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**CORRETAJE E INFORMACIÓN MONETARIA Y  
DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

## Cuentas anuales 2016

Informe de auditoría independiente,  
cuentas anuales al 31 de diciembre de 2016  
e informe de gestión de 2016



*This versión of our report is a free translation of 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, views or opinions, the original language version of our report takes precedence over this translation.*

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS

To the shareholders of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A.

### Report on the annual accounts

We have audited the accompanying annual accounts of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A. (hereinafter the "Company"), which comprise the balance sheet as at December 31, 2016, the profit and loss account, the statement of changes in equity, the cash flow statement and the notes to the annual accounts for the year then ended.

#### *Directors' responsibility for the annual accounts*

The Company's Directors are responsible for the preparation of these annual accounts, so that present fairly the equity, financial position and financial performance of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A., in accordance with the financial reporting framework applicable to the Company in Spain, as identified in Note 2 to the accompanying annual accounts, and for such internal control as Directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's Directors' preparation of the annual accounts 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the presentation of the annual accounts taken as a whole.

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

### *Opinion*

In our opinion, the accompanying annual accounts present fairly, in all material respects, the consolidated equity and the financial position of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A. at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

### **Report on other legal and regulatory requirements**

The accompanying Directors' report for 2016 contains the explanations which the Company's Directors consider appropriate regarding the situation of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A., the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the Directors' report is in agreement with that of the annual accounts for 2016. Our work as auditors is limited to checking the Directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A.

PricewaterhouseCoopers Auditores, S.L.

PricewaterhouseCoopers Auditores, S.L.  
Torre PWC  
Original version in Spanish signed by  
Javier Pato Blázquez, 259 B, 28046 Madrid  
Paseo de la Castellana, 259 B, 28046 Madrid  
April 19, 2017

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# CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.

## BALANCE SHEET AT 31 DECEMBER 2016 AND 2015 (Expressed in Euros)

Assets	2016	2015(*)
<b>Treasury (Note 5)</b>	17 178.41	8 592.11
<b>Trading portfolio</b>	1 625 745.72	1 504 529.33
Debt securities	-	-
Equity instruments (Note 6)	1 625 745.72	1 504 529.33
Derivatives	-	-
Other financial assets	-	-
<i>Pro notes to accounts: Lent or under guarantee</i>	-	-
<b>Other financial assets at fair value through profit or loss</b>	-	-
Debt securities	-	-
Other equity instruments	-	-
Other financial assets	-	-
<i>Pro notes to accounts: Lent or under guarantee</i>	-	-
<b>Available-for-sale financial assets</b>	1 000.00	1 000.00
Debt securities	-	-
Equity instruments (Note 6)	1 000.00	1 000.00
<i>Pro notes to accounts: Lent or under guarantee</i>	-	-
<b>Loans and receivables</b>	11 736 405.55	8 227 060.61
Loans and advances to financial intermediaries (Note 7)	6 246 001.69	3 884 478.51
Loans and advances to customers (Note 8)	5 490 403.86	4 342 582.10
Other financial assets	-	-
Held-to-maturity investments	-	-
<i>Pro notes to accounts: Lent or under guarantee</i>	-	-
<b>Hedging derivatives</b>	-	-
<b>Non-current assets held for sale</b>	305.00	305.00
Debt securities	-	-
Equity instruments	305.00	305.00
Tangible assets	-	-
Other	-	-
<b>Investments</b>	251.60	251.60
Group entities (Note 16)	251.60	251.60
Jointly-controlled entities	-	-
Associates	-	-
Insurance contracts linked to pensions	-	-
<b>Tangible assets (Note 9)</b>	440 451.66	580 464.80
For own use	440 451.66	580 464.80
Investment properties	-	-
<b>Intangible assets (Note 10)</b>	9 279.13	13 468.63
Goodwill	-	-
Other intangible assets	9 279.13	13 468.63
<b>Tax assets</b>	-	-
Current	-	-
Deferred	-	-
<b>Other assets (Note 12)</b>	197 250.29	133 357.92
<b>Total assets</b>	<b>14 027 867.36</b>	<b>10 469 030.00</b>

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

# CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.

## BALANCE SHEET AT 31 DECEMBER 2016 AND 2015 (Expressed in Euros)

Liabilities and equity	2016	2015(*)
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss	-	-
Amortised cost liabilities	3 458 662.65	565 190.06
Financial intermediaries debts (Note 11)	194 217.08	76 621.00
Customer debts (Note 11)	3 264 445.57	488 569.06
Loans and subordinated liabilities	-	-
Other financial liabilities	-	-
Hedging derivatives	-	-
Liabilities associated with non-current assets held for sale	-	-
Provisions	86 076.52	-
Provisions for pensions and similar obligations	-	-
Provisions for taxes and other legal contingent	86 076.52	-
Other provisions	-	-
Tax liabilities	-	-
Current	-	-
Deferred	-	-
Other liabilities (Note 12)	3 008 062.90	2 514 306.55
Total liabilities	6 552 802.07	3 079 496.61
Shareholders' equity (Note 13)		
Capital	3 005 000.00	3 005 000.00
Registered	3 005 000.00	3 005 000.00
Less: Capital non-demanded	-	-
Share Premium	-	-
Reserves	4 384 493.39	4 304 964.33
Other equity instruments	-	-
Less: Treasury shares	-	-
Profit or loss for the period (Notes 13 and 14)	3 035 571.90	2 079 569.06
Less: Dividends and remuneration (Notes 13 and 14)	(2 950 000.00)	(2 000 000.00)
Valuation adjustments	-	-
Available-for-sale financial assets	-	-
Cash-flow Hedges	-	-
Hedges of net investments in foreign operations	-	-
Exchange differences	-	-
Other valuation adjustments	-	-
Grants, donations and legacy	-	-
Total equity	7 475 065.29	7 389 533.39
Total liabilities and equity	14 027 867.36	10 469 030.00

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

**CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

**BALANCE SHEET AT 31 DECEMBER 2016 AND 2015**  
**(Expressed in Euros)**

<b>Off-balance sheet</b>	<b>2016</b>	<b>2015(*)</b>
Bank and granted guarantees	-	-
Other contingent liabilities	-	-
Financial asset forward purchase commitments	-	-
Own values assigned as lendings	-	-
Payouts engaged by issues ensured	-	-
Financial derivatives	-	-
Other risks accounts	-	-
<b>Total risk and commitment accounts</b>	<b>-</b>	<b>-</b>
Security deposits.	-	-
Managed portfolios	-	-
Other off-balance sheet items (Note 20)	1 146 950,00	1 148 700.00
<b>Total other off-balance sheet accounts</b>	<b>1 146 950,00</b>	<b>1 148 700.00</b>

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# CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.

## PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (Expressed in Euros)

	2016	2015(*)
Interest and similar income	70 970.60	57 285.93
Interest expense and similar charges	-183.89	( 833.47)
<b>Interest margin (Note 17)</b>	<b>70 786.71</b>	<b>56 452.46</b>
Return on equity instruments (Notes 16 and 17)	50.00	11.00
Commissions received (Note 18)	16 247 679.89	14 091 067.95
Fee and commission expense (Note 19)	( 751 561.23)	( 855 527.56)
Gains and losses on financial assets and liabilities (net) (Note 20)	80 163.49	109 090.22
Held for trading	80 163.49	109 090.22
Other financial instruments at fair value through profit or loss	-	-
Financial instruments not valued at fair value through profit and loss	-	-
Others	-	-
Foreign currencies differences (net)	( 20 400.00)	( 3 524.45)
Other operating income	-	-
Other operating charges (Note 22)	( 45 900.08)	( 46 742.08)
<b>Interest margin</b>	<b>15 580 818.78</b>	<b>13 350 827.54</b>
Personnel expenses (Note 21)	(8 093 845.93)	( 7 192 842.98)
General expenses (Note 22)	(3 314 080.98)	( 3 085 727.34)
Depreciation (Notes 9 and 10)	( 156 214.06)	( 148 730.03)
Provisioning expenses (net)	-	-
Impairment losses (net)	6 148.02	42 353.80
Loans and receivables (Note 7)	6 148.02	42 353.80
Other financial instruments not valued at fair value through profit and loss (Note 16)	-	-
<b>Operating incomes or expenses (net)</b>	<b>4 022 825.83</b>	<b>2 965 880.99</b>
Impairment losses from other assets (net)	-	( 58 347.81)
Tangible assets (Note 9)	-	( 123.06)
Intangible assets (Note 10)	-	( 58 216.88)
Other	-	( 7.87)
Gains / (Losses) on assets dropped not classified as not current on sales	-	-
Loss difference on combinations of businesses	-	-
Profits / (Losses) from non-current asset held for sales not classified as interrupted operations	-	-
<b>Profit or loss before income tax</b>	<b>4 022 825.83</b>	<b>2 907 533.18</b>
Income tax (Note 15)	( 987 253.93)	( 827 964.12)
<b>Profit for the year from continuing operations</b>	<b>3 035 571.90</b>	<b>2 079 569.06</b>
Profit from discounted operations (net)	-	-
<b>Profit or loss for the period (Note 14)</b>	<b>3 035 571.90</b>	<b>2 079 569.06</b>
<b>Earnings per share</b>		
Basic	60.711438	41.5913812
Diluted	60.711438	41.5913812

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**CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015**  
**(Expressed in Euros)**

**a) Statement of recognised income and expense**

	2016	2015(*)
<b>Profit or loss for the year</b>	<b>3 035 571,90</b>	<b>2 079 569.06</b>
<b>Other recognised income and expense</b>	-	-
<b>Available-for-sale financial assets</b>	-	-
Revaluation gains / (losses)	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
<b>Cash flow hedge</b>	-	-
Revaluation gains / (losses)	-	-
Amounts transferred to profit and loss account	-	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Other reclassifications	-	-
<b>Hedges of net investments in foreign operations</b>	-	-
Revaluation gains/(losses)	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
<b>Exchange differences</b>	-	-
Revaluation gains/(losses)	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
<b>Non-current assets held for sale</b>	-	-
Revaluation gains/(losses)	-	-
Amounts transferred to profit and loss account	-	-
Other reclassifications	-	-
<b>Actuarial gains/(losses) on pension plans</b>	-	-
<b>Other recognised income and expense</b>	-	-
<b>Income tax</b>	-	-
<b>Total recognised incomes and expenses</b>	<b>3 035 571,90</b>	<b>2 079 569.06</b>

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**CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2016**  
(Expressed in Euros)

**b) Total statement of changes in equity**

	Capital	Reserves	Interim dividend	Profit or loss for the year	Total Equity	Valuation adjustments	Total Net Equity
<b>Balance at 2014 year end</b>	3 005 000.00	2 602 752.76	( 100 000.00)	1 802 173.33	7 309 926.09	-	7 309 926.09
Adjustments due to criteria changes 2014	-	-	-	-	-	-	-
<b>Adjusted balance, beginning 2015(*)</b>	3 005 000.00	2 602 752.76	( 100 000.00)	1 802 173.33	7 309 926.09	-	7 309 926.09
Total recognised income and expense	-	-	-	2 079 569.06	2 079 569.06	-	2 079 569.06
<b>Other movements in equity</b>							
Increase of the equity	-	-	-	-	-	-	-
Reduction of the equity	-	-	-	-	-	-	-
Dividend payment / shareholders' remuneration	-	-	100 000.00	( 100 000.00)	-	-	-
Transfer between equity amounts	-	1 702 173.33	-	( 1 702 173.33)	-	-	-
Other increase / (decrease) in equity	-	-	( 2 000 000.00)	-	( 2 000 000.00)	-	( 2 000 000.00)
Other variations	-	38.24	-	-	38.24	-	38.24
<b>Balance at 2015(*) year end</b>	3 005 000.00	4 304 964.33	( 2 000 000.00)	2 079 569.06	7 389 533.39	-	7 389 533.39
Adjustments due to criteria changes 2015	-	-	-	-	-	-	-
<b>Adjusted balance, beginning 2016</b>	3 005 000.00	4 304 964.33	( 2 000 000.00)	2 079 569.06	7 389 533.39	-	7 389 533.39
Total recognised income and expense	-	-	-	3 035 571.90	3 035 571.90	-	3 035 571.90
<b>Other movements in equity</b>							
Increase of the equity	-	-	-	-	-	-	-
Reduction of the equity	-	-	-	-	-	-	-
Dividend payment / shareholders' remuneration	-	-	2 000 000.00	( 2 000 000.00)	-	-	-
Transfer between equity amounts	-	79 569.06	-	( 79 569.06)	-	-	-
Other increase / (decrease) in equity	-	-	( 2 950 000.00)	-	( 2 950 000.00)	-	( 2 950 000.00)
Other variations	-	( 40.00)	-	-	( 40.00)	-	( 40.00)
<b>Balance at 2016 year end</b>	3 005 000.00	4 384 493.39	( 2 950 000.00)	3 035 571.90	7 475 065.29	-	7 475 065.29

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# CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015 (Expressed in Euros)

	2016	2015(*)
<b>Cash flows from operating activities (+/-)</b>	<b>5 330 193.55</b>	<b>(2 289 594.69)</b>
Profit or loss for the year (+/-)	3 035 571.90	2 079 569.06
Adjustment to achieve cash flow from operating activities (+/-)	176 574.06	207 068.21
Depreciation (Notes 9 and 10)	156 214.06	148 730.03
Losses (net) by assets impairment (+/-)(Notes 9 and 10)	-	58 347.81
Provisioning risk expense (net)(+/-)	-	-
Profit / Losses by sales of non-financial assets (+/-)	-	-
Profit /Losses by sales of interest in subsidiaries (+/-)	-	-
Other items (+/-)	20 360.00	( 9.63)
<b>Adjusted profit or loss for the year (+/-)</b>	<b>3 212 145.96</b>	<b>2 286 637.27</b>
<b>Net increase (decrease) operating assets (+/-)</b>	<b>(1 355 257.87)</b>	<b>(4 232 323.23)</b>
Loans and receivables (+/-) (Notes 7 and 8)	(1 170 149.11)	(4 183 982.27)
Held for Trading (+/-) (Note 6)	(121 216.39)	(179 149.76)
Other financial assets at fair value through profit or loss	-	( 97.07)
Available-for-sale financial assets (+/-)	-	-
Other operating assets (+/-)(Note 12)	( 63 892.37)	130 905.87
<b>Net increase (decrease) operating liabilities (+/-)</b>	<b>3 473 305.46</b>	<b>( 340 344.28)</b>
Amortised cost financial liabilities (+/-) (Note 11)	2 893 472.59	( 30 158.11)
Held for trading (+/-)	-	-
Other financial liabilities at fair value through profit or loss(+/-)	-	-
Other operating liabilities (+/-)(Note 12)	579 832.87	( 310 186.17)
Collections / payments for income tax (+/-)	-	-
<b>Cash flows from financing activities (+/-)</b>	<b>( 12 011.42)</b>	<b>( 123 473.71)</b>
<b>Payments ( - )</b>	<b>( 12 011.42)</b>	<b>( 123 473.71)</b>
Held-to-maturity investments (-)	-	-
Shares (-)	-	-
Tangible assets (-) (Note 9)	( 11 790.41)	( 117 483.83)
Intangible assets (-) (Note 10)	( 221.01)	( 5 989.88)
Other business' units (-)	-	-
Non-current assets and sales' liabilities (-)	-	-
Other payments related to investment activities (-)	-	-

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**CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

**CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015**  
**(Expressed in Euros)**

	2016	2015(*)
Collections (+)	-	-
Held-to-maturity investments (+)	-	-
Shares (+)	-	-
Tangible assets (+)	-	-
Intangible assets (+)	-	-
Other business units (+)	-	-
Non-current assets and sales liabilities (+)	-	-
Other collections related to investment activities (+)	-	-
<b>Cash flows from financing activities (+/-)</b>	<b>(2 950 000.00)</b>	<b>(2 000 000.00)</b>
Payments (-)	-	-
Equity instruments amortizations (-)	-	-
Own equity instruments purchased (-)	-	-
Return and amortizations of bonds and others marketable securities (-)	-	-
Return and amortization of subordinated liabilities, loans and other finances received (-)	-	-
Collections (+)	-	-
Equity instruments issues (+)	-	-
Issue and disposal own equity instruments (+)	-	-
Bonds and other marketable securities issue (+)	-	-
Issue of subordinated liabilities, loans and other finances (+)	-	-
Dividends paid and other equity instruments remuneration (-)	(2 950 000.00)	(2 000 000.00)
<b>Effect of exchange rate fluctuations (+/-)</b>	<b>( 20 400)</b>	<b>( 3 524.45)</b>
<b>Net increase/decrease in cash or cash equivalents</b>	<b>2 347 782.13</b>	<b>( 4 413 028.40)</b>
Cash or cash equivalents at the beginning of the year (+/-) (Note 5)	2 169 565.88	6 582 594.28
Cash or cash equivalents at the end of the year (+/-) (Note 5)	4 517 348.01	2 169 565.88

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## **CORRETAJE E INFORMACION MONETARIA DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

### **NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED AS AT 31 DECEMBER 2016 (Expressed in Euros)**

#### **1. Activity and information of a general nature**

Corretaje e Información Monetaria y de Divisas, Mediador de Deuda, S.A. (hereinafter “the Company”) was established on January 29, 1988. In June 1990, the Company assumed its current name and, in compliance with the rules of the National Securities Market Commission (hereinafter, “C.N.M.V.”), was transformed into a securities firm in January 1991. On January 2, 1991, the Company entered in the Investment Services Firms Register of the C.N.M.V. with number 125. On February 23, 2010, the Ministry of Finance authorised the Company to take the form of a Securities Company (“Sociedad de Valores”), and is in the C.N.M.V. registry with registry number 125.

The Company moved office is currently located at Calle Príncipe de Vergara, nº 131, floor 3ª, Madrid.

The Company activities programme includes:

- Receiving and transmitting orders on behalf of third parties.
- Execution of these orders on behalf of third parties.
- Dealing on own account limited to the scope of purchase/sale of the instruments specified in letters c) and g) of section 1, of Article 2 of the Securities Market Law 24/1988 issued by EU Member States, the US and Japan and those issued by private entities and guaranteed by the State.

Likewise, the Company provides investment services consisting of the receipt and transfer of orders for the account of clients and the execution of such orders on the following non-financial instruments:

- Interbank deposits
- Raw materials (Electricity, natural gas, fuel oil and other energy)

The fundamental aspects of investment services companies' legal regime are defined in Royal Decree 4/2015, of 23 October, Royal Decree 217/2008, of 15 February, on the legal regime of investment services companies and other entities that provide investment services, which modifies the Regulation of the Law 35/2003 of 4 November, on Collective Investment, approved by Royal Decree 1309/2005, of November 4 and Law 24/1988 on the Securities Market. The investment services companies are affected by various of their dispositions which, inter alia, regulate the following aspects:

- They must take the form of public limited companies and operate exclusively in the types of activities inherent to investment services companies.
- They must have a minimum share capital of 2,000 thousand euros.
- They should comply with the minimum capital, liquidity and solvency requirements, in accordance with current legislation. On 28 June 2014 was published Circular 2/2014, 23 June 2014 of the C.N.M.V. on the exercising of sundry regulatory solvency options for investment service companies and their consolidable groups in accordance with Regulation (EU) 575/2013 of the European Parliament on the prudential requirements applicable to credit institutions and investment companies, and repealing previous legislation.

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

As at 31 December 2016, the solvency ratio amounts to 18.04% (17.93% at 31 December 2015), representing an excess of 4.107 thousand euros (4.041 thousand euros at 31 December 2015). This ratio corresponds entirely to "Tier 1 equity ordinary".

- They must join an Investment Guarantee Fund (called Sociedad Gestora del Fondo General de Garantía de Inversiones, S.A.) under the terms established by Royal Decree 948/2001, a fund which, in general terms, guarantees that all investors are able to recover the monetary value of their creditor position against the Company, up to a quantitative limit of 100,000 euros.
- They may only obtain financing from the financial institutions registered for this purpose with the C.N.M.V., the Bank of Spain or the General Directorate for Insurance or in similar registers kept within other European Union countries, or from other sources only in the case of:
  - Issues of shares.
  - Subordinated financing.
  - Issue of listed securities on an official secondary market.
  - Instrumental and transitional accounts opened for customers with respect to the execution of transactions carried out on their behalf.

The Company belongs to CIMD Group. The parent company, Corretaje e Información Monetaria y de Divisas, S.A. (hereinafter, CIMD, SA) is set up in Madrid and holds 99.99% of the Company' shares.

a) Relevant events taking place during the year

They have not occurred significant events during the year 2016.

b) Drawing up date

On March 10, 2017 the Company's Board of Directors prepared the annual accounts and Directors' report for the year ended December 31, 2016.

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

Mr. Rafael Bunzl Csonka	Chairman
Mr. Iñigo Trincado	Member of the Board
Mrs. Beatriz Senís Gilmartín	Member of the Board

c) Staff:

By categories, the average number of staff employed by the Group during the years 2016 and 2015 is as follows:

	2016			2015		
	Males	Females	Total	Males	Females	Total
Management	1	-	1	1	-	1
Staff	49	18	67	44	20	64
	50	18	68	45	20	65

As regards the rest of the information required by the Capital Companies Law and which has not been developed in this report, we must indicate that it is not applicable to the Company.

d) Branches and Representatives:

As at 31 December 2016 and 2015 the Company has no branches or representatives.

## 2. **Basis of presentation of the financial statements**

a) Fair presentation

The accompanying annual accounts, prepared by the Administrators of the Company, were elaborated based on the accounting records and all current mercantile legislation and rules established in the Circular 7/2008, of November 26, on accounting rules, financial statements and reserved information statements of Investment Services Companies, Collective Investment Institutions Management Companies and Venture Capital Firms Management Entities, issued by the C.N.M.V., which was published in the B.O.E. (Official Gazette) on December 29, 2008, with the aim of showing a true image of its equity, of the financial situation as at 31 December 2016, and the results of its operations, the changes in equity and its cash flows statements corresponding for the year then ended.

These annual accounts were prepared in euros.

b) Non-mandatory accounting principles

The Company has not applied any non-mandatory accounting principles through the years ending as at 31 December 2016 and 2015.

There is no accounting principle or standard or mandatory valuation rule that has a significant effect that has not been applied when preparing these accounts. Set out in Note 3 is a summary of the most significant accounting principles and standards and the valuation rules applied in these annual accounts. The information contained in these annual accounts is the responsibility of the Board Members of the Company.

c) Judgements and estimates

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

d) Critical measurement issues and estimates of uncertainty

As at 31 December 2016 and 2015, there are no uncertainties deriving from significant risks that may entail a material change in the value of assets or liabilities in the following year.

e) Changes in accounting estimates

As at 31 December 2016 and 2015, there are no changes in accounting estimates which are significant and which affect the present year or which are expected to affect future years are reported.

f) Consolidation

The Company forms part of the Group, whose parent company is Corretaje e Información Monetaria y de Divisas, S.A. (hereinafter CIMD, S.A.), set up in Madrid and which owns at 31 December 2016 and 2015 99.99% of the shares of the Company in both years, which will prepare its consolidated financial statements at 27 March 2017. Said consolidated financial statements will be filed with the Madrid Mercantile Registry once they have been approved.

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

g) Comparativeness of information

In addition to the figures for 2016, for comparative purposes, the Company directors present each item in the balance sheet, income statement, statement of changes in equity and statement of cash flows with those for 2015.



### **3. Accounting criteria**

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

#### **a) Financial assets**

Financial assets are classified in the balance sheet as follows:

##### **i) Trading Portfolio**

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

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

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

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

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

As at 31 December 2016 and 2015 the Company has no financial instruments on this category.

iii) Available-for-sale financial assets

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

iv) Loans and receivables

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

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

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

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

v) Non current assets-held for sale

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

vi) Investments

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

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

### Accounting and measurement of financial assets

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

- Financial assets will be valued at their fair value except for loans and receivables, investments held to maturity, equity instruments when their fair value cannot be determined in sufficiently objective manner, subsidiaries companies, multi-group and associated companies and financial derivatives that have as a subjacent asset these equity instruments and are settled through the surrender of the same.
- The fair value of a financial asset is understood to be the amount at which it may be delivered between duly informed interested parties in an arm's length transaction. The best evidence of fair value is the quote on an active market that is an organised, transparent and deep market.
- Where there is no market price for a specific financial asset, fair value is estimated on the basis of the value of recent transactions involving analogous instruments and, alternatively, using sufficiently verified valuation models. Similarly, the specific characteristics of the asset to be measured are taken into account and in particular, the different types of risks associated with the financial asset. Nonetheless, the own limitations of the measurement models developed and the possible inaccuracies in the assumptions required by these models may mean that the fair value thus estimated of a financial asset does not exactly agree with the price at which it could be bought or sold at the measurement date.
- The fair value of the financial derivatives listed on an active market is the daily quoted price. If for exceptional reasons, it is not possible to establish the price on a given date, methods similar to those employed to value OTC financial derivatives are used. The fair value of OTC financial derivatives is the sum of the future cash flows originating in the instrument and discounted at the valuation date using methods recognised by financial markets.
- Loans and receivables and held-to-maturity investments are carried at amortised cost, determined using the effective interest rate method. Amortised cost is understood to refer to the acquisition cost of a financial asset, adjusted by repayments of the principal and the part allocated to the income statement, using the effective interest rate method, of the difference between the initial cost and the relevant repayment value at maturity, less any decline in value owing to impairment recognised directly as a decrease in the amount of the asset or through a value adjustment account. In the event that such items are hedged through fair value hedges, changes in fair value related to the risk or risks hedged through such hedges are reflected.
- The effective interest rate is the discount rate that brings the value of a financial instrument exactly into line with the estimated cash flows over the instrument's expected life, on the basis of the relevant contractual conditions, such as early repayment options, not taking into account future losses on credit exposure.

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

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

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

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

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

- In fair value hedges the differences arising both in the hedging elements and in the hedged elements, as regards the type of risk hedged, are recognized directly in the income statement under the Gains or losses on financial assets and liabilities (net) caption.
- The valuation differences relating to the ineffective portion of cash flow and net investment hedges in foreign operations are taken directly to the income statement under the Gains or losses on financial assets and liabilities (net) caption.
- In cash flow hedges, the valuation differences arising in the effective hedge portion of the hedged elements are recorded temporarily in the equity valuation adjustments caption, net of the tax effect.
- In hedges of net investments in foreign operations, the valuation differences arising in the effective portion of the hedge elements are recorded temporarily in the equity valuation adjustments caption, net of the tax effect.

In these two latter cases, the valuation differences are not recognized in income until the gains or losses on the hedged element are recorded in the income statement or until the maturity of the element hedged.

- For fair value hedges of the interest rate risk on a portfolio of financial instruments, the gains or losses arising on measuring the hedge are recognised directly in equity while the gains or losses resulting from variations in the fair value of the amount hedged, with respect to the hedged risk, are recognised in the income statement using the heading changes in fair value of the hedged item in portfolio hedges of interest rate risk as a balancing entry.
- In cash flow interest rate hedges in a portfolio of financial instruments, the effective portion of the variation in the value of the hedging instrument is recorded temporarily in the equity valuation adjustments caption, until the forecast transactions take place and then are recorded in the consolidated income statement. The variation in the value of the hedging derivatives for the ineffective portion of the hedge is recorded directly in the consolidated income statement.
- Monetary items held for sale are recognised at cash value.

#### Impairment losses

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

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

As a general rule, the carrying value of financial instruments due to impairment is adjusted against the income statement for the period in which such impairment arises and the recovery of previously recorded impairment losses, if any, is recognised in the income statement for the period in which such impairment is eliminated or reduced. When the recovery of any amount is considered remote due to the impairment registered, this will be eliminated from the balance sheet, although the Company may take the actions needed to try to achieve collection until its rights have disappeared due to expiry of the right, write-off or other causes.

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

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

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

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

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

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

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, the type of instrument, the debtor's sector of activity, geographical area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.
- The future cash flows of each group of debt instruments is estimated on the basis of experience of historic losses by the Company for instruments with similar credit risk characteristics to those of the respective group, once the necessary adjustments have been made to adapt the historic data to the current market conditions.
- Impairment losses in each group are the difference between the carrying value of all the group's debt instruments and the present value of its estimated future cash flows.

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

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

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

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

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

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

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



### Removal of financial assets from the balance sheet

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

- a) When the contractual rights to the cash flows generated by the financial asset have expired.
- b) When the Company transfers financial assets according to the terms established below and does not retain a substantial portion of the inherent risks or benefits and does not transfer the control over the transferred assets. A financial asset is only transferred when the transferring Company:
  - transfers all of the contractual rights to the cash flows generated by the asset, or
  - conserves the contractual rights to the cash flows from the financial asset but assumes the contractual obligation to reimburse the assignee in full without delay, including the interest on the reinvestment of such cash flows in highly liquid financial instruments. In addition, the transfer agreement prohibits the company from selling or pledging the original financial asset except to guarantee the payment of cash flows to the assignees and does not obligate the Company to pay any sum whatsoever not previously received from the transferred asset.

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

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

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

- (i) Unconditional sale of a financial asset.
- (ii) Sale of a financial asset with a buyback clause or a call or put option for fair value on the buyback date.
- (iii) Sale of a financial asset with an out-of-the-money call or put option that is not likely to be in-the-money before the expiration of the contract.
- iv) Transfer of a financial asset along with an interest rate swap (IRS) in which the Company is the counterparty, providing that they swap payments are not contingent upon the credit risk or anticipated return of the financial asset.

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

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

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

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

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

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

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

## **b) Tangible assets**

The tangible assets are registered at their acquisition costs. The provision for amortisation is calculated applying the straight line method for component of this heading, based upon the estimated useful life of these.

The amortisation rates applied in calculating the depreciation of the items included under fixed assets are as follows:

Technical installations	11%
Data processing equipment	25%
Furniture and fittings	10%-13%
Telephone equipment	10%-25%

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

### **c) Intangible assets**

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

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

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

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

- A specific and individualised project exists for each research and development activity;
- The assignation, charge and time distribution of each project's costs should be clearly established;
- Justified motives must always exist to expect the technical success of the R & D project;
- The economic-commercial profitability of the project should be reasonably assured;
- The financing of the various R & D projects should be reasonably assured to be able to complete these.

### **d) Financial liabilities**

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

#### **i) Financial liabilities at amortised cost**

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

#### **ii) Trading portfolio**

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

At 31 December 2016 and 2015 the Company held no financial instruments of this kind.

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

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

At 31 December 2016 and 2015 the Company held no financial instruments of this kind.

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

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

At 31 December 2016 and 2015 the Company held no financial instruments of this kind.

Registration and valuation of financial liabilities

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

- Financial liabilities included under the heading “Business Portfolio”, as “Other financial liabilities” at fair value with changes in the profit and loss account and “Other financial liabilities” with changes in net equity that are valued at fair value. Financial liabilities hedged through fair value hedges are adjusted by recording those variations in fair value in relation to the risk hedged in the hedging transaction.
- Financial derivatives that have as an underlying capital instrument the fair value which cannot be determined in a sufficiently objective manner and that are settled through the liquidity of their exchange are valued at their cost.

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

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

### Removal of financial liabilities from the balance sheet

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

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

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

When the Company is liberated by a creditor of its obligation to settle a debt, because it has been assumed by a third party, but guarantees its payment in the new supposition of non-compliance by the new creditor, the Company should:

- Remove the amount of the original debt from its balance sheet and recognise a new financial liability for the fair value of the obligation assumed by the guarantee.
- Record immediately, in the profit and loss account, the difference between: the carrying amount in books of the original financial liability less the fair value of the new liability recognised; and any consideration delivered.

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

- A significant modification in the conditions of a swap agreement, meaning a substantial change in the conditions of the debt instrument, the entity should remove it from the balance sheet and recognise a new financial liability. The expenses or commissions incurred by the entity in the transaction will be registered immediately in the profit and loss account.
- When the swap or modification does not mean a substantial change in the conditions of the debt instrument, the entity will not remove it from the balance sheet and will recognise the amount of the expenses and commissions as an adjustment to the value in the accounts of the financial liability, determining these on the basis of the new conditions.

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

**e) Current and deferred taxes**

The Company forms part of the Group whose main shareholder is the parent company. Similarly, the Company files consolidated tax returns with other Group companies and its main shareholder is responsible for the application of the consolidation tax regime.

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

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

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

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

**f) Leases**

Finance leases

Leases are presented on the basis of the economic substance of the transaction irrespective of its legal form and are classified at inception as finance or operating leases.

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

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

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

Financial income and expenses resulting from these contracts are credited and charged, respectively, to the profit and loss account in such a way that the return remains consistent over the term of the lease.

As at 31 December 2016 and 2015 the Company held no leases of this kind.

#### Operating lease

The rental contracts which are not considered financial lease are classified as operating lease.

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

Whenever the Company act as a lessee, the expenses of the leasing, including incentives granted, will be registered under linear basis on the profit and loss account.

#### **g) Recognition of income and expenses**

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

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

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

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



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

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

g.1) Commissions paid and income

Commissions paid or received for financial services, irrespective of how they are referred to contractually, are classified in the following categories which in turn determine the manner in which they are allocated in the profit and loss account:

- Financial commissions

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

- Non-financial commissions

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

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

- Those linked to financial assets and liabilities valued at fair value with changes in the profit and loss account and are recorded at time of collection.
- Those that relate to transactions or services which are carried out over a period of time are recorded in the period in which such transactions or services take place.
- Those that relate to a transaction or service which is carried out in a single act are recorded when the relevant act takes place.

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

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

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

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

#### **h) Personnel Expenses**

##### Short-term retribution

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

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

##### Remuneration based on equity instruments

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

- If the delivery of equity instruments is done immediately without demanding from them a specific period of services to acquire the title on these, the entity will recognise, on the concession date, an expense for the full services received, crediting the amount to net equity.
- If the employees obtain the right to receive the equity instruments once a specific period of service has expired, the expense will be recognised for the services received and the corresponding increase in net equity, in the measure that these supply services during that said period.

### Retirement benefit commitments

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

At 31 December 2016 and 2015 the Company had no significant obligations of this kind towards its employees.

### Termination benefits

These are recognised as a liabilities and expenses only when the Company has made a firm commitment to terminate the contract of an employee or group of employees before the retirement date or when the Company pays termination benefits to employees after reaching agreements on the voluntary resignation of those employees.

#### **i) Balances offsetting**

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

#### **j) Functional currency**

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

#### **k) Measurement of foreign currency accounts**

The exchange value in euros of the total assets and liabilities in foreign currencies held by the Company as at 31 December 2016 and 2015 is as follows:

	<b>Euros</b>	
	<b>2016</b>	<b>2015</b>
US Dollars	8 982.90	18 429.94
Pounds Sterling	7 344.00	17 901.45
	<b>16 326.90</b>	<b>36 331.39</b>
	<b>Activos</b>	
	<b>2016</b>	<b>2015</b>
Treasury (Note 5)	8 759.21	5 862.28
Loans and receivables (Notes 5 and 7)	7 567.69	30 469.11
	<b>16 326.90</b>	<b>36 331.39</b>

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

- Monetary assets and liabilities are translated at the yearend exchange rate, understood as the average spot exchange rate at the date to which the financial statements refer.
- Non-monetary items measured at cost are translated at the exchange rate on the date of acquisition.
- Non-monetary items measured at fair value are translated at the exchange rate ruling on the date on which fair value is determined.
- Incomes and expenses are translated by applying the exchange rate on the transaction date.

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

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

## **I) Discontinued activities**

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

- It represents a business line or geographic operations areas, which are important and independent.
- It is part of an individual and coordinated plan to sell or dispose by other means of a business line or a geographic operations area, which are important and independent.
- It is dependent entity acquired for the sole purpose of reselling it.

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

**m) Provisions and contingent liabilities**

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

- A legal or contractual provision.
- An implicit or tacit obligation, the origin of which is located in a valid expectation created by the Company towards third parties related to the assumption of certain types of responsibilities. These expectations are created when the Company publically accepts responsibilities; these are derived from past behaviour or from company policies in public domain.
- The practically sure evolution of the regulation in certain aspects, in particular, norm projects of which the Company will not be able avoid.

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

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

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

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

#### **n) Corporate Income Tax**

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

The expense recorded as corporate income tax is determined by the amount of tax payable on the taxable base for the year, after considering any variations arising during the year as a result of temporary difference and after deducting any tax credits, deductions, bonuses and tax loss carryforwards. The taxable base for the year may be different than the net profit (loss) for the year shown on the profit and loss statements since it excludes the taxable or deductible income and expenses from other fiscal years and the items which are never tax deductible.

#### **4. Risks management**

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

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

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

Risk management is based on the following:

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

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

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

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

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

On the basis of the nature and characteristics of each risk and the activity affected, the respective limits are determined in either absolute terms or as percentages. Where appropriate, the weightings to which such limits are subject are determined.

The following tables show an analysis of the Company's financial liabilities as at 31 December 2016 and 2015 that are settled by the net amount grouped by maturity in line with the pending time on the date of the balance sheet until the due date stipulated in the contract. The amounts that are shown in the table correspond to the cash flows in the contract without discounting. The balances payable within 12 months are equivalent to the carrying cost in books of these, since the effect of discounting is not significant.

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

	Euros			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No set maturity
<b>As at December 31, 2016</b>				
Intercompany creditors (Notes 11 and 16)	3 378 697.11			
Accrued personnel costs (Note 12)	2 291 614.22			
Public Administration creditor (Note 12)	346 406.45			
Debts with customers (Note 12)	195 692.39			
Creditors, invoices pending to be received (Note 12)	174 349.84			
Item pending to be allocated (Note 11)	79 965.54			

The detail of the financial liabilities as at 31 December 2015 is as follows

	Euros			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	No set maturity
<b>As at December 31, 2015</b>				
Accrued personnel costs (Note 12)	1 878 572.48	-	-	-
Intercompany creditors (Notes 11 and 16)	492 970.63	-	-	-
Public Administration creditor (Note 12)	242 627.09	-	-	-
Debts with customers (Note 12)	218 768.62	-	-	-
Creditors, invoices pending to be received (Note 12)	174 338.36	-	-	-
Item pending to be allocated (Note 11)	72 219.43	-	-	-



### Estimation of fair value

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

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

## **5. Treasury**

The details of the caption titled "Treasury" as at 31 December 2016 and 2015 is as follows:

	<b>2016</b>	<b>Euros 2015</b>
Cash in euros	8 419.20	2 729.83
Cash in foreign currency (Note 3.k)	8 759.21	5 862.28
	<b>17 178.41</b>	<b>8 592.11</b>

On cash flow statement effects, the heading "Cash or cash equivalents at the end of the year" as at 31 December 2016 and 2015 includes:

	<b>2016</b>	<b>Euros 2015</b>
Banks, euro current accounts (Note 7)	4 492 601.91	2 130 504.66
Treasure	17 178.41	8 592.11
Banks, foreign current accounts (Notes 3.k and 7)	7 567.69	30 469.11
	<b>4 517 348.01</b>	<b>2 169 565.88</b>

During 2016 those current accounts bore an average interest rate of between 0.30% and 0.25%% (2015: between 0.20% and 0.40%).

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

The amounts included under the heading "Trading portfolio" as at 31 December 2016 and 2015 is as follows:

	<b>2016</b>	<b>Euros 2015</b>
Investment Funds managed by the Group	1 625 745.72	1 504 529.33
Intermoney Variable Euro, F.I.	1 625 745.72	1 504 529.33

The movements in Investment funds during the years ended as at 31 December 2016 and 2015 is as follows:

	<b>31.12.15</b>	<b>Increase</b>	<b>Decrease</b>	<b>Gains/ (Losses)</b>	<b>Euros 31.12.16</b>
Investment Funds:					
Intermoney Variable Euro, F.I.	1 504 529.33	-	-	121 216.39	1 625 745.72
	<u>1 504 529.33</u>	<u>-</u>	<u>-</u>	<u>121 216.39</u>	<u>1 625 745.72</u>
	<b>31.12.14</b>	<b>Increase</b>	<b>Decrease</b>	<b>Gains/ (Losses)</b>	<b>Euros 31.12.15</b>
Investment Funds:					
Intermoney Variable Euro, F.I.	1 325 379.57	-	-	179 149.76	1 504 529.33
	<u>1 325 379.57</u>	<u>-</u>	<u>-</u>	<u>179 149.76</u>	<u>1 504 529.33</u>

The details of the value of current financial investments as at 31 December 2016 and 2015 are as follows:

	<b>Number of securities</b>	<b>Cost value</b>	<b>Market Value at 31 December 2016</b>	<b>Euros Gains/ (Losses)</b>
Investment Funds:				
Intermoney Variable Euro, F.I.	11 170.53	1 630 000.00	1 625 745.72	(4 254.28)
		<u>1 630 000.00</u>	<u>1 625 745.72</u>	<u>(4 254.28)</u>
	<b>Number of securities</b>	<b>Cost value</b>	<b>Market Value at 31 December 2015</b>	<b>Euros Gains/ (Losses)</b>
Investment Funds:				
Intermoney Variable Euro, F.I.	11 170.53	1 630 000.00	1 504 529.33	(125 470.67)
		<u>1 630 000.00</u>	<u>1 504 529.33</u>	<u>(125 470.67)</u>

The fair value of the items included under the heading of "Trading portfolio" has been calculated based on the liquid value of the investment funds in which the Company had invested as at 31 December 2016.

The gains and the losses obtained from the sale of trading portfolio investments for the years ended as at 31 December 2016 and 2015 has raised an amount of 121,216.39 euros and 179,149.76 euros respectively, as shown on the profit and loss account under the heading of "Gains and losses on financial assets and liabilities (net) – Held for trading" (Note 20).

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

Equity Instruments	Number of securities	Percentage Securities	Euros
<b>As at December 31, 2016</b>			
Sociedad Gestora del Fondo General de Garantía de Inversiones, S.A.	5	0.50%	1 000.00
			<u>1 000.00</u>

The breakdown of the heading "Available-for-sale financial assets" as at 31 December 2015 is as follows:

Equity Instruments	Number of securities	Percentage Securities	Euros
<b>As at December 31, 2015</b>			
Sociedad Gestora del Fondo General de Garantía de Inversiones, S.A.	5	0.61%	1 000.00
			<u>1 000.00</u>

## 7. Loans and advances to financial intermediaries

The amounts included under the heading "Loans and advances to financial intermediaries" as at 31 December 2016 and 2015, is as follows:

	Euros	
	2016	2015
Banks, euro current accounts (Nota 5)	4 492 601.91	2 130 504.66
Other financial intermediaries	1 576 507.87	1 460 643.65
Intercompany receivables (Note 16)	169 220.22	159 600.00
Banks, foreign current accounts (Notes 3.k and 5)	7 567.69	30 469.11
Intercompany loans (Note 16)	<u>104.00</u>	<u>103 261.09</u>
	<u>6 246 001.69</u>	<u>3 884 478.51</u>

The breakdown of the heading "Other financial intermediaries" as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
Customers	1 535 821.57	1 413 946.80
Doubtful receivables	96 022.66	107 163.45
Sundry debtors	6 085.67	7 135.69
Impairment of trade receivables	<u>( 61 422.03)</u>	<u>( 67 602.29)</u>
	<u>1 576 507.87</u>	<u>1 460 643.65</u>

At 31 December 2016 and 2015 Intercompany receivable include a guarantee amounting to 169,220.22 euros and amounting to 159,000.00 euros, arranged with Intermoney Valores, S.V., S.A., for operations in the derivatives market (Note 16).

The movement under the heading “Impairment of trade receivables” as at 31 December 2016 is a follow:

	<b>31.12.15</b>	<b>Increase</b>	<b>Decrease</b>	<b>Write-off</b>	<b>Euros 31.12.16</b>
Impairment of trade receivables	(67 602.29)	(10 834.20)	16 982.22	32.24	(61 422.03)
	<u>(67 602.29)</u>	<u>(10 834.20)</u>	<u>16 982.22</u>	<u>32.24</u>	<u>(61 422.03)</u>

The movement under the heading “Impairment of trade receivables” as at 31 December 2015 is a follow:

	<b>31.12.14</b>	<b>Increase</b>	<b>Decrease</b>	<b>Write-off</b>	<b>Euros 31.12.15</b>
Impairment of trade receivables	(109 474.59)	(15 100.80)	57 454.60	( 481.50)	(67 602.29)
	<u>(109 474.59)</u>	<u>(15 100.80)</u>	<u>57 454.60</u>	<u>( 481.50)</u>	<u>(67 602.29)</u>

## 8. Loans and advances to customers

The breakdown of the heading “Loans and advances to customers” as at 31 December 2016 and 2015 is as follows:

	<b>2016</b>	<b>Euros 2015</b>
Clients, Group companies (Note 16)	5 003 165.96	4 042 271.58
Services rendered	<u>487 237.90</u>	<u>300 310.52</u>
	<u>5 490 403.86</u>	<u>4 342 582.10</u>

On April 28, 2015 the Company’s Board of Directors unanimously agreed to grant a loan to its parent company (CIMD, S.A.) for 4,000,000 euros for this company’s payment of the purchase of IM Gestão de Activos, S.G.F.I., S.A. The main terms and conditions of this loan were as follows:

- Duration/period of amortisation: The loan’s amortisation period is six (6) years.
- Arm’s length interest rate: At the one-year annual Euribor reference rate published by the Bank of Spain plus 1.5%. For the first year of the loan, the reference rate is 0.18%, which will increased thereafter by 1.50% (an annual 1.68%). At the end of the year 2016 the reference rate was - 0.11%, that was increased in 1.50% (an annual 1.39%)

- The interest rate will be reviewed annually, applying the one-year Euribor reference rate published by the Bank of Spain every 18 May.
- Interest payment period: The loan will be amortised and its interest paid on an annual basis. The lender may repay the loan early without incurring any penalty charges.
- Late payment interest applicable: Six percent (6%).

In addition, on November 2, its parent company (CIMD, S.A.) provide liquidity for 1,000,000.00 euros to the Parent Company, the one was canceled January 2, 2017.

In addition, on 20 July 2015, the Company's Board of Directors unanimously agreed to grant a loan to its parent company (CIMD, S.A.) for 1,700,000 euros to provide liquidity to the company. At 31 December 2015, the loan is fully amortised. The main terms and conditions of this loan were as follows:

- Duration/period of amortisation: The loan's amortisation period is up to 30 September 2015 and it is tacitly extendible.
- Arm's length interest rate: At the three-months' annual Euribor reference rate published by the Bank of Spain plus 0.05%.
- Interest payment period: The loan will be amortised and its interest paid on an annual basis. The lender may repay the loan early without incurring any penalty charges.
- Late payment interest applicable: Six percent (6%).

During 2016 and 2015, the loans have accrued interest totalling 60,141.83 euros and 42,094.13 euros respectively for the Company. This interest is recorded in "Interest receivable and similar income – Group Companies" (Notes 16 and 17), of which a total of 2,632.62 euros 21,775.34 euros is outstanding at 31 December 2016 and at 31 December 2015, respectively.

## 9. Tangible assets

The breakdown of the heading "Tangible assets" as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
Own use:		
Data processing equipments	251 025.73	364 639.50
Technical Installations	176 964.67	202 406.12
Furniture and fittings	11 709.81	12 333.06
Telephone equipments	751.45	1 086.12
	<u>440 451.66</u>	<u>580 464.80</u>

The movement under this heading during the years 2016 and 2015 is as follows:

				Euros
	31.12.15	Increase	Decrease	31.12.16
<b>Acquisition cost</b>				
Data processing equipments	968 577.41	10 192.41	-	978 769.82
Technical Installations	229 759.27	-	-	229 759.27
Furniture and fittings	162 614.11	1 598.00	(1 595.91)	162 616.20
Telephone equipments	2 012 571.33	-	-	2 012 571.33
	<u>3 373 522.12</u>	<u>11 790.41</u>	<u>(1 595.91)</u>	<u>3 383 716.62</u>
<b>Accumulated depreciation</b>				
Data processing equipments	( 603 937.91)	(123 806,18)	-	( 727 744,09)
Technical Installations	( 27 353.15)	( 25 441,45)	-	( 52 794,60)
Furniture and fittings	( 150 281.05)	( 2 221,25)	1 595,91	( 150 906,39)
Telephone equipments	(2 011 485.21)	( 334,67)	-	(2 011 819,88)
	<u>(2 793 057.32)</u>	<u>(151 803,55)</u>	<u>1 595,91</u>	<u>(2 943 264,96)</u>
<b>Net tangible assets</b>	<u>580 464.80</u>	<u>(140 013,14)</u>	<u>-</u>	<u>440 451,66</u>

  

				Euros
	31.12.14	Increase	Decrease	31.12.15
<b>Acquisition cost</b>				
Data processing equipments	1 878 525.52	92 631.28	(1 002 579.39)	968 577.41
Technical Installations	216 561.13	13 198.14	-	229 759.27
Furniture and fittings	154 402.48	10 316.15	( 2 104.52)	162 614.11
Telephone equipments	2 874 019.23	1 338.26	(862 786.16)	2 012 571.33
	<u>5 123 508.36</u>	<u>117 483.83</u>	<u>(1 867 470.07)</u>	<u>3 373 522.12</u>
<b>Accumulated depreciation</b>				
Data processing equipments	(1 492 180.20)	(114 337.10)	1 002 579.39	( 603 937.91)
Technical Installations	( 2 036.23)	( 25 316.92)	-	( 27 353.15)
Furniture and fittings	( 149 560.83)	( 2 701.68)	1 981.46	( 150 281.05)
Telephone equipments	(2 874 019.23)	( 252.14)	862 786.16	(2 011 485.21)
	<u>(4 517 796.49)</u>	<u>(142 607.84)</u>	<u>1 867 347.01</u>	<u>(2 793 057.32)</u>
<b>Net tangible assets</b>	<u>605 711.87</u>	<u>( 25 124.01)</u>	<u>( 123.06)</u>	<u>580 464.80</u>

During 2015, as a result of the reconciliation between the Company's accounting records and the assets of the physical inventory carried out, non-localised items have been derecognized to 123.06 euros, such losses have been recognised in the income statement under "Impairment losses on other assets (net)".

At 31 December 2016 and 2015 fully depreciated items of property, plant and equipment amount to 2,610,174.69 euros and 2,581,840.09 euros, respectively.

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

The Group's Parent Company has lease contracts for the offices in which it operates, together with the other Group companies. It charges the Group entities for the expense relating to the lease of such offices (Notes 16 and 22).

## 10. Intangible assets

The movement under the heading "Intangible assets" as at 31 December 2016 and 2015 is as follows:

	31.12.15	Increase	Decrease	Reclassification	Euros 31.12.16
<b>System applications</b>					
Acquisition cost	151 090.50	221.01	-	-	151 311.51
Accumulated depreciation	(137 621.87)	(4 410.51)	-	-	(142 032.38)
	<u>13 468.63</u>	<u>(4 189.50)</u>	<u>-</u>	<u>-</u>	<u>9 279.13</u>

  

	31.12.14	Increase	Decrease	Reclassification	Euros 31.12.15
<b>System applications</b>					
Intangible assets advances	3 962.31	-	-	( 3 962.31)	-
Acquisition cost	545 582.42	5 989.88	(404 444.11)	3 962.31	151 090.50
Accumulated depreciation	(477 726.91)	(6 122.19)	346 227.23	-	(137 621.87)
	<u>71 817.82</u>	<u>(132.31)</u>	<u>( 58 216.88)</u>	<u>-</u>	<u>13 468.63</u>

In 2015, as a result of the reconciliation between the Company's accounting records and the assets of the physical inventory carried out, on the conclusion of the moving process and inventory of assets begun in 2014, non-localised items have been derecognised.

At 31 December 2016 and 2015 fully depreciated items of Intangible assets amount to 133.657,58 euros for both years.

## 11. Financial intermediaries debts and Customers debts

The heading "Financial intermediaries debts" as at 31 December 2016 and 2015 is as follows:

	2016	Euros 2015
Payable to group companies (Note 16)	114 251.54	4 401.57
Application pending operation	<u>79 965.54</u>	<u>72 219.43</u>
	<u>194 217.08</u>	<u>76 621.00</u>

The breakdown of the heading "Customer debts" as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
Tax credit – CIMD, S.A. (Note 16)	217 203.82	394 171.33
Payables to Group companies (Note 16)	3 047 241.75	94 397.73
	<u>3 264 445.57</u>	<u>488 569.06</u>

## 12. Other assets and other liabilities

As at December 31, 2016, the entity has recorded an amount of 86,076.52 euros under "Provisions" corresponding to a fund to cover different liabilities.

The breakdown of the headings "Other assets" and "Other liabilities" as at 31 December 2016 and 2015 are as follows:

	Assets		Euros	
	2016	2015	2016	2015
Accrual and prepayment accounts	191 171.88	133 357.92	2 487 306.61	2 121 199.57
Credit and advances for employees	5 855.11	-	-	-
Payable to miscellaneous suppliers	223.30	-	174 349.84	174 338.36
Taxes payable	-	-	346 406.45	218 768.62
	<u>197 250.29</u>	<u>133 357.92</u>	<u>3 008 062.90</u>	<u>2 514 306.55</u>

The heading "Accrual and prepayment accounts" referred to assets includes the expenses accrued and unpaid expenses incurred in the course of the company's operations. The heading "Accrual and prepayment accounts" referred to liabilities as at 31 December 2016 and 2015 refers primarily to the accrued personnel costs amounting to 2,291,614.22 euros and amounting to 1,878,572.48 euros, respectively, and the balances of invoices pending to be received as at 31 December 2015 and 2014 amounting to 195,692.39 euros and amounting to 242,627.09 euros, respectively.



As at 31 December 2016 and 2015, heading “Payables to miscellaneous suppliers” includes several amounts payable for services and supplies received. The most significant balances recorded under this heading include the following items:

	Euros	
	2016	2015
Etrali, S.A.	57 056.67	-
Trayport, Ltd.	39 588.64	-
Aon Gil Seguro	13 027.56	-
Markit Service Limited	11 679.79	13 624.90
Fun Brokers, SL	7 500.00	-
Colt Technology services, SAU	7 393.10	18 971.15
Kalahari Limited	4 204.72	-
Nasdaq Omx Nordic OY	3 667.58	3 667.58
Reuters Transactions Services	2 668.08	-
Gmv Soluciones Globales de Internet	2 626.00	-
Aspi Prevención SLU	2 320.59	-
Eurex Clearing	1 920.00	3 440.00
OMIP	1 049.56	-
Bloomberg	-	99 700.00
PriceWaterhouseCoorpes Auditores, SL	-	14 907.27
Thomson Reuters España, SL	-	2 673.21
Anadat Consulting, SL	-	924.71
Wallich and Matches	-	-
Others	19 647.55	16 429.54
	<u>174 349.84</u>	<u>174 338.36</u>

The details of the caption titled “Taxes payable” as at 31 December 2016 and 31 December 2015 are as follows:

	Euros	
	2016	2015
Personal Income Tax (I.R.P.F.)	200 687.65	102 155.00
Social Security	86 877.31	76 610.56
V.A.T.	46 077.95	39 188.59
Others	12 753.54	814.47
	<u>346 406.45</u>	<u>218 768.62</u>

### 13. Equity

The breakdown of the Shareholder's equity as at 31 December 2016 and movements during the year are as follows:

	Euros			
	31.12.15	Transfer between equity amounts	Other movements	Profit of the year
				31.12.16
Share capital	3 005 000.00	-	-	-
	3 005 000.00	-	-	-
Legal Reserve	601 012.10	-	-	-
Voluntary Reserves	3 703 952.23	79 569.06	( 40.00)	-
	4 304 964.33	79 569.06	( 40.00)	-
Profit of the year (Note 14)	2 079 569.06	(2 079 569.06)	-	3 035 571.90
Interim dividend (Note 14)	(2 000 000.00)	2 000 000.00	(2 950 000.00)	-
	7 389 533.39	-	(2 950 040.00)	3 035 571.90
				7 475 065.29

The breakdown of the Shareholder's equity as at 31 December 2015 and movements during the year are as follows:

	Euros			
	31.12.14	Transfer between equity amounts	Other movements	Profit of the year
				31.12.15
Share capital	3 005 000.00	-	-	-
	3 005 000.00	-	-	-
Legal Reserve	601 012.10	-	-	-
Voluntary Reserves	2 001 740.66	1 702 173.33	38.24	-
	2 602 752.76	1 702 173.33	38.24	-
Profit of the year (Note 14)	1 802 173.33	(1 802 173.33)	-	2 079 569.06
Interim dividend (Note 14)	(100 000.00)	100 000.00	(2 000 000.00)	-
	7 309 926.09	-	(1 999 961.76)	2 079 569.06
				7 389 533.39

As at 31 December 2016 and 2015 the share capital is represented by 50,000 shares of 60.10 euros each, fully subscribed and paid up is as follows:

	Shares number	Percentage of shares
CIMD, S.A.	49 999	99.998%
Intermoney, S.A.	1	0.002%
	50 000	100.000%

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

#### 14. Results distribution proposed

The distribution of results for the year ended 31 December 2016, which is subject to the approval of the General Shareholders' Meeting and the distribution of results for year ended 31 December 2015 which was approved by the General Shareholders' Meeting on April 15, 2014, are as follows:

	Euros	
	2016	2015
<b>Profit / Loss of the year</b>	<b>3 035 571.90</b>	<b>2 079 569.06</b>
<b>Distribution</b>		
To voluntary reserves	85 571.90	79 569.06
Compensations of Interim dividends on period	2 950 000.00	2 000 000.00
	<b>3 035 571.90</b>	<b>2 079 569.06</b>

During 2016 period, under the resolutions adopted by the relevant Boards of Directors on December 27, 2016 an interim dividend was distributed to the Company's shareholders on account of profits for that year amounting to 2,950,000 euros.

These amounts did not exceed profits obtained at 30 November 2016 less estimated corporate income tax payable on such profits, in accordance with Article 277 of the Law on Capital Companies.

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

	Euros
	30.11.16
Profit or Loss before income tax	3 128 266.14
Interim dividends proposed previously	-
Distributable results	3 128 266.14
Proposed interim dividends	2 950 000.00
Liquidity Statements	
Banks and Cash, current accounts	4 617 337.00
	4 617 337.00

During 2015 period, under the resolutions adopted by the relevant Boards of Directors on December 18, 2015 an interim dividend was distributed to the Company's shareholders on account of profits for that year amounting to 2,000,000 euros.

These amounts did not exceed profits obtained at 30 November 2015 less estimated corporate income tax payable on such profits, in accordance with Article 277 of the Law on Capital Companies.

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

	<b>Euros</b>
	<b>30.11.15</b>
Profit or Loss before income tax	2 187 541.00
Interim dividends proposed previously	-
Distributable results	2 187 541.00
Proposed interim dividends	2 000 000.00
Liquidity Statements	
Banks and Cash, current accounts	3 302 271.00
	3 302 271.00

## 15. Tax situation

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

The reconciliation of the differences between the consolidated profit for the years 2016 and 2015 and the books and the taxable income is as follows:

	<b>Euros</b>	<b>2015</b>
	<b>2016</b>	
Profits before taxes	4 022 825.83	2 907 533.18
Permanent differences	192 386.66	209 473.68
Taxable income	4 215 212.49	3 117 006.86
Tax quote (25% / 28%)	1 053 803.12	872 761.92
Deductions and rebates	( 66 549.19)	( 44 797.80)
Gross tax	987 253.93	827 964.12
Withholdings and payments on account	( 770 050.11)	(606 619.54)
Total corporate income tax expense (Note 16)	217 203.82	221 344.58

Due to the amendment introduced by Corporate Income Tax Law 27/2014, modifies by the Royal Decree 3/2016 of December 2, the general corporate income tax rate was amended from 28% to 25% for the tax periods starting on or after 1 January 2016.

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

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

## 16. Balances and transactions with Group companies

The breakdown of creditor intercompany balances as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
<b>Loans and advances to financial intermediaries (Note 7)</b>		
Intermoney Valores, S.V, S.A.	169 324.22	262 861.09
Intermoney Gestión, S.G.I.I.C., S.A.	169 224.22	262 761.09
Intermoney Titulización, S.G.F.T.,S.A.	-	100.00
	100.00	-
<b>Loans and advances to customers (Note 8)</b>		
Corretaje e Información Monetaria y de Divisas, S.A.	5 003 165.96	4 042 271.58
Wind to Market, S.A.	5 002 965.96	4 041 862.30
Intermoney, S.A.	200.00	369.28
	-	40.00
<b>Investments</b>		
Intermoney Valores, S.V, S.A.	251.60	251.60
Intermoney Valora Consulting, S.A.	200.80	200.80
Intermoney S.A.	48.73	48.73
	2.07	2.07

The breakdown of debtor intercompany balances as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
<b>Customer debts (Note 11)</b>		
CIMD, S.A., - Interim dividend	3 264 445.57	488 569.06
CIMD, S.A., - Corporate Tax 2016 (Note 15)	2 949 954.00	-
CIMD, S.A.	217 203.82	
CIMD, S.A., - Corporate Tax 2015 (Note 15)	97 287.75	94 397.73
CIMD, S.A., - Corporate Tax 2014 (Note 15)	-	221 344.58
CIMD, S.A., - Corporate Tax 2013 (Note 15)	-	165 938.91
	-	6 887.84
<b>Debts with financial intermediaries (Note 11)</b>		
Intermoney Valores, S.V., S.A. – Sucursal em Portugal	114 251.54	4 401.57
Intermoney Valores, S.V., S.A. – Sucursal em Portugal	112 956.03	-
Intermoney Titulización, S.G.F.T.,S.A.	1 295.51	2 611.76
	-	1 789.81

The breakdown of income and expenses with Group companies as at 31 December 2016 and 2015 is as follows:

	<b>Euros</b>	
	<b>2016</b>	<b>2015</b>
<b>Interest and similar income</b>	<b>63 072.38</b>	<b>42 094.13</b>
Corretaje e Información Monetaria y de Divisas, S.A. (Notes 8 and 17)	60 141.83	42 094.13
Intermoney Valores, S.V., S.A. – Sucursal em Portugal	2 930.55	-
<b>Return on equity instruments (Note 17)</b>	<b>50.00</b>	<b>11.00</b>
Intermoney Valora Consulting, S.A.	46.00	-
Intermoney Valores, S.V., S.A.	4.00	11.00
<b>Commissions received</b>	<b>35 305.01</b>	<b>30 848.58</b>
CIMD Dubai, S.A.	31 951.23	17 917.78
Wind to Maket, S.A.	1 575.82	-
Intermoney Valores, S.V., S.A.	987.00	4 085.20
Intermoney Valores, S.V. – Sucursal em Portugal	790.96	8 845.60
<b>Interest expense and similar charges</b>	<b>-</b>	<b>(104.00)</b>
Intermoney Valores, Sociedad de Valores, S.A.	-	(104.00)
<b>Commission expense (Note 19)</b>	<b>102 999.19</b>	<b>122 579.66</b>
Intermoney Valores, S.V., S.A.	90 000.00	90 000.00
Intermoney Valores, S.V. – Sucursal em Portugal	12 999.19	32 579.66
<b>General expenses</b>	<b>330 692.29</b>	<b>339 620.14</b>
Rental – CIMD, S.A.	208 716.72	209 611.47
Independent professional services – CIMD, S.A.	63 400.00	60 127.27
Communications – CIMD, S.A.	26 411.24	28 381.16
Supplies - CIMD, S.A.	17 206.01	20 535.89
Insurance - CIMD, S.A.	13 386.56	19 185.03
Other services – CIMD, S.A.	1 571.76	1 779.32

## 17. Interest margin and return on equity instruments

The breakdown of the heading “Interest margin” as at 31 December 2016 and 2015 is as follow:

	<b>Euros</b>	
	<b>2016</b>	<b>2015</b>
<b>Interest and similar income</b>	<b>70 970.60</b>	<b>57 285.93</b>
Interest Corretaje e Información Monetaria y de Divisas, S.A. (Notes 8 and 16)	60 141.83	42 094.13
Other finance income	10 828.77	15 191.80
<b>Interest expense and similar charges</b>	<b>( 183.89)</b>	<b>( 833.47)</b>
Banking services	( 183.89)	( 833.47)
	<b>70 786.71</b>	<b>56 452.46</b>

The heading "Return on equity instruments" includes as at 31 December 2016 and 2015 the profits obtained through dividends from investments in Group companies (Note 16).

## 18. Commissions received

The detail of the caption titled “Commissions received” as at 31 December 2016 and 2015 is as follows:

Commissions received	Euros	
	2016	2015
Transactions processed or executed	15 205 526.22	12 980 513.66
Other commissions	1 042 153.67	1 110 554.29
	<u>16 247 679.89</u>	<u>14 091 067.95</u>

The details of the income earned on transactions with securities as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
On foreign markets	13 063 652.51	11 649 827.18
On other domestic markets	2 132 402.01	1 316 369.38
On official secondary markets	9 471.70	14 317.10
	<u>15 205 526.22</u>	<u>12 980 513.66</u>

## 19. Fees and commissions expense

The breakdown of the heading “Fees and commissions expense” as at 31 December 2016 and 2015 is as follow:

	Euros	
	2016	2015
Commissions paid to representatives and other entities	457 318.08	445 571.35
Transactions with securities	166 661.74	202 487.12
Commissions paid to group companies (Note 16)	102 999.19	122 579.66
Trading losses	24 582.22	84 889.43
	<u>751 561.23</u>	<u>855 527.56</u>

The heading of “Trading losses” incurred by the Company during the period 2016 and 2015 break down as follows:

Market	2016		2015	
	Number of cases	Euros	Number of cases	Euros
Down payment	-	-	1	691.00
Derivatives	25	9 012.12	42	21 939.38
Fixed income	14	15 570.10	20	62 259.05
	<u>39</u>	<u>24 582.22</u>	<u>63</u>	<u>84 889.43</u>

## 20. Gains and losses on financial assets and liabilities (net)

The breakdown of the heading "Gains and losses on financial assets and liabilities (net)" as at 31 December 2016 and 2015 is as follow:

	Euros	
	2016	2015
Change in value of Investment Funds (Note 6)	121 216.39	179 149.76
Valuation for operations with futures (net)	( 41 052.90)	(70 059.54)
	<u>80 163.49</u>	<u>109 090.22</u>

The nominal value of the futures arranged by the Company at 31 December 2016 and 2015, amounting to 1,146,950.00 euros and 1,148,700.00 euros, respectively, are recognised in "Other off-balance sheet items" under the Company's off-balance sheet.

## 21. Personnel expenses

The breakdown of the heading "Personnel expenses" as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
Salaries and wages	6 687 472.49	5 998 258.77
Social Security	842 166.92	785 620.84
Severance pay by dismissals	335 834.93	183 194.96
Other personnel costs	228 371.59	225 768.41
	<u>8 093 845.93</u>	<u>7 192 842.98</u>

## 22. General expenses and other operating charges

The breakdown of the heading "General expenses" as at 31 December 2016 and 2015 is as follows:

	Euros	
	2016	2015
Communication	2 039 820.41	2 038 096.57
Representation and displacements	388 312.30	314 399.72
Rental	252 547.21	257 985.89
Donations and penalties	189 900.00	133 203.37
Conservation and repair	166 011.76	94 230.50
Other services of independent professionals	123 149.58	120 747.33
Other expenses	68 564.68	79 569.51
Tax and contributions	64 955.77	22 644.93
Supplies	20 819.27	24 849.52
	<u>3 314 080.98</u>	<u>3 085 727.34</u>



The caption titled "Other operating charges" as at 31 December 2016 and 2015 includes 30,000.00 euros, in contributions to the Guarantee Fund and 15,900.00 euros and 16,742.08 euros, respectively, in fees payable to the C.N.M.V.

### **23. Other information**

The members of the Company's Board of Directors have received no amounts for their status as such. Nonetheless, the members of the Company's governing body and senior management personnel have accrued salaries and remuneration during 2016 and 2015 amounting to 602 thousand euros and amounting to 586 thousand euros, respectively.

As at 31 December 2016 and 2015, there are no payments in advance or credits made to the members of the Board of Directors.

As at 31 December 2016 the Board of Directors of the Group consists of two men and one woman.

The external auditors' fee corresponding to the audit of the Company for the year ended 31 December 2016 and 2015, amounting to 28 thousand euros and 27 thousands euros, respectively. There are not other fees for services provided by PricewaterhouseCoopers during the years 2016 and 2015.

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

The Company has adopted the appropriate measures in relation to the protection and improvement of the environment and to minimize, if applicable, any environmental impact, thus complying with current legislation in this respect. During 2016 and 2015, the Company made no major environmental investments and nor did it consider it necessary to record any provision for environmental risks and charge.

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

At 31 December 2016 the Company's directors and persons related to them, as described in Article 231 of the Spanish Companies Act 2010 declare that they are not involved in any situations of conflicts of interest which should have been reported in accordance with Article 229 of said Act.

### **24. Client attention department**

Further to order ECO 734/2004, of 11 March 2004, the Head of the Customer Services department has received no complaints or claims from the company's customers during the years ended At 31 December 2016 and 2015.

## 25. Subsequent events

There are no significant subsequent events to December 31, 2016 that may affect the Company's annual accounts.

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

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

	<u>2016</u>	<u>2016</u>
	<u>Days</u>	<u>Days</u>
Average payment period for trade payables	18.12	27.07
Ratio paid operations	18.22	27.79
Ratio of pending payment transactions	15.99	15.13
	<u>Euros</u>	<u>Euros</u>
Total payments	3 020 841.00	2 809 060.20
Total pending payments	143 727.97	167 863.28

## 27. Explanation added for translation to English

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish-language version prevails.

**CORRETAJE E INFORMACIÓN MONETARIA Y DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

**ANNUAL REPORT OF INVESTMENT SERVICES COMPANIES FOR THE YEAR ENDED DECEMBER 31, 2016**

In compliance with the provisions of Article 192 "Annual Report of Investment Services Companies", of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Act, this document presents the information required at December 31, 2016.

Description: CORRETAJE E INFORMACIÓN MONETARIA Y DE DIVISAS, SOCIEDAD DE VALORES, S.A.

Nature: Investment services Company

Location: Madrid (Spain)

Turnover: 16,248 thousand euros

Number of full time employees<sup>1</sup>: 68

Gross profit before tax: 4,023 thousand euros

Tax on profit: 987 thousand euros

Subsidies or public aid received: None

Return on assets: 21.64%

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<sup>1</sup> It does not include interns.

## **CORRETAJE E INFORMACIÓN MONETARIA Y DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2016**

The year 2016 was a great year for the CIMD Group's brokers insofar as budgetary objectives were reached, and within a sector that has not had an easy year.

The European Central Bank (ECB) has maintained Quantitative Easing (QE) through the year 2016, which has affected some areas of brokerage, we consider that Corretaje e Información Monetaria y de Divisas, S.A. (CIMD S.V.) did a very good job, and reasserted our leadership in practically all services offered.

The financial crisis and very strict regulation limited the activities of European banks. In addition, interest rates at historical lows have reduced position taking at banks. This is borne out by the revenues and results of both our Spanish and international competitors.

Even so, we have taken advantage of the processes of international mergers of 2016, and the disappearance of some competitor in Spain, to improve our share of presence and our profitability.

The development of interest rates which were close to zero, laid down by the European Central Bank and limited interbank activity, made it impossible for certain areas to grow in the short term. We nonetheless have a significant market share and continue to improve in markets where we were worse positioned. We also continue to commit to growing our presence on the OTC derivative market where we have taken on employees with experience in order to attempt to compete at European level.

Public debt suffered the most in the environment created by Quantitative Easing (QE) since the European Central Bank's intervention increased the market's lack of liquidity. Our transparency policy concerning counterparties and commissions collected, we feel, continues to be key in our relatively robust situation compared with our competitors, reaching a record market share.

Lastly, the interest rate derivative business posted growth and particularly noteworthy was the capacity of our futures terminals in terms of execution speed and flexibility.

None of these situations is expected to reverse in the short term and therefore our growth will continue to be driven by potential increases in new European customers and our getting a foothold there. Beyond the traditionally domestic product, towards a more European product. We have to be able to attract European talent to Madrid although this is not easy since we are comparatively the smallest financial centre.

Profit after tax in 2016 amounted to 3,036 thousand euros, up 46% on 2015. During 2016 an interim dividend was paid out of 2, 950 thousand euro. The difference in profits for 2016 is set to be distributed to Voluntary reserves.

For 2017 our expectations with respect to an environment with intervention are not too positive. We have therefore budgeted for a minor fall in income although we expect growth in international customers and an improvement in market share, perhaps including the exit of some of our competitors. The main uncertainties derive from the extension of Quantitative Easing already announced by the ECB.

As regards our objectives and financial risk policies, Note 4 to these annual accounts sets out in detail the policy, procedures and other important definitions regarding the assessment and control of the company's risks in 2016.

No amounts have been capitalised in the Company's balance sheet with respect to research and development.

We are not a company with a significant environmental impact. However, at Group level, we have wanted to contribute voluntarily to reducing greenhouse gas emissions by offsetting direct emissions generated by the Group's companies and employees in the performance of their duties, and deriving from the consumptions of electricity and paper at offices, the use of transport from and to work and business trips.

During 2016, the Company has not made payments that accumulate deferrals higher than legally established other than those described in Note 26 of the annual accounts.

During 2016 there were no transactions with treasury stock.

Finally, there has been no significant event since the end of the year.

**CORRETAJE E INFORMACION MONETARIA Y DE DIVISAS, SOCIEDAD DE VALORES, S.A.**

**PRESENTATION OF THE ANNUAL ACCOUNTS AND DIRECTOR'S REPORT FOR THE YEAR ENDED  
DECEMBER 31, 2016**

The Company's Board of Directors of Corretaje e Información Monetaria y de Divisas, Sociedad de Valores, S.A., presented the annual accounts and Director's report for the year ended December 31, 2016 in its meeting held on March 10, 2017, in which all Board Members signed.

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Mr. Rafael Bunzl Csonka

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Mr. Iñigo Trincado Boville

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Mrs. Beatriz Senís Gilmartín



