. Said censuses generated income for a value of 17 and 312 thousand euros in the financial years 2018 and 2017, respectively. As of 31 December 2018, there are no current censuses in the Parent Company's balance sheet.

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 2018, the Parent Company has an amount of 15,630 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 2018 and 2017 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.

| | Reserve for pending premiums | Reserve for impairment of balance with reinsurance | Reserve for impairment of balance with broker |
|---|---|---|---|
| **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)** | **-** | **-** |
| Allocations charged to profit and loss account | (4,522) | - | - |
| Applications with payment to profit and loss account | 7,626 | - | - |
| **Balances at 31 December 2018** | **(4,522)** | **-** | **-** |

The breakdown of other credits in the consolidated balance sheet at 31 December 2018 and 2017 is as follows:

| Rest of Credits: | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Administration fees and other fees receivable | 23,113 | 28,850 |
| Other debtors | 197,024 | 140,025 |
| Creditors for securities | 2,720 | 30,402 |
| **Total** | **222,857** | **199,277** |

## 7. Joint ventures

At the close of the 2018 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 2018.

## 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 2018 is as follows:

| Company | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Balances at 31.12.2017 | Consolidation scope additions and withdrawals | Increases through year result | Other Variations (*) | Balances at 31.12.2018 |
| Grupo SegurCaixa Adeslas, S.A. de Seguros y Reaseguros | 1,027,133 | - | 33,505 | (113,248) | 947,390 |
| **Gross total** | **1,027,133** | **-** | **33,505** | **(113,248)** | **947,390** |
| Impairment losses | - | - | - | - | - |
| **Net total** | **1,027,133** | | **33,505** | **(113,248)** | **947,390** |

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

# 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 2018 (in thousands of euros):

| | 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 1 January 2018** | **(2,030)** | **(3,439)** | **(1,744)** | **-** | **(7,213)** |
| **Impairment losses** | **(447)** | **-** | **-** | **-** | **(447)** |
| ***Net Book Value at 1 January 2018*** | ***15,362*** | ***5,835*** | ***950*** | **-** | ***22,147*** |
| Investments or additions | - | 215 | 104 | - | 319 |
| Reclassifications and transfers | - | - | - | - | - |
| Sales and disposals | - | - | (27) | - | (27) |
| Amortisation of financial year | (270) | (940) | (335) | - | (1,545) |
| Reclassifications and transfers of the depreciation | - | - | - | - | - |
| Disposals of the depreciation | - | - | 4 | - | 4 |
| Losses/Applications for impairment | 447 | (409) | - | - | 38 |
| ***Net book value at 31 December 2018*** | ***15,539*** | ***4,701*** | ***696*** | **-** | ***20,936*** |

The composition of the net book value at 31 December 2018 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 2018** | **17,839** | **9,489** | **2,771** | **-** | **30,099** |
| **Accumulated depreciation at 31 December 2018** | **(2,300)** | **(4,379)** | **(2,075)** | **-** | **(8,754)** |
| **Impairment losses** | **-** | **(409)** | **-** | **-** | **(409)** |
| ***Net book value at 31 December 2018*** | ***15,539*** | ***4,701*** | ***696*** | **-** | ***20,936*** |

The following is the movement and breakdown corresponding to the 2017 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 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*** |

| | Buildings for own use | Furniture and fittings | Data processing equipment | Other tangible fixed asset | 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*** |

At 31 December 2018 and 2017, 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 2018 and 2017 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 an expiry date of 17 June 2019 and an outstanding capital at 31 December 2018 of 277 thousand euros (see Note 13).

The market value at 31 December 2018 of the properties used by the Group is summarised below (in thousands of euros):

| | Market value at 31.12.2018 | | | |
|---|---|---|---|---|
| | Non-life Segment | Life Segment | Other activities segment | Total |
| Buildings for own use | - | 18,657 | - | 18,657 |

During the 2018 financial year, the Group recorded a reversal of the impairment for property and land included in the captions of tangible fixed assets and real estate investments of 574 thousand euros.

A 31 December 2018, the Group had fully depreciated tangible fixed assets for an amount of 948 thousand euros (557 thousand euros at the end of 2017).

B) PROPERTY INVESTMENTS

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

| 2018 Financial Year | |
|---|---|
| | 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*** |
| Investments or additions | - |
| Changes to consolidation method | - |
| Reclassifications and transfers | - |
| Sales and disposals | - |
| Amortisation of financial year | (3) |
| Changes to consolidation method | - |
| Reclassifications and transfers of the depreciation | - |
| Disposals of the depreciation | - |
| Reversal of losses through impairment | 127 |
| ***Net book value at 31 December 2018*** | ***746*** |

| Breakdown of net book value at 31 December 2018 | Property investments third-party use |
|---|---|
| **Cost at 31 December 2018** | **802** |
| Accumulated depreciation at 31 December 2018 | (35) |
| Impairment losses | (21) |
| ***Net book value at 31 December 2018*** | ***746*** |

| 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 2016*** | ***622*** |

| 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*** |

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 2018 and 2017 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 2018 is summarised below (in thousands of euros):

| | Market value at 31.12.2018 | | | |
|---|---|---|---|---|
| | Non-life Segment | Life Segment | Other Activities Segment | Total |
| Property investments third-party use | - | 2,402 | - | 2,402 |

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

## 10. Intangible fixed assets

The movements that occurred in this caption during the 2018 and 2017 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 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| 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** |

At 31 December 2018 and 2017, 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 9.07% applied in the projections is considered, calculated on the interest rate of the 10-year sovereign German 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 2018, no reasonably possible change in the key assumptions of the projection of income and expenditure would entail the carrying amount exceeding its fair value.

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

| Intangible Assets | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Computer programs and other intangible assets | 27,324 | 19,885 |
| la Caixa Gestión de Pensiones, E.G.F.P., S.A.U | 870 | 1,449 |
| Fortis holding value | - | - |
| Banca Cívica Vida y Pensiones | 27,847 | 35,273 |
| CajaSol Vida y Pensiones | 5,912 | 7,303 |
| CajaCanarias Vida y Pensiones | 3,642 | 4,499 |
| Caja Guadalajara | 455 | 544 |
| Banco Valencia Funds | 845 | 1,008 |
| Barclays Vida y Pensiones – Pension Funds | 6,034 | 6,845 |
| Barclays Vida y Pensiones – Risk Portfolio | 10,037 | 11,318 |
| BPI Vida | 12,627 | 15,306 |
| Acquisition expenses | 61,713 | 60,635 |
| **Other Intangible Assets** | **157,306** | **164,065** |

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 2018 was 27,847, 5,912 and 3,642 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 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 2018 amounted to 9,674 thousand euros at 31 December 2018. The remaining useful life of said intangibles is 4 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 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 2018 and 2017 financial years.

- 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 2018 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 2018 is 1.5 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 2018 amounted to 89 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2018 is 5 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 2018 amounted to 163 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2018 is 5 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 2018 amounted to 811 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2018 is 7.5 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 2018 amounted to 1,281 thousand euros. The useful life of said intangible asset is 10 years and the remaining useful life at 31 December 2018 is 8 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 15,449 thousand euros has been identified, corresponding to the portfolio of pension fund customers for an amount of 2,680 thousand euros with a useful life of 10 years and a portfolio of the company's own policyholders for an amount of 12,769 thousand euros with a useful life of 5 years. The provision for the amortisation of the asset corresponding to the portfolio of pension fund customers during the 2018 financial year amounted to 268 thousand euros and its residual life at 31 December 2018 is 9 years. The provision for the amortisation of the asset corresponding to the portfolio of policyholders during the 2018 financial year amounted to 2,554 thousand euros and its residual life at 31 December 2018 is 4 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 recorded an impairment of 89 thousand euros and in 2014 an additional impairment of 113 thousand euros was recorded, and during 2016, part of the impairment was reversed and it was set at 135 million euros. During the 2018 financial year, as a result of the new appraisals commissioned by the Parent Company, the entire impairment has been reversed.

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 2018 and 2017 financial years, the Group had fully amortised intangible fixed assets that continued in use, pursuant to the following list (in thousands of euros):

| Description | Book value 2018 (Gross) | Book value 2017 (Gross) |
|---|---|---|
| Computer programs | - | - |
| **Total** | **-** | **-** |

# 11. Leases

## 11.1 THE GROUP ACTING AS A LESSOR

At the close of the 2018 and 2017 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 2018 and 2017 financial years amounted to 19 thousand euros in each financial year.

## 11.2 THE GROUP ACTING AS A LESSEE

At the close of the 2018 and 2017 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 2018 and 2017 financial years amounted to 520 thousand euros and 519 thousand euros respectively.

Furthermore, as a consequence of the acquisition of BPI Vida, at the close of 2018, 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. The rents paid during the financial year 2018 amounted to 225 thousand euros.

At 31 December 2018, 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):

| Operating Leases Minimum payments | Thousands of Euros | |
|---|---|---|
| | 2018 | 2017 |
| Less than 1 year | 170 | 45 |
| Between 1 and 5 years | 64 | 727 |
| More than 5 years | - | - |
| **Total** | **234** | **772** |

The amount of the operating lease and sub-lease rents recognised, respectively, as expenditure and income during the 2018 and 2017 financial years is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2018 | 2017 |
| Lease payments | 632 | 519 |
| (Subletting rents) | - | - |
| **Total** | **632** | **519** |

## 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 2018 (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

2018 and 2017, 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 2018, the Group had assets and liabilities for deferred taxes for the amount of 238,490 and 256,942 thousand euros respectively, 261,810 and 255,139 thousand euros at 31 December 2017, 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 2018 financial year.

### D) TAXES CHARGED ON EQUITY AND DEFERRED TAXES

The following is the breakdown of the taxes:

| Deferred tax assets | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Sales for variable income | - | - |
| Deductions pending application | 191,548 | 215,986 |
| Losses of financial assets available for sale | 13,197 | 5,845 |
| Levelling of technical reserves | 13,705 | 14,976 |
| Other | 20,040 | 25,003 |
| **Total** | **238,490** | **261,810** |

The main amounts in the balance of deductions pending application at 31 December 2018 include 65,839 thousand euros corresponding to deductions for reinvestment derived from the earn-out of the sale of SegurCaixa Adeslas, S.A. de Seguros y Reaseguros, 25,681 thousand euros from deductions for double internal taxation of the capital gains previously obtained by CaixaVida for the sale of shares in 2007, 71,101 thousand euros corresponding to deductions for double internal taxation for the dividends of SegurCaixa Adeslas, S.A. de Seguros y Reaseguros and 14,016 thousand euros corresponding to negative tax bases.

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 | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Liabilities amortisation intangible assets | 13,842 | 16,981 |
| Levelling of technical reserves | 217,678 | 217,678 |
| Sales of variable income securities | - | - |
| Gains of financial assets available for sale | 10,754 | 4,248 |
| Other | 14,668 | 16,232 |
| **Total** | **256,942** | **255,139** |

The deferred tax associated with the levellings of technical reserves is linked, in the 2018 financial year, to the value levelling adjustments arising from the results of the Liabilities Sufficiency Test in the Technical reserves.

## 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 2018 and 2017 financial years:

| | Thousands of Euros | |
|---|---|---|
| | 2018 | 2017 |
| | CaixaBank" Tax Group | CaixaBank" Tax Group |
| **Locally based taxable income before taxes** | **782,334** | **705,666** |
| Consolidation and application of IFRS adjustments | (398) | (1,183) |
| Impact of permanent differences | (164,111) | (83,393) |
| **Taxable income of Group** | **617,825** | **621,090** |
| **Payable value (30%)** | **185,347** | **186,327** |
| Deductions | (2,104) | (652) |
| Other | 1,435 | (8,436) |
| **Net tax payable** | **184,678** | **177,239** |
| Reversal of deferred taxes | - | - |
| **Total expense for taxation recognised in the "CaixaBank" Tax Group** | **184,678** | **177,239** |
| | **BPI Vida** | **BPI Vida** |
| **Total expense for taxation recognised for BPI Vida** | **2,383** | **Not applicable** |
| **Total expense for taxation recognised in the consolidated profit and loss account** | **187,061** | **177,239** |

## 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 3 July 2018, the parent company of the tax consolidation group (CaixaBank, SA) to which VidaCaixa belongs, was notified of the commencement of the Group's verification and investigation actions, as a payer of Corporation Tax, for the years 2013 to 2015.

On 18 December 2018, VidaCaixa was notified of the initiation of Corporation Tax verification and inspection proceedings for the aforementioned financial years, with the scope limited to the verification of the Parent Company's treatment of the intangible assets derived from the acquisition of the company "La Caixa Gestión de Pensiones, E.G.F.P., S.A.U." (formerly Morgan Stanley Gestión Pensiones, E.G.F.P., S.A.U.).

At the date of preparation of these annual accounts, the inspection is reviewing the information provided by the Parent Company.

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 2017 financial year, the verification of the tax group to which the Parent Company belongs ended for the years 2010 to 2012. 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 tax obligations of VidaCaixa, S.A.U. during the financial 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.

## 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 2018 and 2017 (in thousands of euros):

| Debits and payable items | Portfolio of debits and payable items | |
|---|---|---|
| | Thousands of Euros | |
| | 31.12.2018 | 31.12.2017 |
| Subordinated liabilities | - | 60,000 |
| Deposits received for ceded reinsurance | 1,376 | 1,177 |
| Debts through insurance and co-insurance operations | 32,527 | 29,737 |
| Debts through reinsurance operations | 4,120 | 6,840 |
| Debts with credit institutions (Note 9.a.) | 277 | 819 |
| Debts through temporary assignment of assets | 257,101 | 201,837 |
| Other debts | 368,843 | 539,623 |
| **Total** | **664,244** | **840,033** |

Following the acquisition of BPI Vida (see note 5), the Parent Company 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. At the beginning of the 2018 financial year, said subordinated liabilities were amortised. It is expected that all of the amounts included in this caption will be settled during the 2019 financial year.

### 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 2018 and 2017:

| | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| **Debts through direct insurance and co-insurance operations:** | | |
| - With policyholders | 630 | 364 |
| - With co-insurers | 1,198 | 1,033 |
| - With brokers | 30,073 | 26,575 |
| - Preparatory debts of insurance contracts | 540 | 538 |
| - Conditioned debts | 626 | 1,227 |
| **TOTAL** | **33,067** | **29,737** |
| **Debts through reinsurance operations** | **4,120** | **6,840** |
| **Other debts** | **368,843** | **539,621** |

The “Other Debts” sub-caption includes the following items at 31 December 2018 and 2017:

| | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Group and associated companies | | |
| With ‘la Caixa’ through IS | 183,275 | 183,129 |
| Rest of Group company debts | 29,491 | 133,144 |
| Debts with Public Administrations | 24,206 | 17,632 |
| Sundry creditors | 131,871 | 205,716 |
| **Total** | **368,843** | **539,621** |

At 31 December 2017, the amount recorded under “Rest of Group company debts” included 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.

| | 2018 | 2017 |
|---|---|---|
| | Days | Days |
| Average term for payment to suppliers | 12,65 | 13,47 |
| Operations paid ratio | 12,66 | 11,88 |
| Operations pending payment ratio | 11,75 | 67,39 |
| | **Thousands of Euros** | **Thousands of Euros** |
| Total payments made | 98,929 | 74,056 |
| Total payments outstanding | 1,661 | 2,194 |

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 2018 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 AND SECURITIES LENDING

In the first quarter of 2016, the Parent Company substituted the operation for the transfer of financial assets with repurchase agreement held with the Sole Shareholder, for a securities lending agreement with the same counterparty. This agreement consists of the lending of securities by the Parent Company (lender) to CaixaBank (borrower) in exchange for a fee.
The amount accrued for this item for the 2018 and 2017 financial years amounted to 11,286 and 5,797 thousand euros, respectively.

The lending of securities was formalised through an agreement protected by the European Framework Agreement. The security interests by the borrower in favour of the lender are defined in this agreement, which consist of deductible securitisations in the European Central Bank. At 31 December 2018 and 2017, the security interests held through said contract amounted to 7,794,014 and 12,473,132 thousand euros, respectively.

The amount recorded in the caption "Other debts - Debts for assignments of group assets" at 31 December 2018 and 2017 relates to the operations for the assignment of financial assets with repurchase agreement, whose book value is 257,101 and 201,837 thousand euros, respectively. The additions and withdrawals deriving from such operations in the 2018 financial year amounted to 834,882 and 796,618 thousand euros, respectively (1,395,989 and 1,395,908 thousand euros, respectively, in the year 2017).

## 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 | | | |
|---|---|---|---|---|
| | 31.12.2018 | | | |
| | 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 | 5,676 | 88,140 | 39,021 | 107,267 |
| Pounds sterling | - | 1,226 | - | 58,430 |
| Swiss Francs | - | 1,116 | - | - |
| Norwegian Krone | - | 164 | - | - |
| Danish Krone | - | 124 | - | - |
| Swiss Franc | - | 450 | - | - |
| Japanese yen | - | 11,578 | 7,779 | 644 |
| **Total** | **5,676** | **102,798** | **46,800** | **166,341** |

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

| 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** | **153,667** |

(*) 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.

## 15. Technical reserves

The detail of the reserves established at 31 December 2018 and their movement with regard to the financial year ended 31 December 2017 is set out below, together with the reinsurance participation in the same:

| Reserve | Thousands of Euros | | | |
|---|---|---|---|---|
| | Balances at 31 December 2017 | Endowments charged to results | Applications with payment to results | Balances at 31 December 2018 |
| **Technical reserves:** | | | | |
| Unearned premiums and unexpired risks | 4,137 | 3,561 | (4,137) | 3,561 |
| **Life Insurance:** | | | | |
| - Related to life insurance (*) | 53,015,299 | 53,197,749 | (51,256,352) | 54,956,696 |
| - Related to life insurance when the risk is assumed by the policyholders | 6,132,777 | 4,446,394 | (4,241,352) | 6,337,819 |
| Claims | 573,029 | 671,207 | (572,819) | 671,417 |
| Profit-sharing and returns | 36,914 | 21,936 | (36,718) | 22,132 |
| Other technical reserves | 105 | 4 | - | 109 |
| **Total** | **59,762,261** | **58,340,851** | **(56,111,378)** | **61,991,734** |
| | | | | |
| **Share of reinsurance in technical reserves (ceded):** | | | | |
| Unearned premium reserves | (3,799) | (2,725) | 3,799 | (2,725) |
| Life Insurance reserve | (258,702) | (205,218) | 258,702 | (205,218) |
| Claims reserve | (10,932) | (16,860) | 10,932 | (16,860) |
| Other technical reserves | - | - | - | - |
| **Total** | **(273,433)** | **(224,803)** | **273,433** | **(224,803)** |

(*) At 31 December 2018, it includes 51,650 thousand euros corresponding to unearned premium reserves for the products with coverages shorter than the year.

The movement of these reserves in 2017 was as follows:

| 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.

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 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. During the 2018 financial year, a new calibration of the Partial Internal Model for Longevity and Mortality (VC16) was used.

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 0.98% for the 2018 financial year, see decision of 2 January 2018). At 31 December 2018, the Group held an additional reserve for this item of 50 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 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 2018 according to the different businesses included in the Life and Non-life Insurance segments:

| Reserve at 31 December 2018 | Thousands of Euros | | |
|---|---|---|---|
| | Non-Life | Life | Total |
| | Accidents and illness | | |
| **Technical reserves:** | | | |
| Unearned premiums and unexpired risks | 3,561 | 51,650 | 55,211 |
| Policy reserves | - | 54,905,046 | 54,905,046 |
| Reserve for life insurance when the policyholder assumes the investment risk | - | 6,337,819 | 6,337,819 |
| Claims | 17,477 | 653,940 | 671,417 |
| Profit-sharing and returns | 780 | 21,352 | 22,132 |
| Other technical reserves | - | 109 | 109 |
| **Total** | **21,818** | **61,969,916** | **61,991,734** |

The breakdown of the technical reserves of the direct business for the 2017 financial year is as follows:

| 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 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 2018** | **8,035,050** |
| Net movement through allocation of net unearned capital gains charged to equity | 41,770 |
| **Balance at 31 December 2018** | **8,076,820** |

The movement experienced in the previous 2017 financial year is as follows:

| | 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 effect of the reinsurance on the profit and loss account for the financial years 2018 and 2017 was as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year |
| **Premiums imputed to the ceded reinsurance** | | |
| - Ceded premiums | (189,658) | (204,034) |
| - Change in unearned premium reserves | (1,072) | 1,213 |
| Fees (*) | 128,073 | 139,019 |
| **Cost of the cession** | **(62,657)** | **(63,802)** |
| Reinsurance loss (*) | 121,095 | 117,216 |
| **Total cost of reinsurance** | **58,438** | **53,414** |

(*) 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 2018 and 2017 financial years.

## 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.

## 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 2018, 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 2018 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 2018, the shareholders of the Parent Company with a holding equal to or greater than 10% of the subscribed capital were as follows:

| | Percentage Holding |
|---|---|
| Criteria CaixaCorp, S.A. (direct holding) | 100% |

At 31 December 2018, the Parent Company holds several contracts with its Sole Shareholder. The most significant are listed below:

- Master service agreement.
- Agency agreement for insurance distribution.
- Agreement for the marketing of provision plans.
- Agreement for the marketing of pension plans.
- Financial operations master agreement that formalises the agreement to carry out assignments by way of security.
- Securities lending agreement.
- Contract for the custody of securities.
- Global Master Repurchase Agreement.

At the same time, within the normal operation of the Parent Company, at 31 December 2018 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 2018 and at 31 December 2017, as well as the movements produced during the financial year.

The breakdown of each type of reserve at 31 December 2018 and 2017 is detailed below:

| | Thousands of Euros | |
|---|---|---|
| | 31.12.2018 | 31.12.2017 |
| Legal Reserve | 269,492 | 269,492 |
| Voluntary reserves of the Parent Company | 1,332,485 | 1,274,957 |
| Reserves in fully consolidated companies | 1,395 | 1,015 |
| Reserves in companies consolidated by the equity method | 138,599 | 90,228 |
| **Total reserves** | **1,741,971** | **1,635,692** |

### 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 2018 and 2017, having considered the effect of the consolidation adjustments, is shown below (thousands of euros):

| Reserves of fully consolidated companies | VidaCaixa Mediació | Total |
|---|---|---|
| **Balances at 31.12.2017** | **1,015** | **1,015** |
| Distribution of 2017 financial year result | 380 | 380 |
| Interim dividends paid out of 2017 income | - | - |
| Reclassification to Parent Company | - | - |
| Consolidation adjustments | - | - |
| Disposal due to sale and dissolution | - | - |
| **Balances at 31.12.2018** | **1,395** | **1,395** |

| Reserves in companies consolidated by the equity method | SegurCaixa Adeslas |
|---|---|
| **Balances at 31.12.2017** | **90,228** |
| Distribution of 2017 financial year result | 156,108 |
| Interim dividends paid out of 2017 income | (107,737) |
| Variation of holdings | - |
| Reserves consolidated by the equity method | - |
| **Balances at 31.12.2018** | **138,599** |

### 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 2018 (thousands of euros) |
|---|---|
| **To Other Reserves:** | |
| - Legal Reserve | - |
| - Goodwill Reserve | - |
| - Voluntary Reserves | - |
| **To dividends:** | |
| - Interim | 430,000 |
| - Complementary | 167,227 |
| **Total** | **597,227** |

On 12 June 2018, the Board of Directors of the Parent Company agreed to distribute an interim dividend of the 2018 results for an amount of 100,000 thousand euros. This amount is registered in the "Own Funds-Interim Dividend" caption and was paid to the Shareholder on 29 June 2018 for the amount of 77,308 thousand euros and on 31 August 2018 for 22,692 thousand euros.

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 April 2018 | |
| Interim dividend proposal | in thousands of euros |
| Profit for the period 01.01.2018 to 30.04.2018 (net of taxes) | 126,462.79 |
| **Distributable profit** | **126,462.79** |
| **Proposed 1st interim dividend to pay out of 2018 income** | **100,000.00** |
| | in thousands of euros |
| **Available in current accounts and other equivalent assets on 30.04.2018** | **2,251,981.83** |
| **Surplus liquidity** | **2,251,981.83** |
| **1-year cash flow forecast:** | |
| Surplus liquidity at 30 April 2018 | 2,251,981.83 |
| (+) Receivables | 37,644,464.81 |
| (-) Payables | -36,173,614.70 |
| **Surplus liquidity at 30 April 2019** | **3,722,831.94** |

On 18 December 2018, the Board of Directors of the Parent Company agreed to distribute a second interim dividend of the 2018 results for an amount of 330,000 thousand euros. This amount is registered in the "Own Funds-Interim Dividend" caption and was paid to the Sole Shareholder on 28 December 2018.

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 prepared the following accounting statement of sufficient liquidity for its distribution:

| VIDACAIXA | |
|---|---|
| Statement of liquidity at 30 November 2018 | |
| Interim dividend proposal | in thousands of euros |
| Profit for the period 01.01.2018 to 30.11.2018 (net of taxes) | 431,848.05 |
| 1st Interim dividend | -100,000.00 |
| **Distributable profit** | 331,848.05 |
| **2nd Interim dividend proposal 2018** | **330,000.00** |
| | in thousands of euros |
| **Available in current accounts and other equivalent assets on 30.11.2018** | **1,406,889.34** |
| **Surplus liquidity** | **1,406,889.34** |
| **1-year cash flow forecast:** | |
| Surplus liquidity at 30 November 2018 | 1,406,889.34 |
| (+) Receivables | 37,644,464.81 |
| (-) Payables | -36,173,614.70 |
| **Surplus liquidity at 30 November 2019** | **2,877,379.45** |

The distribution of the net profit for the 2017 financial year, which was approved by the Sole Shareholder on 22 March 2018, was as follows:

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

The data for the 2017 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 January and 28 March 2018, VidaCaixa paid the sum of 20,000 thousand euros and 40,000 thousand euros, respectively, for the amount pending payment of the third interim dividend for the year 2017.

Likewise, on 28 March, 31 May and 29 June 2018, VidaCaixa proceeded to pay 48,000 thousand euros, 37,000 thousand euros and 22,692 thousand euros, respectively, as a complementary dividend to the 2017 result approved in the Minutes of the Sole Shareholder on 22 March 2018, amounting to 107,692 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 2,945,360 thousand euros, the Group considers that they should be allocated to policyholders, and for this reason they were allocated at 31 December 2018, 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 5,131,460 thousand euros, the Group considers that they should be allocated to policyholders, and for this reason they were allocated at 31 December 2018, increasing the amount of policy reserves.

## 18. Minority interests

At 31 December 2018 and 2017, 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 2018 and 2017 financial years totalled 8,378,761 and 9,664,105 thousand euros, respectively.

The breakdown of the imputed premiums of the 2018 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)** | **18,701** | **8,360,564** | **8,379,265** |
| Accrued direct insurance premiums | 18,123 | 8,360,638 | 8,378,761 |
| Change in reserve for premiums pending payment | 1 | 3,103 | 3,104 |
| Change in reserve for direct insurance unearned premiums and unexpired risks | 577 | (3,177) | (2,600) |
| **Premiums imputed to reinsurance (II)** | **(11,354)** | **(179,377)** | **(190,731)** |
| **Total premiums imputed net of reinsurance (I-II)** | **7,347** | **8,181,187** | **8,188,534** |
| **Other technical income net of expenses (III)** | **(1,081)** | **(17,364)** | **(18,445)** |
| Other technical revenue | - | - | - |
| Other technical expenses | (1,081) | (17,364) | (18,445) |
| **Losses incurred in the period, net of reinsurance (IV)** | **(5,138)** | **(6,455,472)** | **(6,460,610)** |
| Direct and accepted insurance claims paid | (11,331) | (6,463,618) | (6,474,949) |
| Ceded reinsurance claims paid | 7,576 | 107,592 | 115,168 |
| Change in direct insurance claims reserve | (7,577) | (90,811) | (98,388) |
| Change in the ceded reinsurance claims reserve | 7,015 | (1,088) | 5,927 |
| Expenses imputed to claims | (821) | (7,547) | (8,368) |
| **Variation of other technical reserves (V)** | **(367)** | **(2,050,180)** | **(2,050,547)** |
| Change in reserve for share in profits and returns | (367) | (25,871) | (26,238) |
| Variation of other technical reserves (policy reserves) | - | (2,024,309) | (2,024,309) |

| (thousands of Euros) | Non-life Segment | Life Segment | Total |
|---|---|---|---|
| | Accidents and illness | | |
| **Net operating expenses (VI)** | **(3,483)** | **(281,080)** | **(284,563)** |
| Acquisition expenses (fees and other expenses) | (5,835) | (273,170) | (279,005) |
| Administration expenses | (665) | (132,966) | (133,631) |
| Commissions and holdings in ceded reinsurance | 3,017 | 125,056 | 128,073 |
| **Net investment income (VII)** | **171,002** | **1,175,491** | **1,346,493** |
| Income from financial investments | 171,177 | 2,072,882 | 2,244,059 |
| Management expenses of financial investments and assets | (175) | (679,826) | (680,001) |
| Financial results of Investments on behalf of life insurance policyholders who assume the risk of the Investment | - | (217,565) | (217,565) |
| **TECHNICAL-FINANCIAL RESULT (I-II+III-IV+V-VI+VII+VIII)** | **168,280** | **552,582** | **720,862** |

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:

| (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) |

# CONSOLIDATED ANNUAL ACCOUNTS
# FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

| (thousands of Euros) | Non-life Segment | Life Segment | Total |
|---|---|---|---|
| | Accidents and illness | | |
| **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) |
| **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) |
| Fees 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** |

In the profit and loss account, the caption "Results from other activities" corresponding to the 2018 financial year, "Other income" and "Other expenses", includes the following items:

| Operating income – 2018 financial year | Thousands of Euros |
|---|---|
| | Other Activities Segment |
| Pension fund administration income | 232,105 |
| Income from healthcare activity | - |
| Other income | 4,747 |
| **Rest of other income** | **236,852** |
| Pension-fund marketing expenses | (157,386) |
| Other expenses | (5,470) |
| **Rest of other expenses** | **(162,856)** |
| **Total** | **73,996** |

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

| 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** |

## A) COMPOSITION OF LIFE BUSINESS BY VOLUME OF PREMIUMS

The composition of the life business (direct insurance) by volume of premiums for the 2018 and 2017 financial years is as follows:

| Life insurance (direct) | Thousands of Euros | |
|---|---|---|
| | 2018 | 2017 |
| Premiums on individual policies | 7,326,072 | 8,734,435 |
| Premiums on group policies | 1,031,882 | 907,331 |
| | **8,357,954** | **9,641,766** |
| Regular premiums | 2,679,870 | 2,197,581 |
| Single premiums | 5,678,084 | 7,444,185 |
| | **8,357,954** | **9,641,766** |
| Premiums on policies without profit sharing | 6,875,151 | 7,740,758 |
| Premiums on policies with profit sharing | 267,097 | 340,156 |
| Premiums in which the investment risk is attributed to the policyholder | 1,215,706 | 1,560,852 |
| | **8,357,954** | **9,641,766** |

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.

## 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:

| 2018 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 | 2.26% | (1) | No | - | 3,579,927 | 22,396,563 | - |
| Pension 2000 | 6.85% | (2) | Yes | Policy reserves | 43,649 | 4,835,674 | 530 |
| PAA/PIAS | 0.18% | (5) | No | - | 1,653,588 | 4,724,107 | - |
| Group Insurance | Variable | (3) | Yes | Claims | 845,156 | 9,019,903 | 19,292 |
| PPA | 2.59% | (4) | No | - | 33,646 | 1,585,900 | - |
| Unit Link (**) | - | (6) | No | - | 1,208,727 | 6,216,985 | - |

(*) 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.

| 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.

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 2018 and 2017 are listed below:

**31 December 2018**

| Assets | Book value (thousands of Euros) | Real Yield | Financial Duration | Percentage Excluded (*) |
|---|---|---|---|---|
| Portfolio before 1 January 1999. (Second transitional provision of the ROSSP). | 6,738,127 | 5.93% | 11.14 | 0.00% |
| Immunized portfolio. (Art. 33.2 ROSSP). | 30,063,067 | 3.64% | 10.19 | 0.00% |
| Portfolio after 1 January 1999. (Art. 33.1 ROSSP). | 6,263,874 | 1.62% | 1.60 | 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). | 6,938,099 | 5.49% | 12.94 |
| Immunized portfolio. (Art. 33.2 ROSSP). | 29,187,727 | 2.51% | 10.24 |
| Portfolio after 1 January 1999. (Art. 33.1 ROSSP). | 6,345,320 | 1.46% | 2.04 |

**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 |

## C) TECHNICAL RESULT BY YEAR OF OCCURRENCE

The payments made in 2018 for claims opened in 2017 or previous years amounted to 577 thousand euros. Also, in 2017, payments were made for an amount of 374 thousand euros to cover claims opened in 2016 and previous years. The claims reserve set up on 31 December 2017 and 31 December 2016 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 2018 and 2017, and their allocation in the profit and loss account by segments and sub-segments, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 2018 Financial Year | 2017 Financial Year |
| Wages and Salaries | 31,606 | 29,629 |
| Social Security | 6,658 | 6,289 |
| Contributions to external pension funds and life insurance premiums | 532 | 1,463 |
| Compensations and awards | 167 | 916 |
| Other personnel expenses | 4,828 | 3,504 |
| **Total** | **43,791** | **41,801** |

| Allocation of personnel expenses – 2018 financial year | Non-life Segment | Life Segment | Others segment | Total |
|---|---|---|---|---|
| Losses incurred in the period, net of reinsurance | 347 | 3,178 | - | 3,525 |
| Tangible fixed asset and investment expenses | 74 | 2,431 | - | 2,505 |
| Other technical expenses | 457 | 10,879 | - | 11,336 |
| Net operating expenses | 1,640 | 12,705 | 12,080 | 26,425 |
| **Net total** | **2,518** | **29,193** | **12,080** | **43,791** |

| 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** |

# 20. Breakdown of associated company transactions

## 20.1 TRANSACTIONS BETWEEN GROUP AND ASSOCIATED COMPANIES

The details of the main transactions carried out in the 2018 financial year are as follows:

| Item | Thousands of Euros | |
|---|---|---|
| | Income | Expenses |
| Income from sales | 18,877 | - |
| Expenses for sales | - | (5,022) |
| Income from leasing | - | - |
| Operating expenses | | (16,456) |
| Financial income/expenses | 694 | (117,290) |
| Credited interests | - | - |
| Dividends and other profits | 137,697 | - |
| Insurance operations | 152,049 | - |
| Fees for marketing of premiums | - | (409,303) |
| Income from reinsurance | 10,592 | - |
| Costs for reinsurance | - | (11,499) |
| Income from fees | - | - |

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The same information for the 2017 financial year is 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 | - |

### 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 2018 and 2017 financial years according to the value that appears in the Group's books (in thousands of euros):

| 2018 Financial Year | | |
|---|---|---|
| Item | Thousands of Euros | |
| | Controlling entity | Other group companies and associates |
| Cash and cash equivalents | 765,102 | 336,314 |
| Equity instruments | - | - |
| -Financial investments in capital | 61 | - |
| Debt securities | (2,586,538) | - |
| Hybrid instruments | - | - |
| Hedging derivatives | - | - |
| Deposits and repos in credit entities | 710,365 | 118,467 |
| Deposits and repos in credit entities with expiry date Less than 3 months | 517,229 | - |
| Received guarantees or endorsements | 4,493,172 | - |
| Insurance policies | (2,097,419) | (2,413) |
| Reinsurance balances | - | - |
| Insurance operations | - | (15,963) |
| Debts through the assignment of assets | (257,101) | - |
| Credits and debts with the group | (42,898) | - |
| Other debtors among group and associated companies | - | 124,671 |
| Corporation tax | (183,408) | - |

| 2017 Financial Year | | |
|---|---|---|
| Item | Thousands of Euros | |
| | Controlling entity | Other group companies and |
| 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) | - |

# 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 2018 and 2017 financial years, distributed according to professional category and gender, is as follows:

| 2018 Financial Year | | | |
|---|---|---|---|
| Professional Category | Number of employees | | |
| | Men | Women | Total |
| Management | 22 | 15 | 37 |
| Technical personnel and middle management | 156 | 153 | 309 |
| Administrative personnel | 39 | 96 | 135 |
| Sales personnel | 28 | 37 | 65 |
| **Total** | **245** | **301** | **546** |

| 2017 Financial Year | | | |
|---|---|---|---|
| Professional Category | Number of employees | | |
| | Men | Women | Total |
| Directors | 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** |

The average number of employees during the 2018 and 2017 financial years, with disability of more than or equal to 33%, broken down by categories, is as follows:

| Categories | 2018 | 2017 |
|---|---|---|
| Management | - | - |
| Technical personnel and middle management | - | 1 |
| Administrative personnel | 1 | 1 |
| Sales personnel | - | - |
| **Total** | **1** | **2** |

At 31 December 2018, the Board of Directors of the Parent Company was made up of 14 directors, all natural persons, including 12 men and 2 women, and at 31 December 2017, it consisted of 13 directors, all natural 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 2018 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):

| 2018 Financial Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries (*) | 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 | - | 2,018 | - | - | - | - | - | - |
| Senior Management | 2,843 | - | - | - | 427 | - | - | - |

(*) 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 2018, 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.

In 2018, 2 persons joined and 1 person left the Board of Directors. Additionally, effective as of 1 January 2019, the Managing Director of the Parent Company, Mr Francisco Javier Valle T-Figueras, became a member of VidaCaixa's Board of Directors. On 31 December 2018, 9 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 ultimate parent company of the Parent Company (CaixaBank, S.A.), for the period between 1 January and 31 December 2018, has taken out a Civil Liability policy that covers the Directors of the Parent Company.

The remunerations 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, were as follows (in thousands of euros):

| 2017 Financial Year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries (*) | 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 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.

During the 2017 financial year, 1 person joined and 1 person left the Board of Directors of the Parent Company. On 31 December 2017, 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 2018:

| Board member | Re: |
|---|---|
| Gortázar Rotaeche, Gonzalo | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Muniesa Arantegui, Tomás | Abstention in the deliberation and voting corresponding to the modification of the commercial contract for the exercise of executive functions as Vice President of the Board of Directors and Chief Executive Officer.<br>Absence in the deliberation and voting corresponding to the determination of the remuneration of the Non-Executive Vice-Chairman of the Board of Directors.<br>Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Mercader Miró, Jorge | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Allende Fernández, Víctor Manuel | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Capella Pifarré, Natividad Pilar | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Deulofeu Xicoira, Jordi | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Gil Aluja, Jaime | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Guàrdia Canela, Josep Delfí | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Ibarz Alegría, Javier | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Leal Villalba, José María | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Rosell Lastortras, Juan | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Valls Maseda, Miquel | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Villaseca Marco, Rafael | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |
| Jiménez Baena, Paloma | Abstention in the deliberation and voting for the Director Suitability Continuous Evaluation Report. |

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) RELATED-PARTY TRANSACTIONS

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 2018 financial year, the fees related to the audit services and other services charged by the auditor of the Group's consolidated annual accounts, PricewaterhouseCoopers Auditores, S.L. (PwC), and by companies belonging to the PwC network, as well as the fees for services invoiced by the auditors of the individual annual accounts of the companies included in the consolidation, were as follows (not including VAT):

| 2018 Financial Year | | | |
|---|---|---|---|
| Categories | Thousands of Euros | | |
| | Auditing of accounts (*) | Other Verification Services | Other Services |
| PwC | 392 | 240 | 9 |
| **Total** | **392** | **240** | **9** |

(*) Includes limited quarterly reviews.

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):

| 2017 Financial Year | | | |
|---|---|---|---|
| Categories | Thousands of Euros | | |
| | Auditing of Accounts | Other Verification Services (*) | Other Services |
| Deloitte, S.L. | 199 | 311 | 7 |
| PwC | 72 | 40 | - |
| **Total** | **271** | **351** | **7** |

(*) Includes limited quarterly reviews.

### E) COMMUNICATIONS WITH REGULATORY BODIES

On 7 November 2017, the Directorate General of Insurance and Pension Funds informed the Parent Company that it would be subject to a continuous review. During the 2018 financial year, the requirements of the Regulatory Body have been met by providing the requested information.

Likewise, on 20 April 2018, an inspection procedure was initiated by the Regulatory Body to verify market behaviour in investment products based on insurance. All the required information has been provided, and on 13 February 2019 the report of the Regulatory Body was received, from which no significant impacts are expected in the consolidated financial statements.

On 8 February 2019, an inspection procedure was initiated by the Regulatory Body to analyse the mobilisation of consolidated rights of the funds managed by the Parent Company.

On 19 January 2017, the Directorate General of Insurance and Pension Funds informed VidaCaixa, 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. Currently, this procedure is still underway and all the information requested has been delivered.

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.

The Parent Company's Directors do not expect any significant aspects to arise from said reviews that could affect either the annual accounts, the aforementioned Fund or the Parent Company.

## 22. Subsequent Events

In the period from 31 December 2018 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.

## List of Subsidiary and Associated Companies at 31.12.2018 (in thousands of euros)

| Name of the Company | Registered Address | Activity | % Holding | | Abridged financial information | | |
|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | Equity | Earnings | Book value |
| **GROUP COMPANIES:** | | | | | | | |
| VIDACAIXA MEDIACION, SOCIEDAD DE AGENCIA DE SEGUROS VINCULADOS | Paseo Recoletos 37, 3ª Madrid | Private insurance agent and linked insurance agency company | 100.00% | - | 4,982 | 310 | 3,277 |
| BPI VIDA Y PENSIONES | Rua Braamcamp, 11- 6º 1250-049 LISBON | Insurance Company | 100.00% | | 132,776 | 8,880 | 135,104 |
| GEROCAIXA PYME EPSV DE EMPLEO | Gran Vía López de Haro, 38, Bilbao | Employee Voluntary Social Welfare Entity | 100.00% | - | 27,008 | (1,449) | 61 |
| GEROCAIXA EPSV INDIVIDUAL | Gran Vía López de Haro, 38, Bilbao | Individual Voluntary Social Welfare Entity | 100.00% | - | 724,554 | (36,600) | 360 |
| GEROCAIXA PRIVADA PENSIONES EPSV ASOCIADA | Gran Vía López de Haro, 38, Bilbao | Associated Voluntary Social Welfare Entity | 100.00% | - | 1,194 | (33) | 50 |
| CAIXABANK | C/ Pintor Sorolla, 2-4, Valencia | Banking | 0.00% | - | 20,855,903 | 1,162,560 | 61 |

# ANNEX I

| Name of the Company | Registered Address | Activity | % Holding | | Abridged financial information | | |
|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | Equity | Earnings | Book value |
| **ASSOCIATED COMPANIES:** | | | | | | | |
| SEGURCAIXA ADESLAS | Paseo de la Castellana, 259-C, Madrid | Insurance Company | 49.92% | - | 643,349 | 268,176 | 775,287 |
| ADESLAS DENTAL | C/ Joaquín Costa, 35 - 28002 Madrid | Dental | - | 49.92% | 60,223 | 12,673 | - |
| ADESLAS SALUD | Paseo de la Castellana, 259-C, Madrid | Consultancy | - | 49.92% | 1,537 | 300 | - |
| GENERAL DE INVERSIONES ALAVESAS | Plaza Amárica, 4 - 01005 Vitòria | Real Estate Company | - | 49.92% | 1,271 | (9) | - |
| AGENCAIXA | Paseo de la Castellana, 259-C, Madrid | Insurance intermediary | - | 49.92% | 9,439 | 2,588 | - |
| GRUPO IQUIMESA | Plaza Amárica, 4 - 01005 Vitòria | Administrator | - | 49.92% | 90,844 | 12,295 | - |
| SANATORIO MÉDICO QUIRÚRGICO CRISTO REY | Paseo de la Estación, 40 - 23008 Jaén | Clinic | - | 20.56% | 4,118 | (9) | - |

# ANNEX I

| Name of the Company | Registered Address | Activity | % Holding | | Abridged financial information | | |
|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | Equity | Earnings | Book value |
| **SOCIATED COMPANIES:** | | | | | | | |
| GRUPO CLÍNICA VICENTE SAN SEBASTIÁN | C/ Ballets Olaeta, 4 - Bilbao | Hospital Activities | - | 9.84% | 32,632 | 761 | - |
| GRUPO IMQ | C/ Máximo Aguirre, 18 BIS - 48011 Bilbao | Insurance Company | - | 22.46% | 106,634 | 23,638 | - |
| GRUPO IMQ ASTURIAS | C/ CABRALES, 72, BXS, i 1r - 33201 Gijón (Astúries) | Insurance Company | - | 22.42% | 28,572 | 1,706 | - |
| SOCIEDAD INMOBILIARIA DEL IMQ | C/ Máximo Aguirre, 18 BIS - 48011 Bilbao | Real Estate Company | - | 9.97% | 20,875 | 95 | - |

# ANNEX II

## Movement of Intangible Fixed Assets during the 2018 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 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** |
| Additions | - | - | - | - | - | - | - | - | 16,874 | - | - | 28,138 | 45,012 |
| Changes to consolidation method (cost) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | (6,679) | - | - | - | (6,679) |
| Reclassifications and transfers | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Amortisation of financial year | - | - | - | (2,679) | (12,598) | - | - | (24) | (4,287) | - | - | (27,059) | (46,647) |
| 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 | - | - | - | - | - | - | - | - | 1,420 | - | - | - | 1,420 |
| Reclassifications | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Losses/Applications for impairment | - | - | - | - | - | - | - | 135 | - | - | - | - | 135 |
| **Cost at 31 December 2018** | **-** | **583,577** | **-** | **15,306** | **216,241** | **-** | **-** | **1,220** | **32,023** | **-** | **-** | **312,877** | **1,161,244** |
| **Accumulated Amortisation at 31 December 2018** | **-** | **-** | **-** | **(2,679)** | **(160,600)** | **-** | **-** | **(206)** | **(5,712)** | **-** | **-** | **(251,164)** | **(420,361)** |
| **Net Book Value at 31 December 2018** | **-** | **583,577** | **-** | **12,627** | **55,641** | **-** | **-** | **1,014** | **26,311** | **-** | **-** | **61,713** | **740,883** |

## 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) | - | - | - | - | - | - | - | - | - | - | - | - | - |

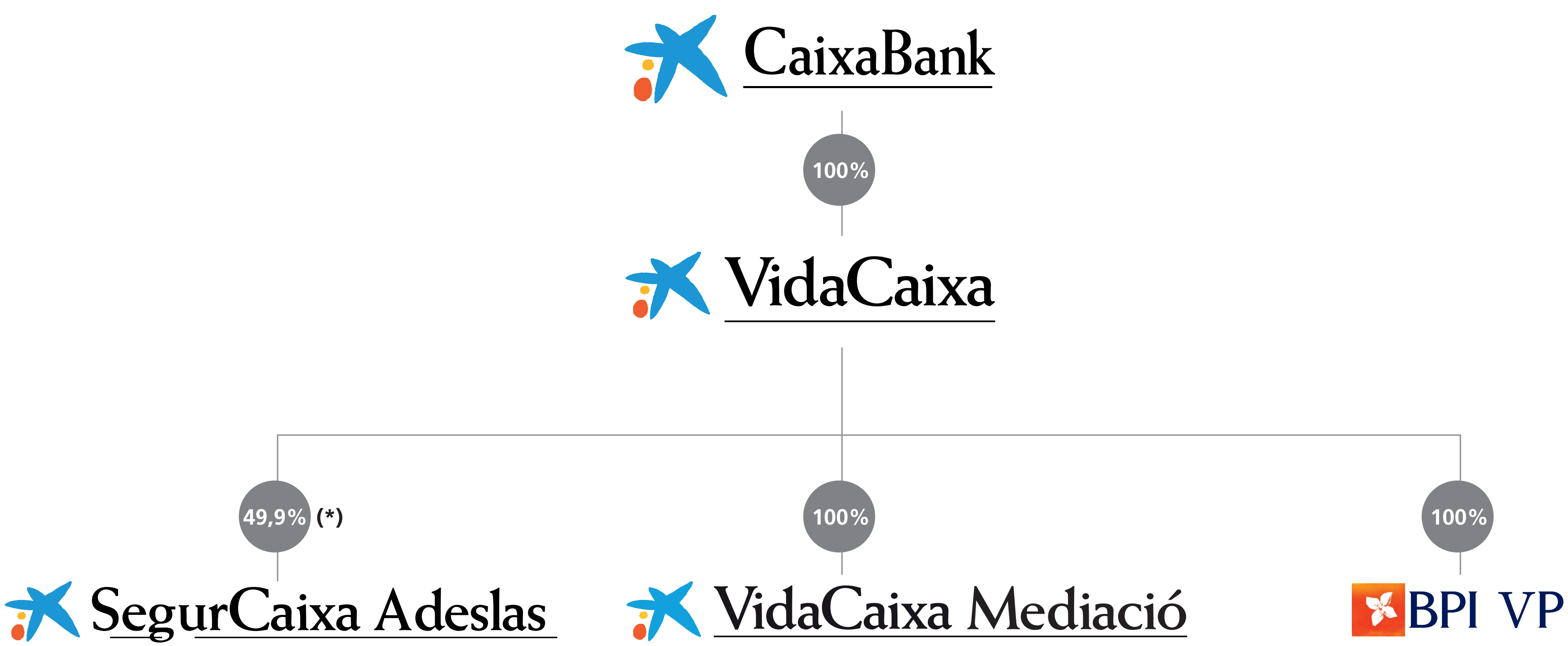
# ANNEX III

| | 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 | - | - | - | - | - | - | - | - | 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** |

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, the date on which all of the suspensive conditions stipulated in said contract were fulfilled.

At 31 December 2018, the Group has the following structure:




(*) Minority shareholders represent 0.08%

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.

In the 2018 financial year, the VidaCaixa Group earned a consolidated profit of 663 million euros, with a 4.5% 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 has seen a positive evolution, with 10,798 million euros of life insurance and pension plans being sold.

| Total VidaCaixa Group (*) | | | | |
|---|---|---|---|---|
| | in millions of euros | 2017 | 2018 | Variation 18/17 |
| Premiums & Contributions | Life-Risk and Accident | 832.7 | 1,001.3 | 20.2% |
| | **Subtotal Risk (Individual + Companies)** | **832.7** | **1,001.3** | **20.2%** |
| | Life Insurance - Savings | 8,833.6 | 7,815.3 | -11.5% |
| | Pension Plans | 1,860.0 | 1,981.8 | 6.5% |
| | **Subtotal Savings (Individual + Companies)** | **10,693.6** | **9,797.0** | **-8.4%** |
| | **Total Risk and Savings (Individual + Companies)** | **11,526.3** | **10,798.3** | **-6.3%** |
| MAN. RES. | Life Insurance | 48,307.0 | 54,612.2 | 13.1% |
| | Pension Plans and Voluntary Pension Schemes (EPSV) | 26,914.8 | 29,383.8 | 9.2% |
| | **Total Customer Customer Man. (Individual + Company)** | **75,221.8** | **83,996.0** | **11.7%** |
| | **Consolidated Net Result VidaCaixa Group** | **634.0** | **662.7** | **4.5%** |

(*) The figures for the 2017 financial year do not include BPI Vida as it was acquired on 29 December 2017.

In 2018, the Group managed a volume of resources of 83,996 million euros, a figure that represents an increase of 11.7% over the previous year. Of this figure, 29,384 million euros correspond to pension plans and EPSV with an increase of 9.2%.

The rest, 54,612 million euros, corresponds to life insurance, with an increase of 13.1% year on year.

The market share of VidaCaixa (Parent Company of the Group) in all of the life insurance premiums rose from 32.8% in December 2017 to 28.4% in 2018. In any case, this share reflects the Group's leadership in the sector, maintaining its position as the largest insurance company in the country.

In total, the Insurance Group has 5.2 million customers who are mainly individuals, as well as a large part of the IBEX 35 business fabric, 333 public bodies, more than 1,000 multinationals and 70,000 SMEs and self-employed workers. Furthermore, at the close of the financial year, VidaCaixa had a staff of 553 employees.

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. In line with the commitment to the environment, the Parent Company has adhered to "Climate Action 100+", an initiative promoted by PRI that seeks to stop climate change and promote the transition to clean energy.

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 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.

The Parent Company has achieved the recognition of the United Nations with the highest rating for responsible investment (A+).

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, Law 11/2018 of 28 December amending the Commercial Code, the consolidated text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015, of 20 July, on Accounts Audits, regarding non-financial information and diversity, have been taken into consideration. The non-financial information concerning the 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 2018, and will be deposited at the Mercantile Registry of Valencia.

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. Thanks to digitalisation, the Group offers its customers channels that facilitate or promote savings.

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 2018 financial year was 12.65 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 2018 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.

During the 2018 financial year, 2 people joined and 1 person left the Board of Directors of the Parent Company. Additionally, as of 1 January 2019, the Managing Director of the Parent Company, Mr Francisco Javier Valle T-Figueras, became a member of VidaCaixa's Board of Directors. At the date of formulation of these consolidated annual accounts, the composition of the Board is as follows:

| | |
|---|---|
| Chair: | Gonzalo Gortázar Rotaeche |
| Vice President: | Tomás Muniesa Arantegui |
| Vice-Chair: | Jorge Mercader Miró |
| Members: | Rafael Villaseca Marco<br>Víctor Manuel Allende Fernández<br>Jaime Gil Aluja<br>Josep Delfí Guàrdia Canela<br>Javier Ibarz Alegría<br>Natividad Pilar Capella Pifarré<br>José María Leal Villalba<br>Jordi Deulofeu Xicoira<br>Miquel Valls Maseda<br>Paloma Jiménez Baena<br>Juan Rosell Lastortras |
| Managing Director (Board Member): | Francisco Javier Valle T-Figueras |
| Secretary (non-Board Member): | Óscar Figueres Fortuna |
| Deputy Secretary (non-Board Member): | Pablo Pernía Martín |