

Annual Report 2016

# CREATING THE FUTURE





**THE  
FUTURE  
IS NOW.**



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# THE FUTURE IN YOUR HANDS.





## Introduction

ServiRed, Sociedad Española de Medios de Pago, S.A. is Spain's leading card payment scheme. It has 44.8 million cards in circulation (19.5 million credit, and 25.3 million debit), 1,147,077 merchants, and 32,421 ATMs.

ServiRed has 102 members, of which 58 are shareholders in the company.

ServiRed's primary purpose is to assist its member institutions in substituting cash for innovative and efficient electronic payments systems, in order to reduce the high cost of cash transactions for society at large.

The ServiRed scheme provides international interoperability through co-badging with Visa and MasterCard, for which it is licensed as a Principal Member of Visa Europe and as a Principal Member of MasterCard Worldwide, and thus its members are empowered to issue Visa and MasterCard products and to acquire transactions made with them.

ServiRed's services rest on three main pillars:

- the brand;
- the operating rules and procedures and
- the interchange system.

The most important activities carried out by ServiRed in its mission of replacing cash in payments are as follows:

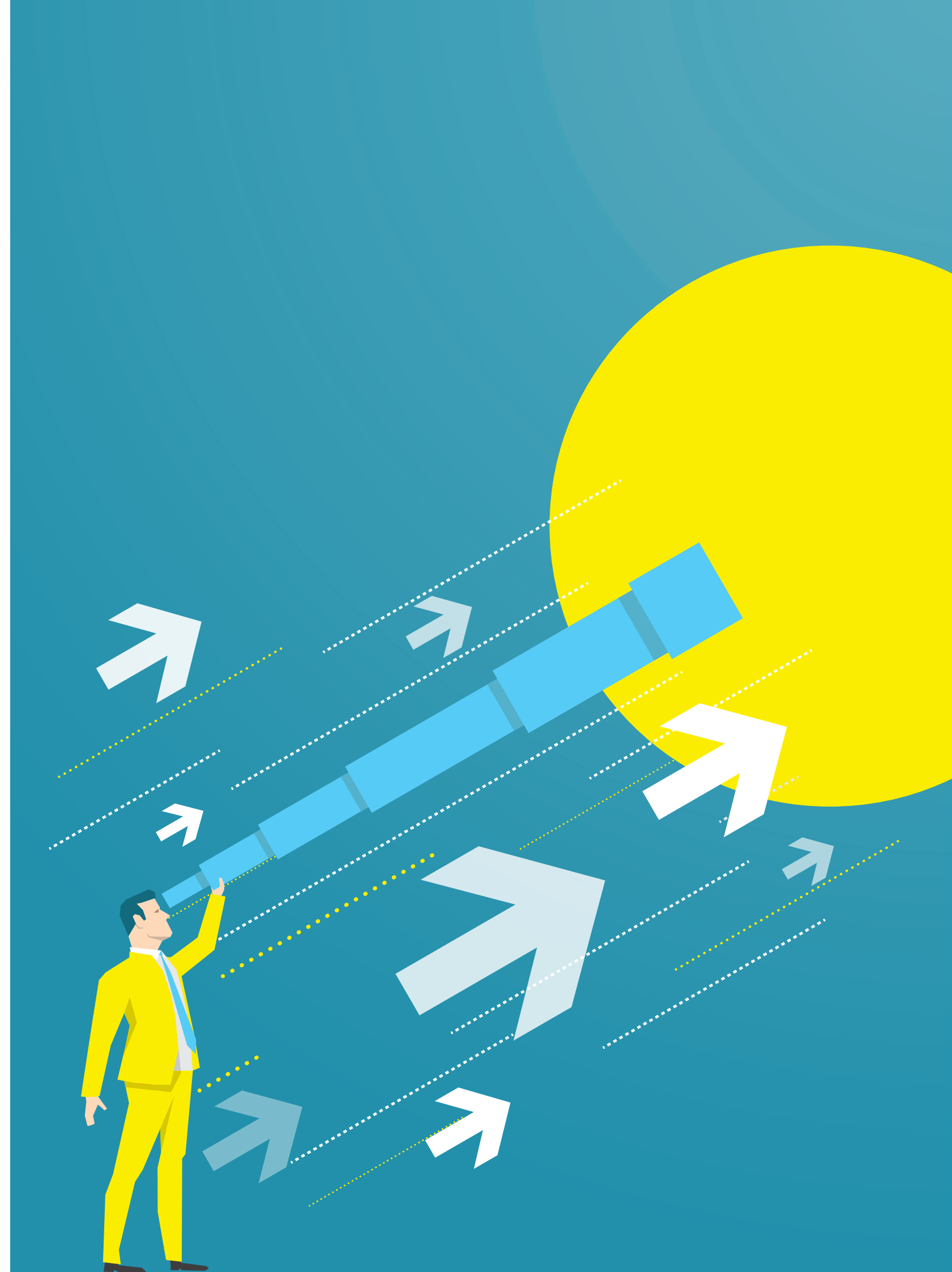
1. Guaranteeing comprehensive interoperability of card transactions in the domestic sphere.
2. Guaranteeing international access to holders of ServiRed cards, via direct connection with

the international schemes (Visa, MasterCard, American Express, Diners Club, JCB, Union Pay International, etc.).

3. Guaranteeing the acceptance of foreign cards used to make purchases at the ServiRed merchants.
4. Ensuring the correct use of the ServiRed brand, card designs, and the features of the products issued by ServiRed's member institutions.
5. Ensuring the proper labeling and operation of the POS (point of sale) terminals and ATMs.
6. Carrying out the processes of authorization, clearing, and settlement of interchange transactions amongst the system's member financial institutions and between them and other payments networks.
7. Arbitration and resolution of any incidents that may arise from the use of the shared payments network by member institutions.
8. Preventing, detecting, and prosecuting fraud.

All these activities take place against a backdrop of continuous commercial and technological innovation, which ensures that holders of ServiRed cards can make payments at millions of merchants in Spain and all over the world.

In addition to the many advantages for cardholders, the use of ServiRed cards facilitates management of business expenses by the merchants which accept them, and provides greater security by eliminating the negative aspects of using cash, such as theft and loss.





ServiRed in 2016



Cards

ServiRed member financial institutions had 44.8 million cards issued by the end of 2016. Cardholders used them to make purchases worth €94.31 billion, a 10.6% rise on the previous year.



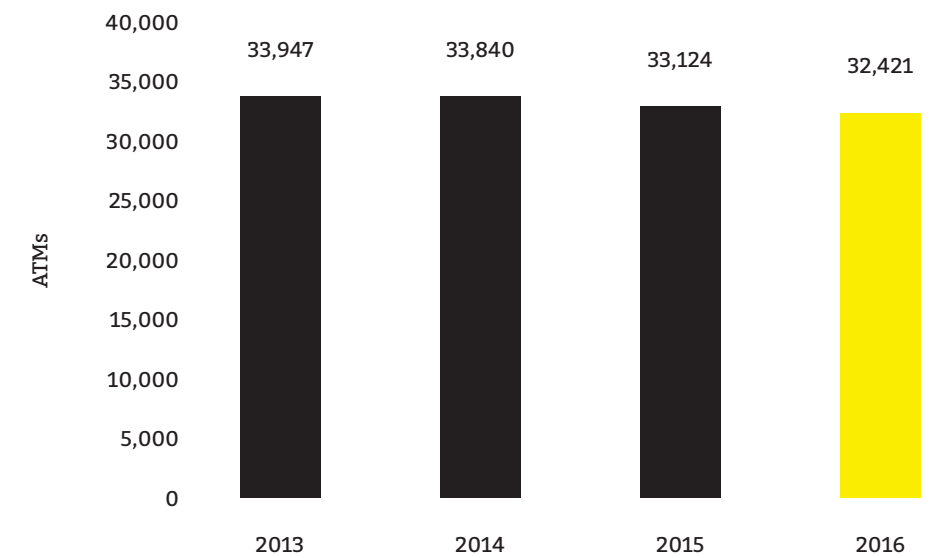
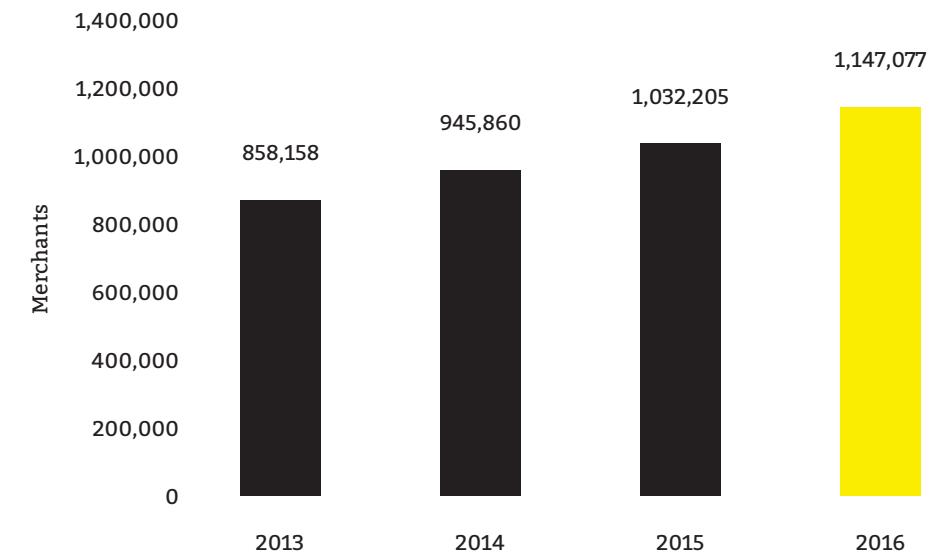
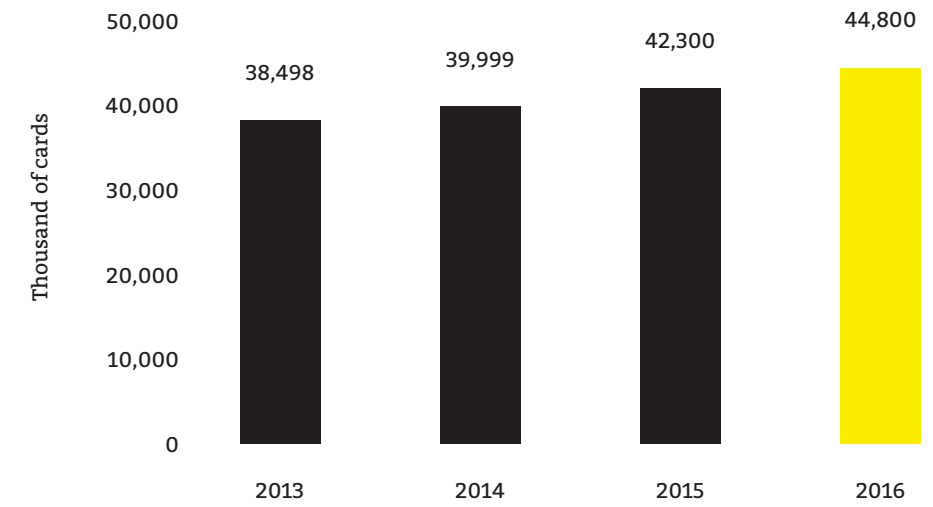
Merchants

The number of merchants also continues growing. Purchases worth €109.37 billion were made in these establishments, 10.8% more than in 2015.



ATMs

There are more than 32,400 ServiRed ATMs located throughout Spain.







## Mission

To promote the proper transition from cash to new, more efficient and secure means of payment, to the benefit of member institutions and society as a whole (merchants and cardholders).







## Objectives

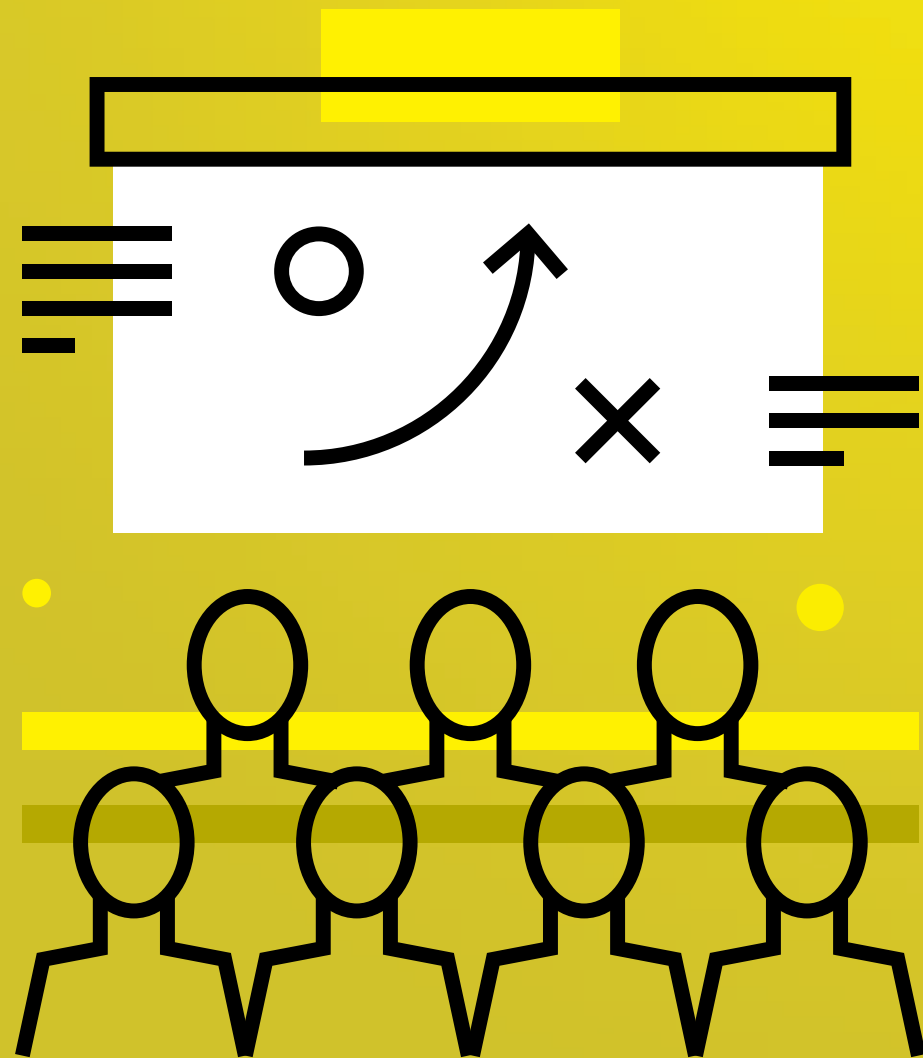
To promote the use of electronic payments.

To represent member institutions before regulatory bodies, associations, institutions and other domestic and international payments schemes.

To manage the brand, set and uphold the rules of the domestic scheme to ensure interoperability and strengthen its position in the domestic and international markets.







## Board

Mr. Rafael Martín-Peña García <sup>1</sup>	Chairman
Mr. Juan Luis Coghen Alberdingk-Thijm <sup>2</sup>	Banco Cooperativo
Mr. Manuel Tresánchez Montaner <sup>2</sup>	Banco de Sabadell
Mr. Albert Figueras Moreno	Banco de Sabadell
Ms. Amparo Esteve Mercado <sup>2</sup>	Abitaria Consultoría y Gestión, S.A. (Bankia Group)
Mr. Carlos Mier Sainz <sup>2</sup>	Valoración y Control, S.L. (Bankia Group)
Mr. Jaime Campos Muñoz <sup>2</sup>	Participaciones y Cartera de Inversión, S.L. (Bankia Group)
Ms. Ana Garrido de la Revilla <sup>2</sup>	Bankinter
Mr. Ignacio Bañón Treviño	BBVA
Mr. Fernando de la Rica Goiricelaya	BBVA
Mr. Ricardo Oliver Gómez	BBVA
Ms. María Victoria Matía Agell	CaixaBank
Mr. Joan Morlá Tomás	CaixaBank
Mr. Miguel Ángel Pozuelo Villar	CaixaBank
Mr. Juan María Eguren Ruiz de Azua <sup>2</sup>	Caja Laboral Popular
Mr. Juan Felipe Vargas Ibáñez <sup>2</sup>	Banco de Crédito Social Cooperativo
Mr. Ramón Amorós Reboredo <sup>2</sup>	Deutsche Bank
Ms. Carmen Carnero Silvo	Board Secretary (Non-member)

(1) Representative of Global Norwalk, S.L.U, Chairman of the Board.

(2) Representatives of board members that are legal persons.





## Shareholder Members of the ServiRed System

### NRBE

Bank of Spain Registry Number

0019	DEUTSCHE BANK, S.A.E
0057	BANCO DEPOSITARIO BBVA, S.A.
0078	BANCA PUEYO, S.A.
0081	BANCO DE SABADELL, S.A.
0125	BANCOFAR, S.A.
0128	BANKINTER, S.A.
0130	BANCO CAIXA GERAL, S.A.
0131	NOVO BANCO, S.A, SUCURSAL EN ESPAÑA
0138	BANKOIA, S.A.
0182	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
0186	BANCO MEDIOLANUM, S.A.
0188	BANCO ALCALÁ, S.A.
0198	BANCO COOPERATIVO ESPAÑOL, S.A.
0220	BANCO FINANTIA SOFINLOC, S.A.
0227	UNOE BANK, S.A.
0229	WIZINK BANK, S.A.
0234	BANCO CAMINOS, S.A.
0240	BANCO DE CRÉDITO SOCIAL COOPERATIVO, S.A.
2038	BANKIA, S.A.
2080	ABANCA CORPORACIÓN BANCARIA, S.A.
2108	BANCO DE CAJA ESPAÑA DE INVERSIONES, SALAMANCA Y SORIA, S.A.
3001	CAJA RURAL DE ALMENDRALEJO, SOCIEDAD COOPERATIVA DE CREDITO
3005	CAJA RURAL CENTRAL, SOCIEDAD COOPERATIVA DE CREDITO
3007	CAJA RURAL DE GIJÓN, COOPERATIVA DE CRÉDITO
3008	CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CREDITO
3009	CAJA RURAL DE EXTREMADURA, SOCIEDAD COOPERATIVA DE CREDITO
3016	CAJA RURAL DE SALAMANCA, SOCIEDAD COOPERATIVA DE CREDITO
3017	CAJA RURAL DE SORIA, SOCIEDAD COOPERATIVA DE CREDITO
3020	CAJA RURAL DE UTRERA, SOCIEDAD COOPERATIVA ANDALUZA DE CREDITO



### NRBE

Bank of Spain Registry Number

3023	CAJA RURAL DE GRANADA, SOCIEDAD COOPERATIVA DE CREDITO
3025	CAJA DE CRÉDITO DE LOS INGENIEROS, SOCIEDAD COOPERATIVA DE CREDITO
3035	CAJA LABORAL POPULAR, SOCIEDAD COOPERATIVA DE CREDITO
3058	CAJAMAR CAJA RURAL, SOCIEDAD COOPERATIVA DE CREDITO
3059	CAJA RURAL DE ASTURIAS, SOCIEDAD COOPERATIVA DE CREDITO
3060	CAJA RURAL DE BURGOS, FUENTEPELAYO, SEGOVIA Y CASTELLANS, SOCIEDAD COOPERATIVA DE CRÉDITO
3067	CAJA RURAL DE JAEN, BARCELONA Y MADRID, SOCIEDAD COOPERATIVA DE CREDITO
3070	CAIXA RURAL GALEGA, SOCIEDAD COOPERATIVA DE CREDITO LIMITADA GALLEGA
3076	CAJASIETE, CAJA RURAL, SOCIEDAD COOPERATIVA DE CREDITO
3080	CAJA RURAL DE TERUEL, SOCIEDAD COOPERATIVA DE CREDITO
3081	CAJA RURAL DE CASTILLA-LA MANCHA, SOCIEDAD COOPERATIVA DE CREDITO
3085	CAJA RURAL DE ZAMORA, SOCIEDAD COOPERATIVA DE CREDITO
3096	CAIXA RURAL DE L'ALCUDIA, SOCIEDAD COOPERATIVA VALENCIANA DE CREDITO
3098	CAJA RURAL NUESTRA SEÑORA DEL ROSARIO, S. COOP. ANDALUZA DE CRÉDITO
3111	CAIXA RURAL LA VALL "SAN ISIDRO", S. COOP. DE CREDITO VALENCIANA
3117	CAJA RURAL D'ALGEMESÍ, SOCIEDAD COOPERATIVA VALENCIANA DE CREDIT
3127	CAJA RURAL DE CASAS IBAÑEZ, S. COOP. DE CREDITO DE CASTILLA LA MANCHA
3130	CAJA RURAL SAN JOSE DE ALMASSORA. S. COOP. DE CRÉDITO VALENCIANA
3140	CAJA RURAL DE GUISSONA, SOCIEDAD COOPERATIVA DE CREDITO
3159	CAIXA POPULAR-CAIXA RURAL, S. COOP. DE CRÉDITO VALENCIANA
3183	CAJA DE ARQUITECTOS, SOCIEDAD COOPERATIVA DE CREDITO
3187	CAJA RURAL DEL SUR, SOCIEDAD COOPERATIVA DE CREDITO
3190	CAJA RURAL DE ALBACETE, CIUDAD REAL Y CUENCA, S. COOP. DE CRÉDITO
3191	CAJA RURAL DE ARAGÓN, SOCIEDAD COOPERATIVA DE CREDITO
8321	ENTRE2 SERVICIOS FINANCIEROS, E.F.C., S.A.
8788	CAIXABANK PAYMENTS, E.F.C. E.P., S.A.U.
8816	SOCIEDAD CONJUNTA PARA LA EMISIÓN Y GESTIÓN DE MEDIOS DE PAGO, E.F.C., S.A.
8834	EVOFINANCE, ESTABLECIMIENTO FINANCIERO DE CRÉDITO, S.A.U.
---	GLOBAL NORWALK, S.L.U.





## Non-shareholder Members of ServiRed System

### NRBE

Bank of Spain Registry Number

0129	BBVA BANCO DE FINANCIACIÓN, S.A.
0133	NUEVO MICRO BANK, S.A.
0235	BANCO PICHINCHA ESPAÑA, S.A.
1490	SELF TRADE BANK, S.A.
1491	TRIODOS BANK N.V., SUCURSAL EN ESPAÑA
1525	BANQUE CHAABI DU MAROC, SUCURSAL EN ESPAÑA
1550	BANCA POPOLARE ETICA, S.C.P.A, SUCURSAL EN ESPAÑA
2081	MARE NOSTRUM, S.A.
2100	CAIXABANK, S.A.
3018	CAJA RURAL REGIONAL SAN AGUSTIN FUENTE ÁLAMO MURCIA, SOCIEDAD COOPERATIVA DE CREDITO
3029	CAJA DE CREDITO DE PETREL, CAJA RURAL, COOP. DE CRÉDITO VALENCIANA
3045	CAIXA RURAL ALTEA, COOPERATIVA DE CREDIT VALENCIANA
3089	CAJA RURAL DE BAENA NTRA. SRA. DE GUADALUPE SOCIEDAD COOPERATIVA DE CREDITO ANDALUZA
3095	CAJA RURAL SAN ROQUE DE ALMENARA, S. COOP. DE CRÉDITO V.
3102	CAIXA RURAL SANT VICENT FERRER DE LA VALL D'UIXO, COOP. DE CREDIT V.
3104	CAJA RURAL DE CAÑETE DE LAS TORRES NTRA.SRA.DEL CAMPO SOCIEDAD COOPERATIVA ANDALUZA DE CREDITO
3105	CAIXA RURAL DE CALLOSA D'EN SARRIA, COOP. DE CREDITO VALENCIANA
3110	CAJA RURAL CATÓLICO AGRARIA, S. COOP. DE CRÉDITO V.
3112	CAJA RURAL SAN JOSÉ DE BURRIANA, S. COOP. DE CRÉDITO V.
3113	CAJA RURAL SAN JOSE DE ALCORA S. COOP. DE CREDITO V.
3115	CAJA RURAL 'NUESTRA MADRE DEL SOL', S. COOP. ANDALUZA DE CREDITO
3118	CAJA RURAL DE TORRENT COOPERATIVA DE CREDIT VALENCIANA
3119	CAJA RURAL SAN JAIME DE ALQUERÍAS DEL NIÑO PERDIDO, S. COOP. DE CRÉDITO V.
3121	CAJA RURAL DE CHESTE, SOCIEDAD COOPERATIVA DE CREDITO
3123	CAIXA RURAL DE TURÍS, COOPERATIVA DE CRÉDITO VALENCIANA
3134	CAJA RURAL NUESTRA SEÑORA DE LA ESPERANZA DE ONDA, S. COOP. DE CREDITO V.
3135	CAJA RURAL SAN JOSÉ DE NULES, S. COOP. DE CRÉDITO V.
3138	RURALNOSTRA, SOCIEDAD COOPERATIVA DE CREDITO VALENCIANA
3144	CAJA RURAL DE VILLAMALEA, S. COOP. DE CREDITO AGRARIO DE CASTILLA-LA MANCHA
3150	CAJA RURAL DE ALBAL COOP. DE CREDITO V.
3152	CAJA RURAL DE VILLAR, S. COOP. DE CRÉDITO V.
3157	CAJA RURAL LA JUNQUERA DE CHILCHES, S. COOP. DE CRÉDITO V.
3160	CAIXA RURAL SANT JOSEP DE VILAVELLA, S. COOP. DE CRÈDIT V.
3162	CAIXA RURAL BENICARLO, S. COOP. DE CREDIT V.
3165	CAJA RURAL SAN ISIDRO DE VILAFAMÉS, S. COOP. DE CRÉDITO V.
3166	CAIXA RURAL LES COVES DE VINROMA, S. COOP. DE CREDIT V.
3174	CAIXA RURAL VINAROS, S. COOP. DE CREDIT. V.
3179	CAJA RURAL DE ALGINET, SOCIEDAD COOPERATIVA CREDITO VALENCIANA
3186	CAIXA RURAL ALBALAT DEL SORELLS, COOPERATIVA DE CREDIT VALENCIANA
6702	CAIXABANK ELECTRONIC MONEY, EDE, S.L.
6703	EURONET 360 FINANCE LIMITED, SUCURSAL EN ESPAÑA
6812	MONEY EXCHANGE, S.A.
8776	CAIXABANK CONSUMER FINANCE, E.F.C.,S.A.
8821	SABADELL CONSUMER FINANCE, E.F.C.,S.A.



## Changes in 2016

- Incorporation of:
  - Caja Rural Regional San Agustín Fuente Álamo Murcia, Sociedad Cooperativa de Crédito
  - Caja Rural de Baena Ntra. Sra. de Guadalupe Sociedad Cooperativa de Crédito Andaluza
  - Caja Rural de Cañete de las Torres Ntra. Sra. del Campo Sociedad Cooperativa Andaluza de Crédito
  - Caja Rural San José de Alcora S. Coop. de Crédito V.
  - Caja Rural 'Nuestra Madre Del Sol', S. Coop. Andaluza de Crédito
  - Caja Rural Nuestra Señora de la Esperanza de Onda, S. Coop. de Crédito V.
  - Ruralnostra, Sociedad Cooperativa de Crédito Valenciana
  - Caja Rural de Villamalea, S. Coop. de Crédito Agrario De Castilla-La Mancha
  - Caja Rural de Albal Coop. de Crédito V.
  - Caixa Rural Benicarlo, S. Coop. de Credit V.
  - Caixa Rural les Coves de Vinroma, S. Coop. de Credit V.
  - Caixa Rural Vinaros, S. Coop. de Credit. V.
- Merger due to absorption of Caja de Crédito Cooperativo, Sociedad Cooperativa de Crédito by Caja Rural de Jaén, Barcelona y Madrid, Sociedad Cooperativa de Crédito
- Change of name from Cajas Rurales Unidas, Sociedad Cooperativa de Crédito to Cajamar Caja Rural, Sociedad Cooperativa de Crédito
- Change of name from Caixa Card 1, E.F.C., S.A.U. to CaixaBank Payments, E.F.C. E.P., S.A.U.
- Change of name from Bancopopular-e, S.A. to WiZink Bank, S.A.
- Merger due to absorption of Catalunya Banc, S.A. by Banco Bilbao Vizcaya Argentaria, S.A.
- Barclays Bank Plc, Sucursal en España left.
- Change of name from Avant Tarjeta, Establecimiento Financiero de Crédito, S.A.U., to EVO Finance, Establecimiento Financiero de Crédito, S.A.U.







## Letter from the Chairman of the Board

Rafael Martín-Peña García \*  
ServiRed S.A.

The 2016 fiscal year for ServiRed is a clear example of the national economic recovery. With growths exceeding 10% in sales volume, both in Issuing as well as in Acquiring, we remain on the right path to complete the company's Mission, that is, to promote transferring cash usage to other more efficient and secure payment methods. This way, this initiative will lead to benefits for its member entities and for society in general (businesses and card holders). We can see evidence of this in the advances in the market penetration of purchases with ServiRed cards as a share of final spending by households, which increased last fiscal year to 14.29%, as well as the sustained increase in the use of the cards to acquire goods and services in businesses compared with the increase of using cards to withdraw cash in ATMs. Purchases at merchants now account for 57.1% of all card payments. Furthermore, the increase of e-commerce is pushing decisively in this direction, with growth rates of 22.2%.

This path is also evident in the company's activity. The work groups with the member entities, in matters such as Deferred Payment Issuer reflect the member entities' interest in ServiRed's initiative.

This is accompanied by the important work carried out by the Board of Directors during

this period, conceding the great importance to matters of good governance and risk management that these issues deserve. Thus, the company has instituted the annual evaluation of the Board's performance by external experts as a tool to improve its efficiency. The company has promoted the activity of the internal auditing and management control, delving into analysing the possible future risk situations during the fiscal year, assigning indicators to the each risk and developing a platform for reporting, monitoring and updating risks, including action plans designed in order to improve risk management and minimise their probability and impact. In this line of activity, the Criminal Code Compliance Program has been revised in order to update it according to the reform of Organic Law 1/2015, in accordance with the content of Memo 1/2016 of the State's Attorney General about the criminal liability of legal persons. As is established in the company's Criminal Prevention and Response Manual, ServiRed's criminal prevention body has presented its annual report, and the company has continued offering training cycles on this subject both for the company's employees as well as for the members of the Board of Directors.

From the financial perspective, the company has obtained Profits after taxes of 4.4 million Euros (39% more than the fiscal ye\*35ar 2015),

(\* Representative of Global Norwalk, S.L.U, Chairman of the Board.



principally due to the attribution to ServiRed of its distribution derived from the sale of Visa Europe to Visa Inc., for the fees paid by the company in its own name due to its activity as a Visa Collective Member. The remaining amounts received by ServiRed in the name of and on behalf of its members was distributed throughout the fiscal year 2016, and the fiduciary contracts were signed with respect to the shares of Visa Inc., which were part of the price of sale. These shares of Visa Inc. are held by ServiRed in the name of and on behalf of its members (except for the shares held in its own name derived from the fees paid in its own name).

The company also has developed notable international activity. The three main examples have been ServiRed's nomination as a member of the Board of Directors of the European Card Stakeholders Group (ECSG), as a member of the Board of Directors of the ECPA, and as a member of the Board of Directors of 411 Trust Company (initially known as Visa Europe Member Representative, created to analyse the correct evaluation of shares of Visa Inc., which will be the object of conversion into ordinary shares, which can be freely sold, in future windows of opportunity).

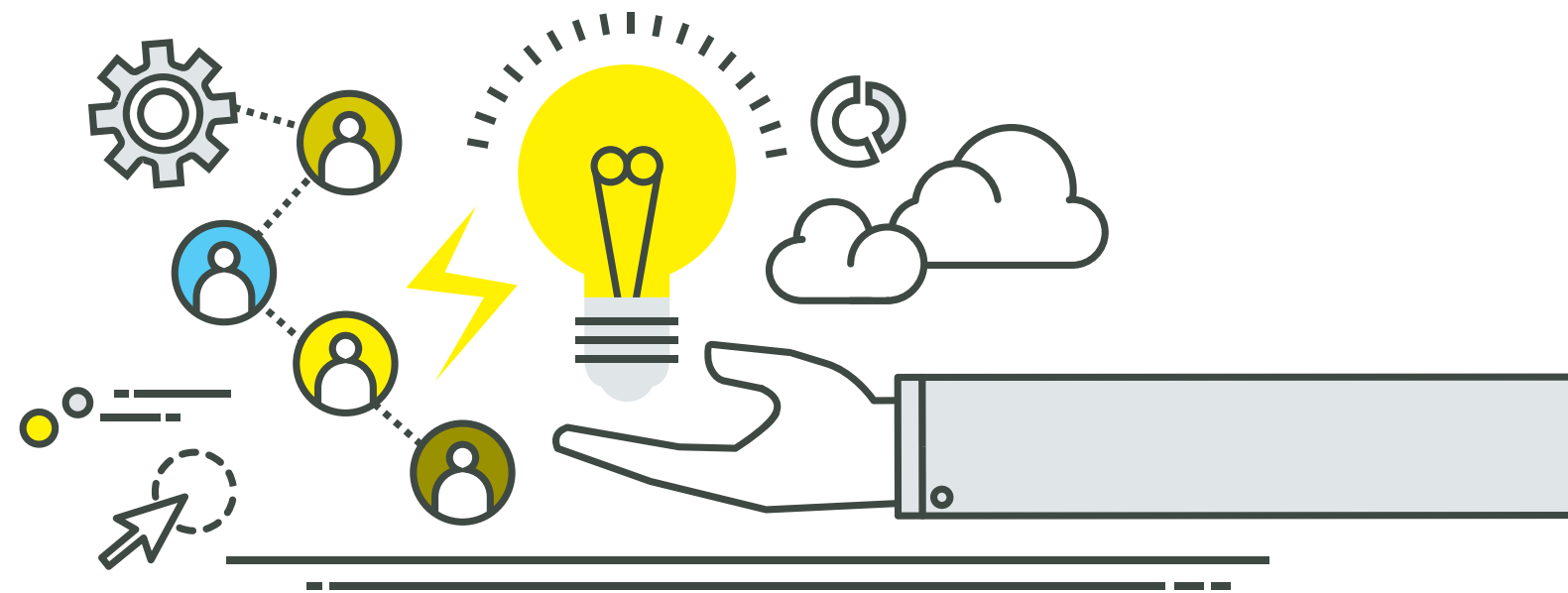
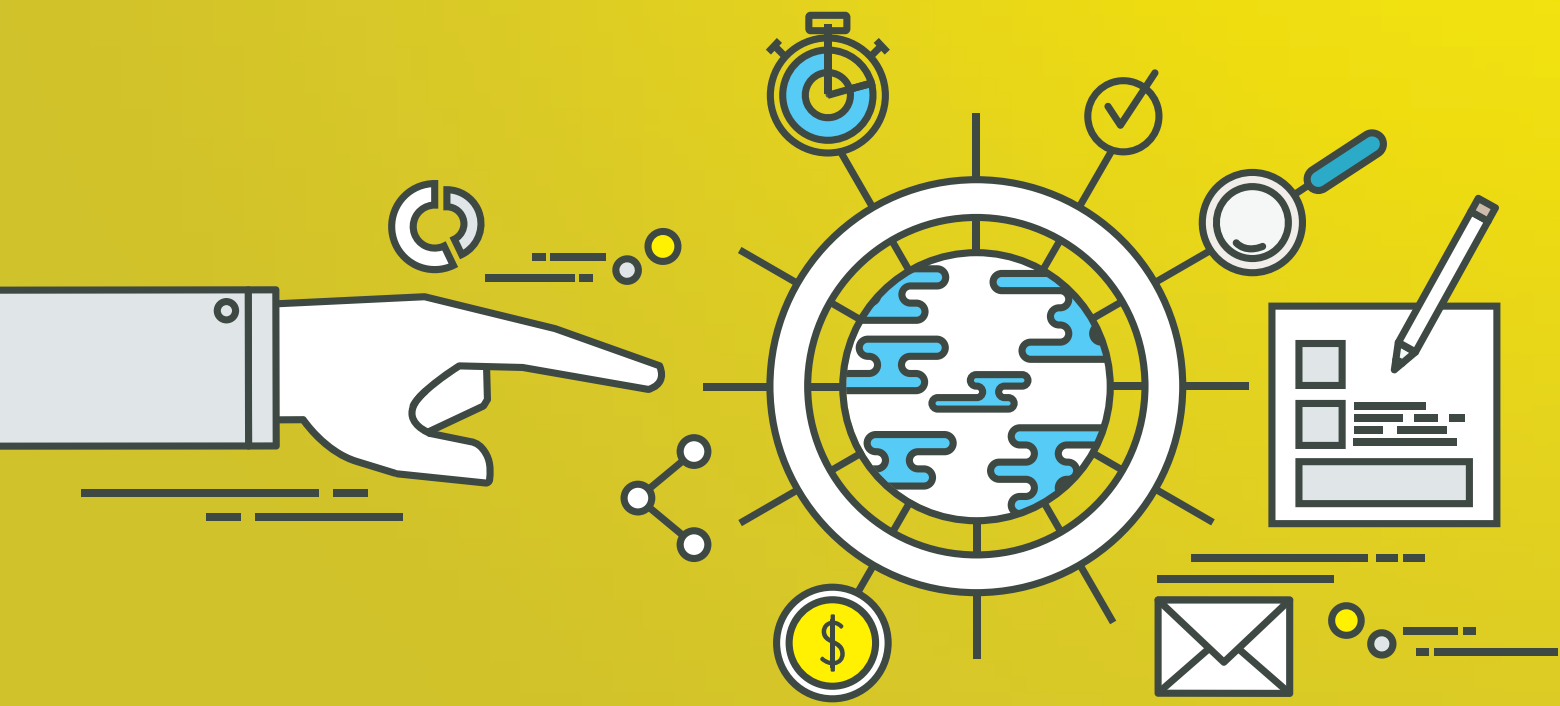
In our increasingly competitive environment, where the inherent capacities of the

Rafael Martín-Peña García  
Chairman of the Board  
ServiRed S.A.



frameworks take on particular relevance, this past fiscal year we have delved into analysing the advantages that Spanish entities would receive by unifying all the domestic payment means. This analysis, pending completion at the time of writing this letter, will allow the company to face the challenges of the means of payment sector, which are multiple and varied, with the strength and enthusiasm that have always defined ServiRed.







### Letter from the Deputy Managing Director

Carmen Carnero Silvo  
ServiRed S.A.

The speed of the change in the financial sector is not only greater than ever, but it is accelerating more and more. New technologies, thanks in large part to the disruption led both by technological giants and by fintech companies, have provided significant innovations, in particular in mobile phone contactless payments, which are attractive for clients interested in new products.

For many Financial Institutions, the current wave of change implies a reduction of their product cycles and a replanning of how to carry out their business strategies. In fact, technological innovation is one of the most commonly identified challenges by the Financial Institutions in market studies and in various industry publications. The main difficulty for payment services providers is to stay up to date with the advances in technological innovation and digitalization.

In this moment of the digital era, most Financial Institutions in our country are in the process of evolving their payments infrastructure in order to create the most appropriate solutions for a future in constant change.

Consequently, the major themes throughout the fiscal year 2016 for our Members have been: expanding electronic commerce, mitigating the risk of fraud, improving security and data protection, managing the compliance of the regulatory requirements, analysing information, developing an improved understanding of transaction costs and fees, implementing cost reduction processes, optimising user experience, developing instant payment services, and analysing the implications of the transposition of the new Payment Services Directive in our country.

The e-commerce expansion requires optimising payment processes and reducing costs. The year 2016 has witnessed a great movement in this environment and we can clearly see that the platforms which can have greater success among businesses are those capable of managing a quick incorporation procedure, easy integration with multiple third-party providers, and a short launch time.

Cybersecurity and data protection have been among the main concerns of the Financial

Institutions as any failure in protecting their clients' information may become the biggest source of risks for reputation and for the breach of regulatory requirements. As such, important investments have been made to correct possible weak spots in the technology. Consequently, information management in all its forms has been one of the most relevant aspects of 2016.

Optimising user experience is another of the most noteworthy aspects. This is precisely the environment in which fintechs focus the greater part of their innovations. As such, they are raising client expectations in general. Furthermore, both fintech companies as well as established companies specialising in e-commerce, will continue advancing in their innovations in order to provide ever more attractive alternatives to those offered by the traditional payment services providers. Any delay in rolling out digitalization, especially in client interfaces, is perceived as one of the great threats which may erode future profits. In this field, the incorporation of Application Programming Interfaces (APIs) in the chat programmes from social networks and messaging platforms (also known as chatbots) will allow for automated communications with clients and it is expected that they will be one of the biggest innovations in upcoming years and it is possible that payments through chatbots may even become the norm.

The development of technological solutions to carry out instant payments between people (also known as P2P) have been another of the innovations that have become widespread in 2016, both in Spain as well as in the rest of Europe. The Euro Retail Payments Board (ERPB) is leading the possible cooperation between the existing solutions and any future solutions in order to guarantee the interoperability of this type of payments at the European-wide level. Its vision is for everyone in Europe to be able to make P2P payments through their mobile phone, quickly and safely. The traction that these immediate payments will have among consumers is yet to be seen and also if they will be relevant in the business payment sector and, if so, whether they capture their market share by substituting cash or card payments.

The start of the processes to transpose the new Payment Services Directive (PSD2) in the different



Carmen Carnero Silvo  
Deputy Managing Director  
ServiRed S.A.



European countries, as well as the EBA drafting of its regulatory technical standards for strong customer authentication also have captured a good part of the attention throughout 2016. As is known, the process of transposing PSD2 must be finalised in the different member states by 13 January 2018. As of that moment, third-party service providers will be able to access, through APIs, the accounts that clients have in the Financial Institutions.

As this opening occurs throughout the different countries in Europe, the barriers of entry in the financial industry for third-party providers will be decreased and these parties will be able to offer various services, of the most important being account information aggregation and payment initiation.

These third-party providers which offer account aggregation services can obtain relevant information about customers related with their preferred financial products or the products which may be attractive to them for the future. Furthermore, it is expected that the amount of information available will result in continued innovation of financial products, which will place clients at the centre of product development and evolution.

The third-party providers which will offer payment initiation services to clients of Financial Institutions, through the access to their bank accounts, will have even greater impact in the sector than the account information aggregation services providers. An important disruption is expected in the entire banking ecosystem, as these third party providers, coming from different industries, will enter the financial industry to offer their services and to establish or reinforce their relationships with clients, through their new line of financial products.

Meanwhile, in order to facilitate this new relationship framework created by the Directive, the financial sector is working on the new security model which will be necessary in order to ensure that these new products and services do not put the security of the financial sector or that of its clients at risk, as this is one of the fundamental pillars for the sector's reputation.

We also hope that the proliferation of the APIs will develop the interest of entrepreneurs in creating new business models based on the "platform access" facilitated by the Directive. The replacement of the "property-based" business models for "access-based platform business models" have been very successful in other industries. In fact, several newly created companies have experienced rapid growth and have become consolidated as highly valued leaders in their respective industries in a short period of time. The tools available today for these entrepreneurs, together with the changes that will arise due to the implementation of PSD2, mean that developments of this type are now also possible in the financial industry.

Consequently, in the upcoming years, in order to successfully compete, we need not only new forms of thinking, but also *new forms of thinking about how to think* to be able to identify the new risk signals and strengthen the team's power of intuition in the process of launching new products and services. In ServiRed, we continue to honour our commitment with the Financial Institutions that we serve, in order to give them all our support on their route toward the approaching and challenging future. Once again, we want to take advantage of these pages to thank our Members and clients for their trust in us.



### ServiRed Network

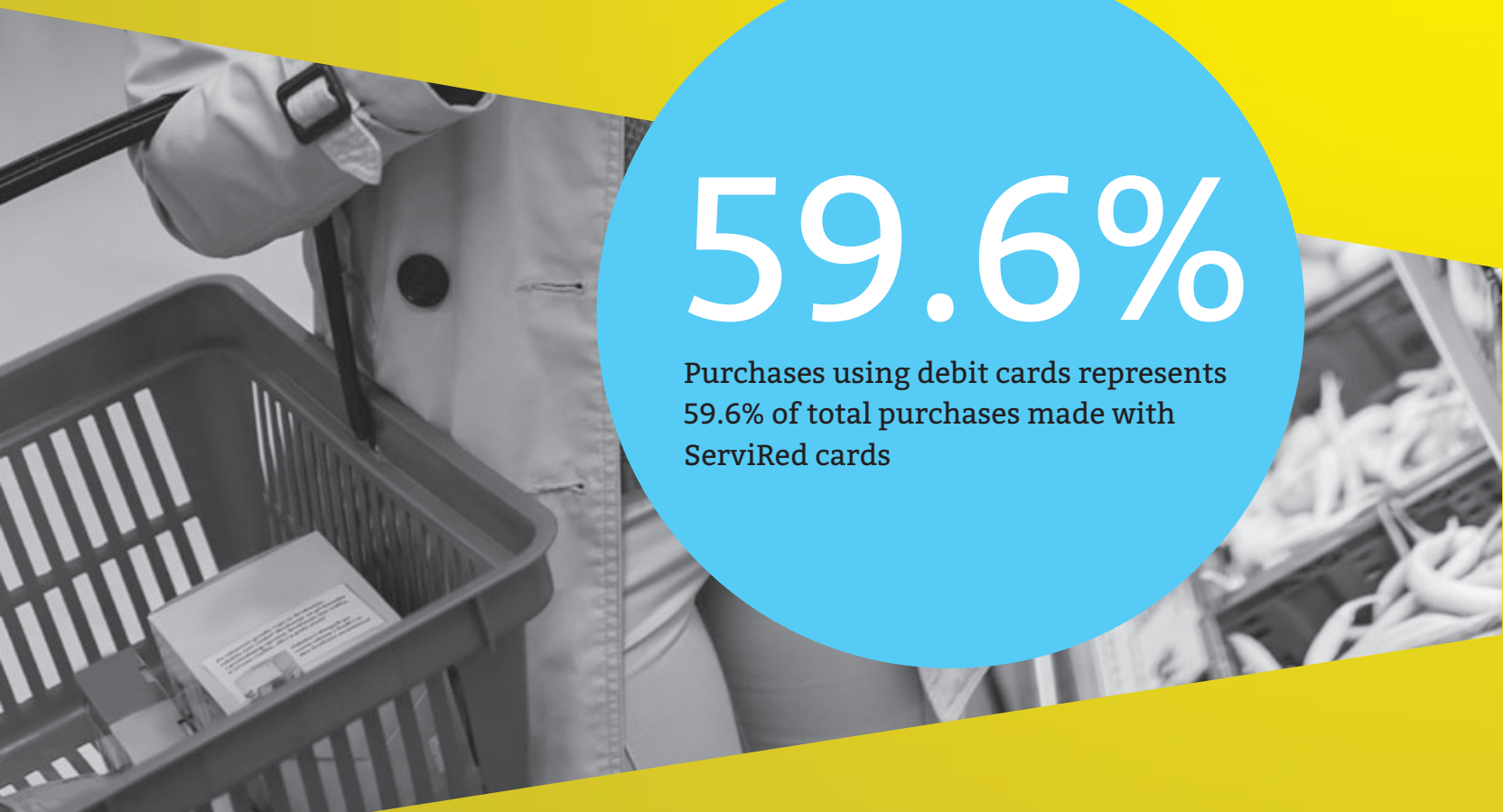




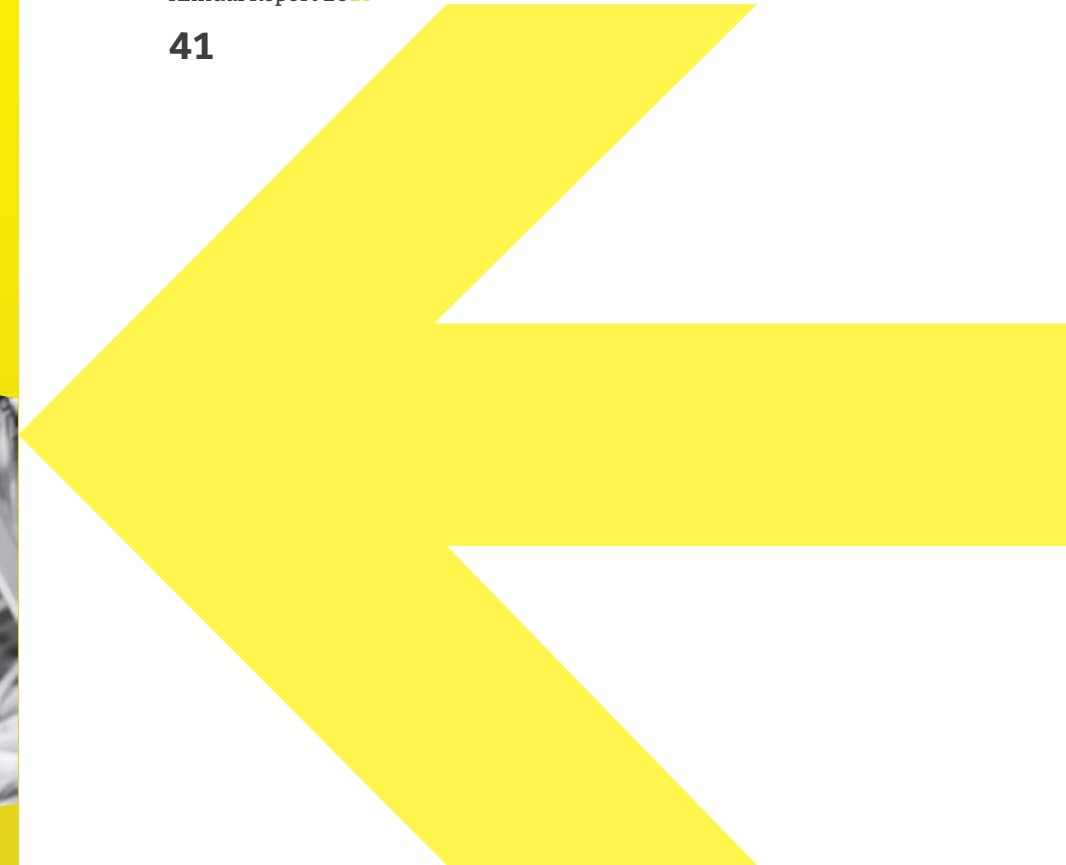
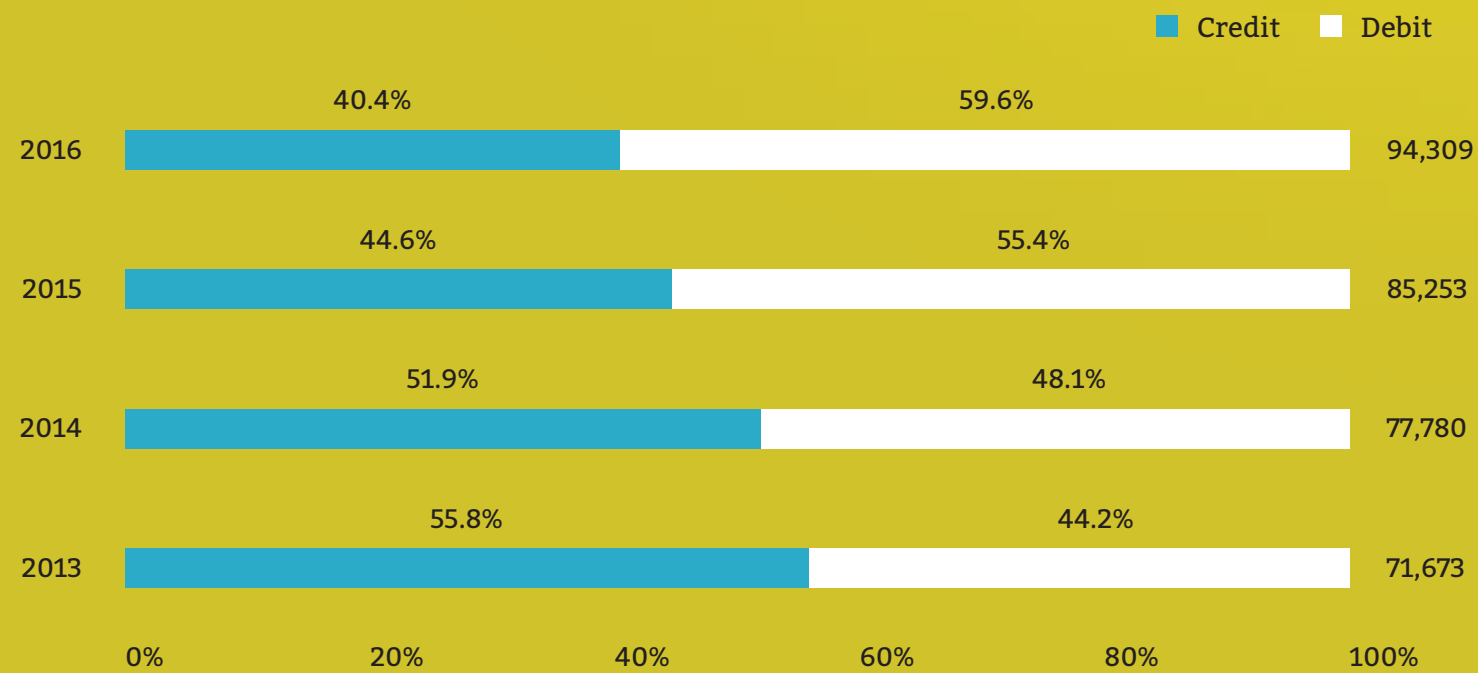


59.6%

Purchases using debit cards represents 59.6% of total purchases made with ServiRed cards



Purchases with Credit and Debit Cards (millions of euros)



### Summary of Activity

In 2016 ServiRed cardholders made over 2,161 million purchases totalling €94.31 billion. This last figure represents an annual increase of 10.6%.

From the standpoint of the issuers, the market share of ServiRed in Spain reach a 64.3% in the amount of purchases.

From the acquirer standpoint, the market share came in at 73.9% of purchase volume, 55 base points more than the previous year.

During 2016, the volume of purchases with debit cards exceeded the volume with credit cards, thus continuing the trend where debit cards have been gaining market share. Specifically, debit was involved in 59.6% of sales, experiencing a strong increase in its share. This is due to the fact that, while the year-to-year growth of credit cards maintained, purchases with debit cards grew by 19.0%. Furthermore, the number of debit cards greatly exceeded the number of credit cards.



## Purchases and cash withdrawals 2016

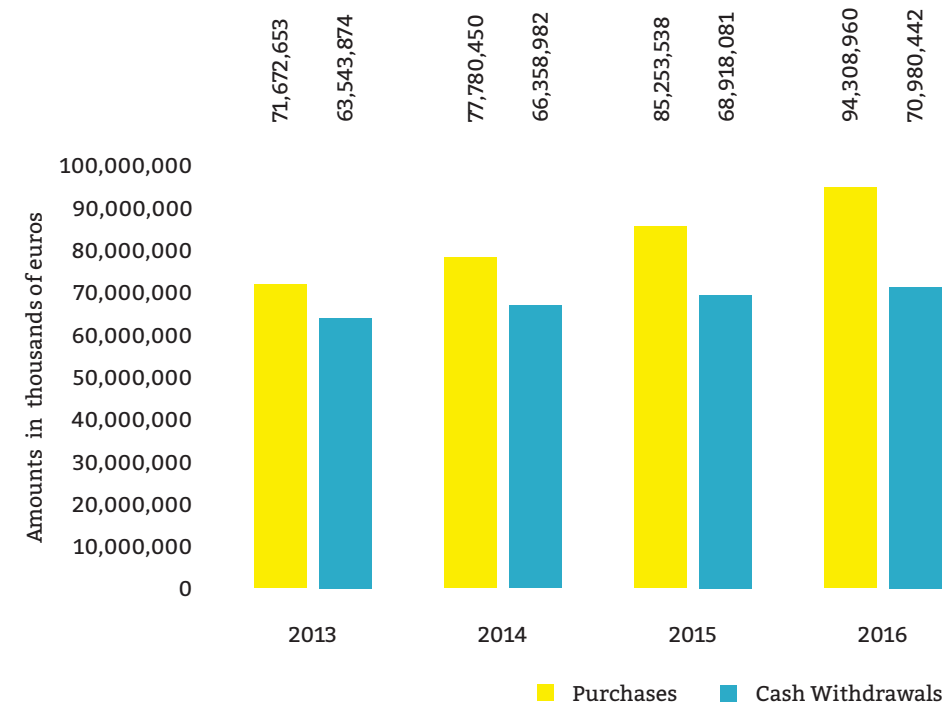
TRANSACTIONS	Purchases	Incr.	% of total	Cash withdrawals	Incr.	% of total	Sales volume	Incr.	% of total
Credit cards	699,102	0.5%	32.4%	116,009	-13.2%	21.2%	815,111	-1.7%	30.1%
Debit cards	1,461,790	22.6%	67.6%	432,483	6.6%	78.8%	1,894,273	18.5%	69.9%
Total cards	2,160,892	14.5%	100.0%	548,492	1.7%	100.0%	2,709,385	11.6%	100.0%

AMOUNTS	Purchases	Incr.	% of total	Cash withdrawals	Incr.	% of total	Sales volume	Incr.	% of total
Credit cards	38,144,042	0.2%	40.4%	18,834,480	-8.8%	26.5%	56,978,522	-2.9%	34.5%
Debit cards	56,164,917	19.0%	59.6%	52,145,962	8.0%	73.5%	108,310,879	13.5%	65.5%
Total cards	94,308,960	10.6%	100.0%	70,980,442	3.0%	100.0%	165,289,402	7.2%	100.0%

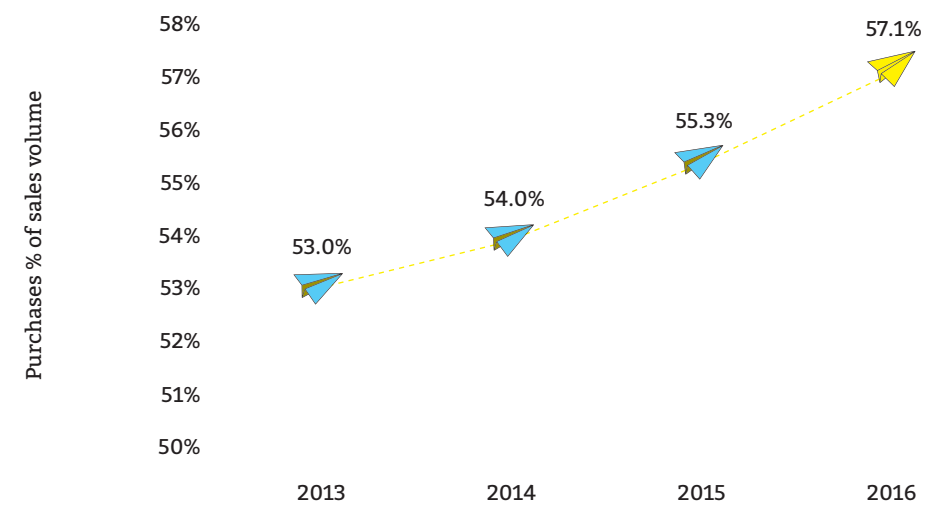
Amounts in thousands of euros  
'000 of transactions



**Purchases and cash withdrawals**



**Card Purchases as % of Sales Volume**



Purchase continued to increase at a higher rate than cash withdrawals.

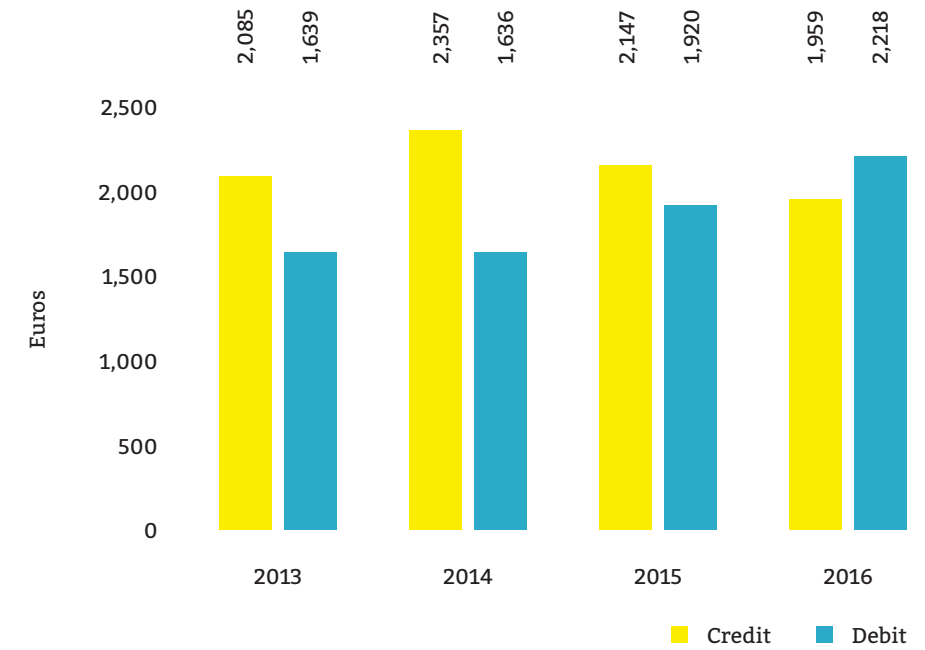


# €2,105

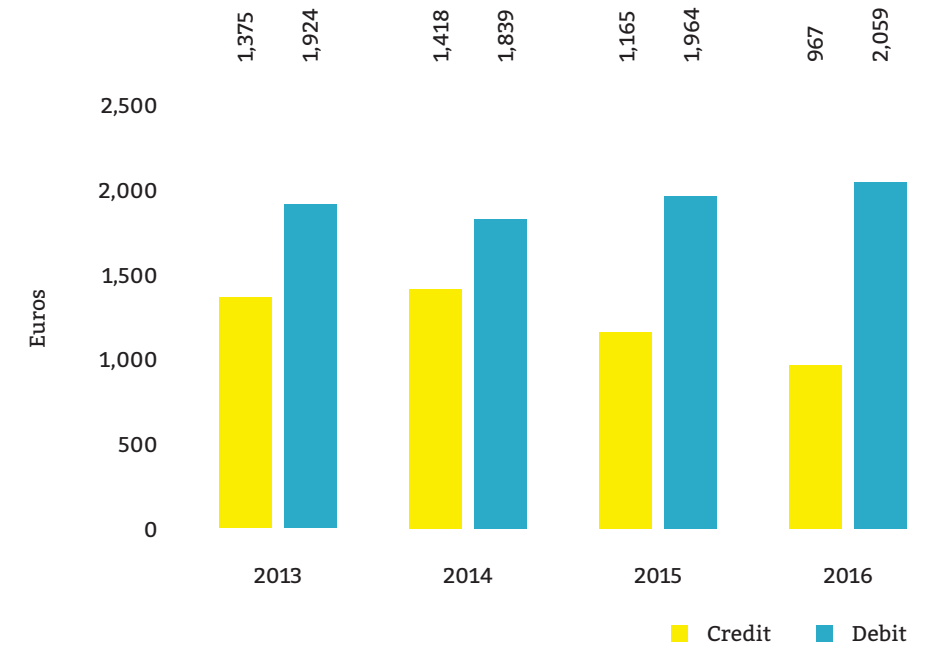
The average purchase spending per ServiRed cards was €2,105



### Spending per Card in Purchases



### Spending per Card on Cash Withdrawals









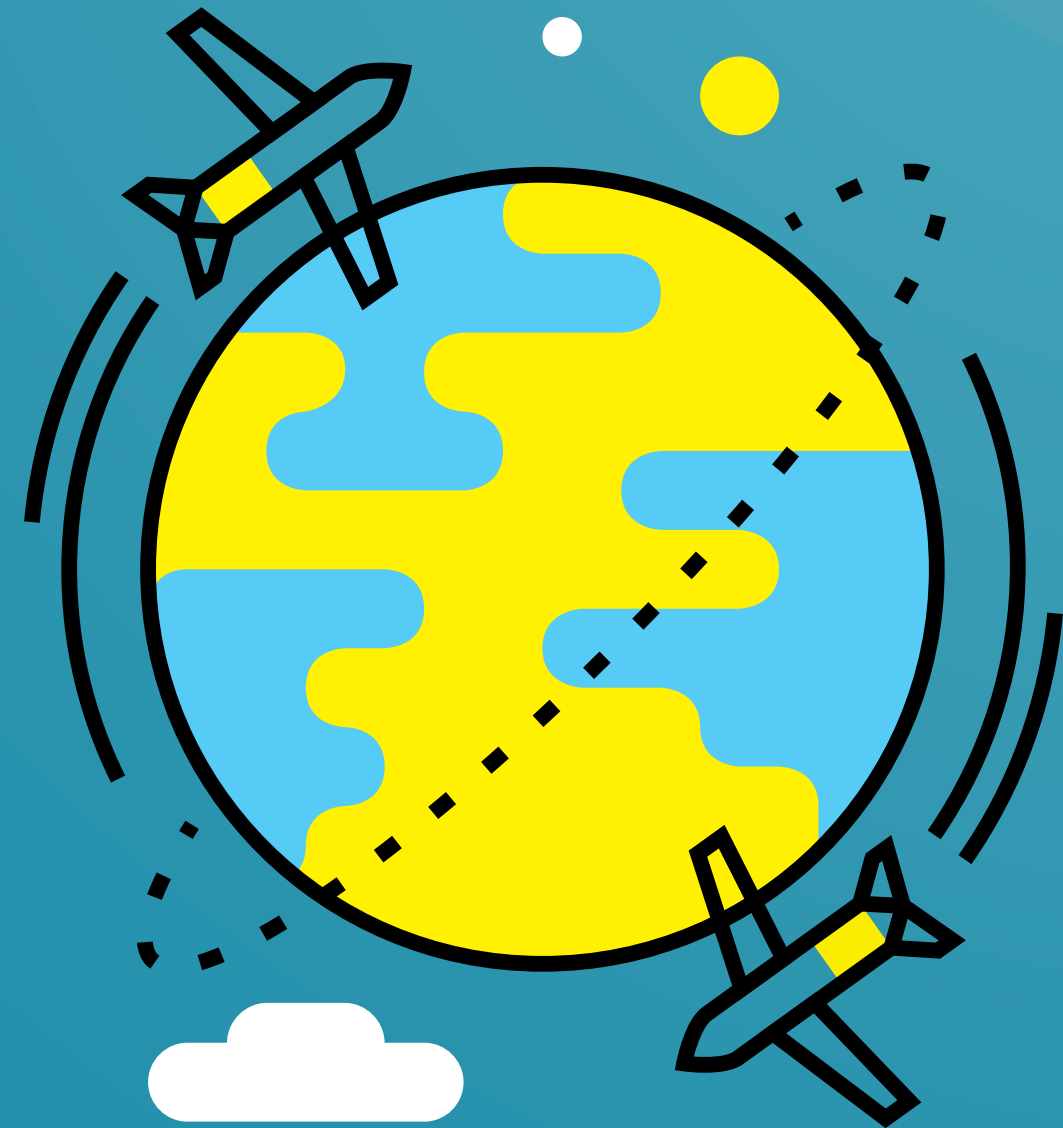
### International Activity

	Purchases	% total	Cash withdrawals	% total	Sales Vol.	%total
United Kingdom	4,705,421	38.3%	79,887	10.1%	4,785,308	36.6%
Ireland	1,658,038	13.5%	8,092	1.0%	1,666,130	12.8%
France	1,326,954	10.8%	75,192	9.5%	1,402,146	10.7%
Germany	567,523	4.6%	52,997	6.7%	620,520	4.7%
Luxembourg	157,701	1.3%	904	0.1%	158,605	1.2%
Netherlands	678,433	5.5%	22,116	2.8%	700,549	5.4%
Rest of European Union	1,126,920	9.2%	195,400	24.7%	1,322,320	10.1%
<b>Total European Union</b>	<b>10,220,989</b>	<b>83.3%</b>	<b>434,588</b>	<b>54.9%</b>	<b>10,655,577</b>	<b>81.6%</b>
United States	643,346	5.2%	81,132	10.3%	724,478	5.5%
Latin America	289,104	2.4%	135,330	17.1%	424,434	3.2%
Rest of the world	1,120,181	9.1%	140,114	17.7%	1,260,295	9.6%
<b>Total International</b>	<b>12,273,620</b>	<b>100.0%</b>	<b>791,164</b>	<b>100.0%</b>	<b>13,064,784</b>	<b>100.0%</b>

Purchases and cash withdrawals made with ServiRed cards abroad.  
Amounts in thousands of euros.



The United Kingdom was the country where ServiRed cardholders purchased the most

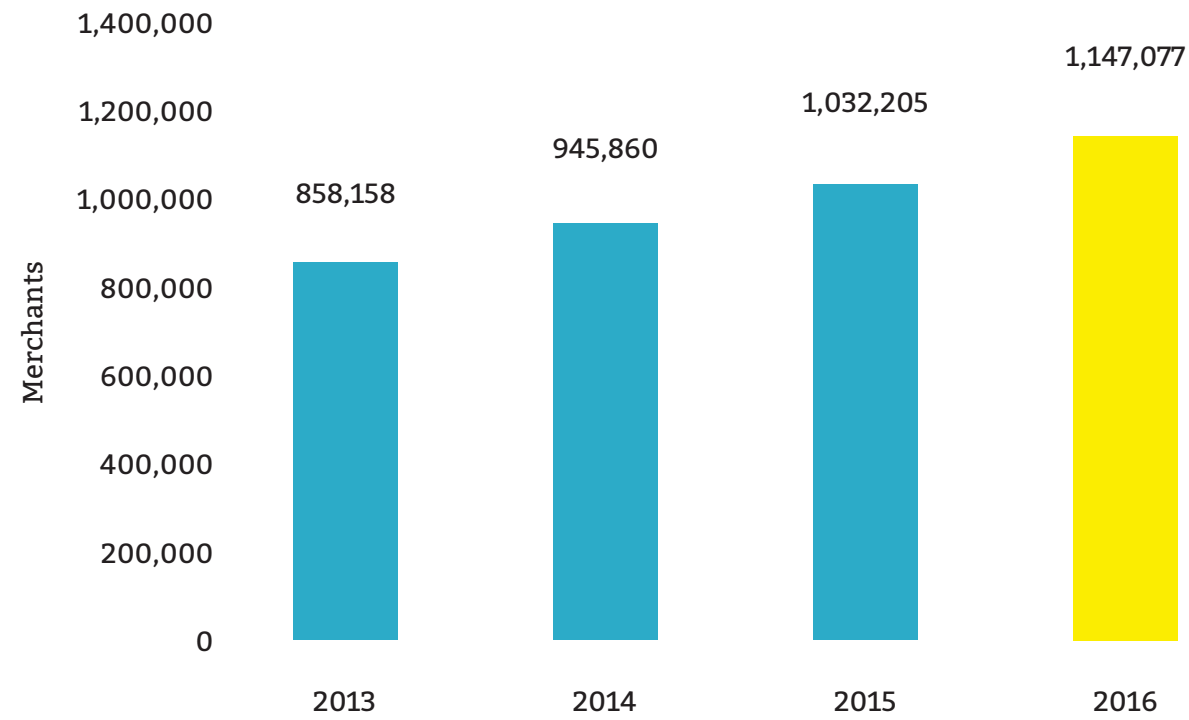


ServiRed cardholders made purchases abroad worth €12.27 billion





Number of Merchants\*



(\*) Merchants working with ServiRed System member institutions.



ServiRed entities included more than 1,147,000 contracted merchants, 115,000 more than in 2015



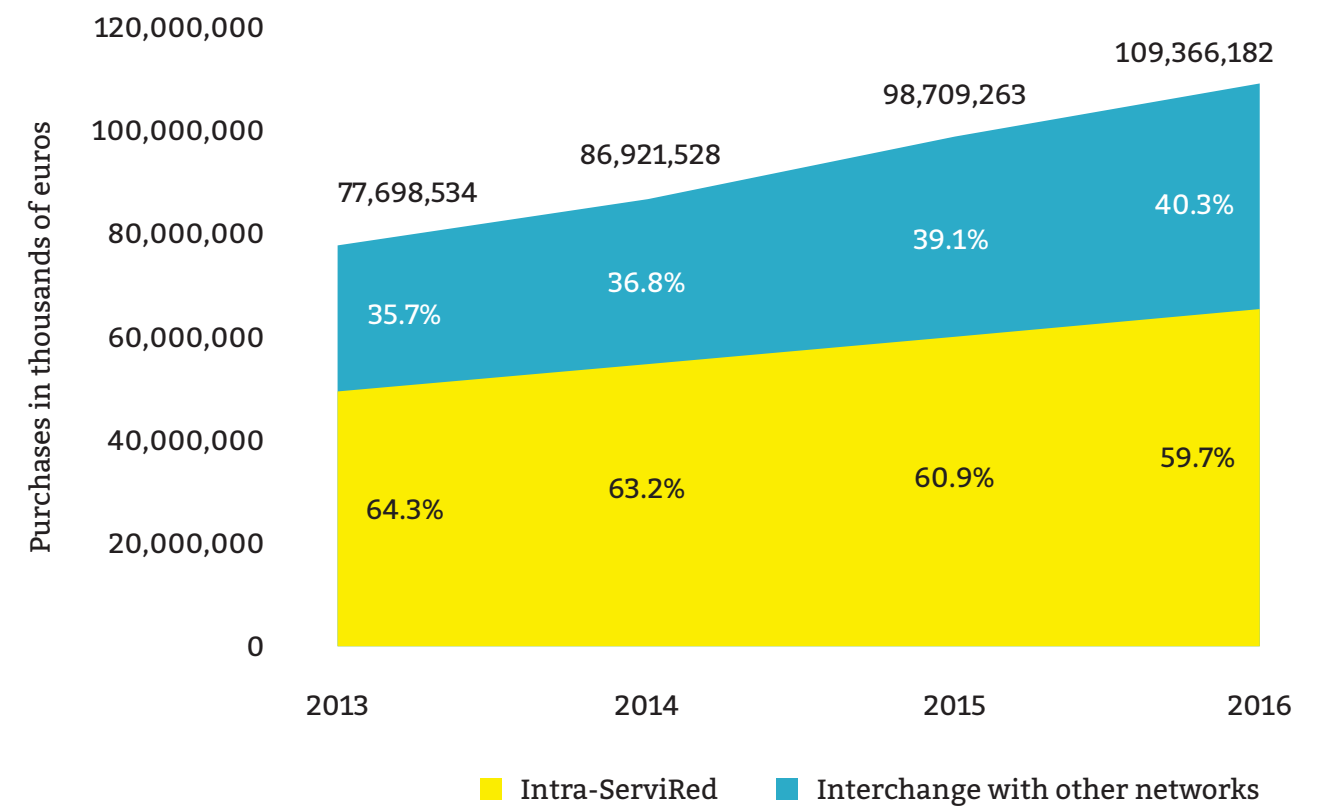
About 59.7% of purchases at ServiRed merchants were intra-ServiRed



Purchases worth €109.36 billion were made at ServiRed merchants



Purchases at ServiRed Merchants\*



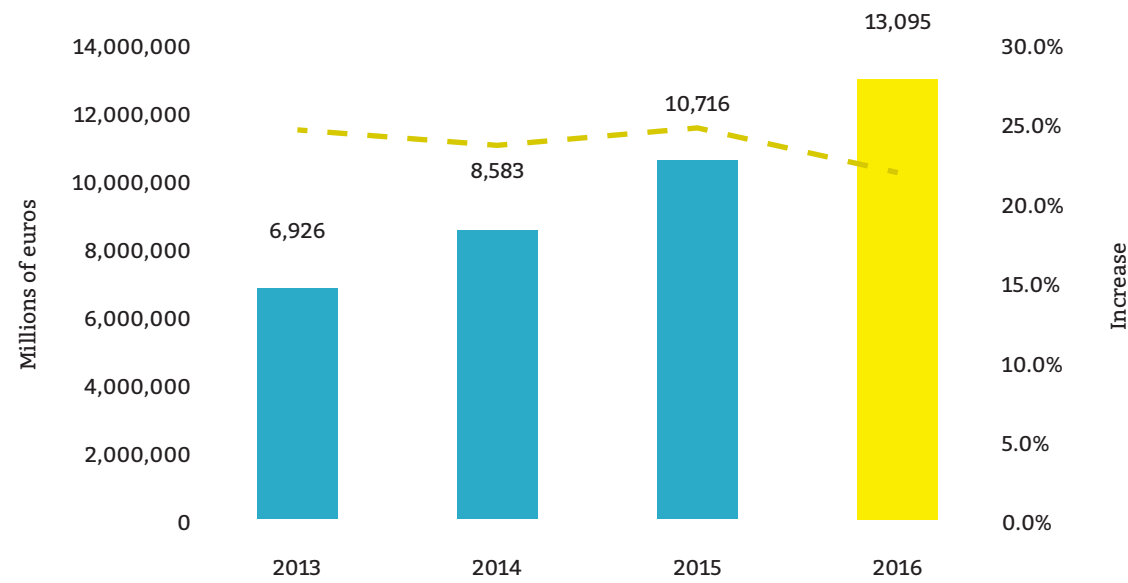
(\* Intra-ServiRed: purchases made with ServiRed cards and ServiRed merchants. Interchanges with other networks: purchases made with non-ServiRed cards at ServiRed merchants.



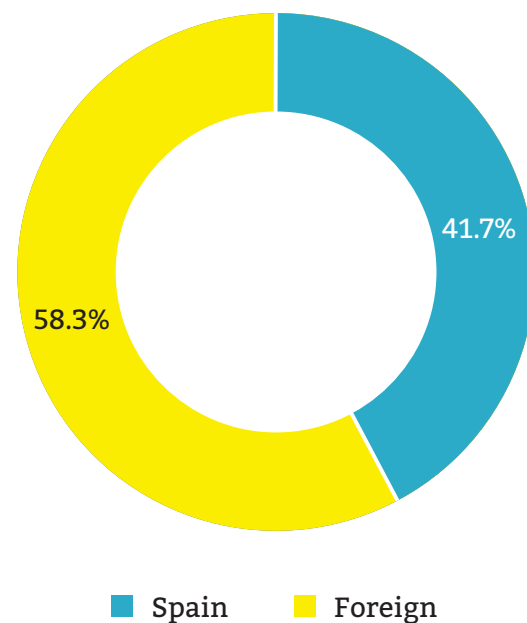
### E-commerce

E-commerce represented 13.9% of the amount of purchases made using ServiRed cards in 2016. It recorded growth of 22.2% to reach €13.096 billion. The number of transactions rose by around 32.2% to come in at 246 million. The average amount of each transaction was €53.21.

E-commerce purchases using ServiRed cards



Around 58.3% of the purchases were made abroad. Of these, close to 38.8% were in the United Kingdom.



The value of purchases made with ServiRed cards in online stores increased by 22.2%, compared to the 9.0% increase in value of face-to-face purchases





WEBSHOP

SWEATER HOODIE



\$39

QUANTITY: 1 A V

COLOR: ●

SIZE: S M L XL

BUY



### Comercio electrónico

E-commerce purchases acquired by ServiRed entities (€11,081 billion) accounted for some 9.7% of total acquiring, a 16.8% rise on the previous year. Transactions grew 18.2% to reach €128 million. The average amount of each transaction was €86.37.

16.8%

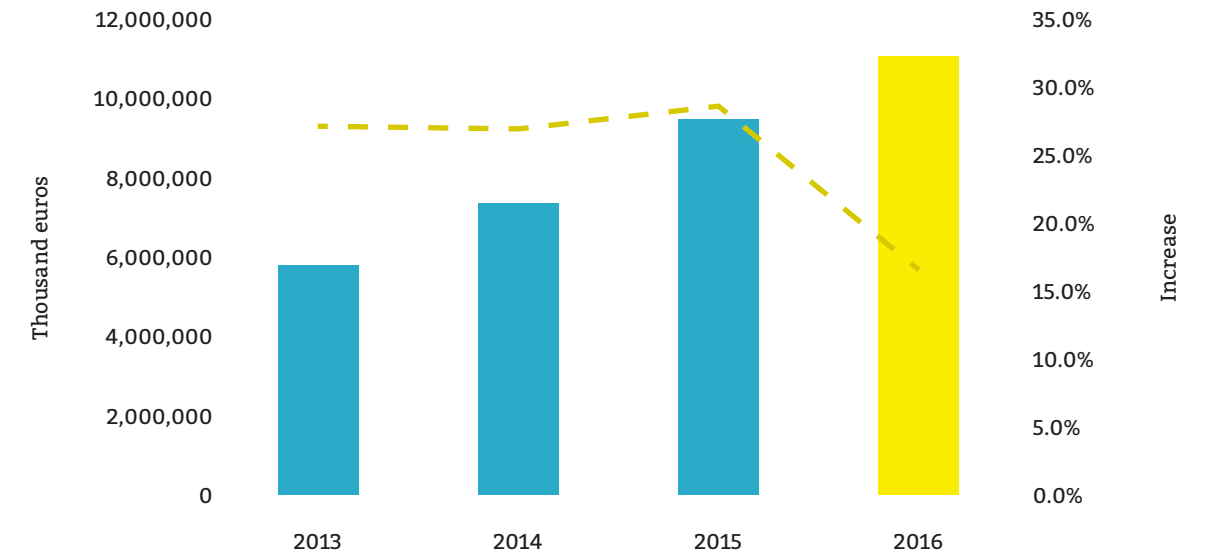
Billing in virtual stores acquired increased by 16.8% compared to the previous year.

18.2%

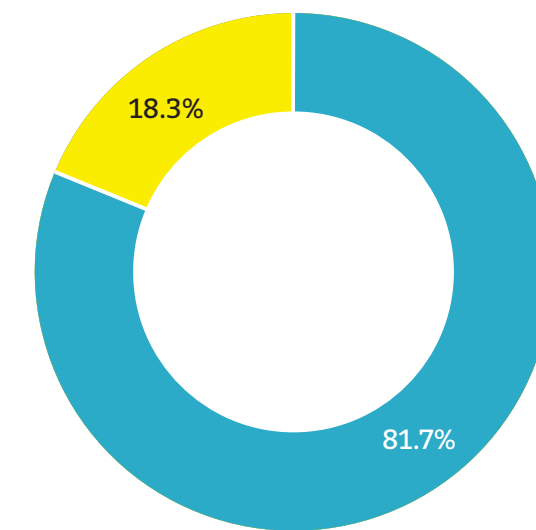
Transactions grew 18.2% to reach €128 million.



### Purchases made at virtual ServiRed Merchants



### Purchases made in ServiRed's virtual merchants

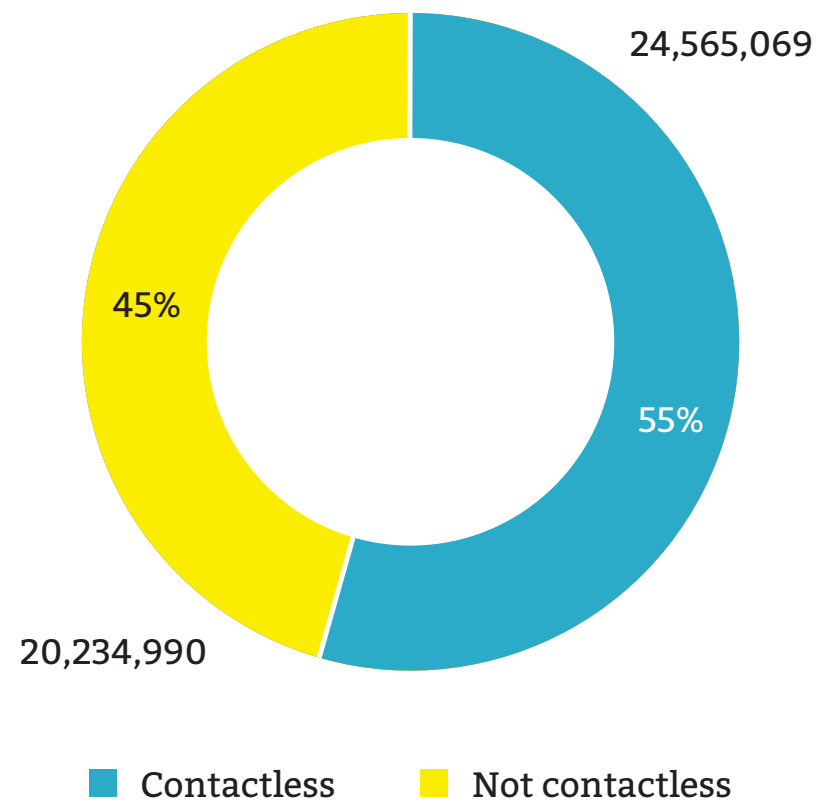


Spanish cards Foreign cards



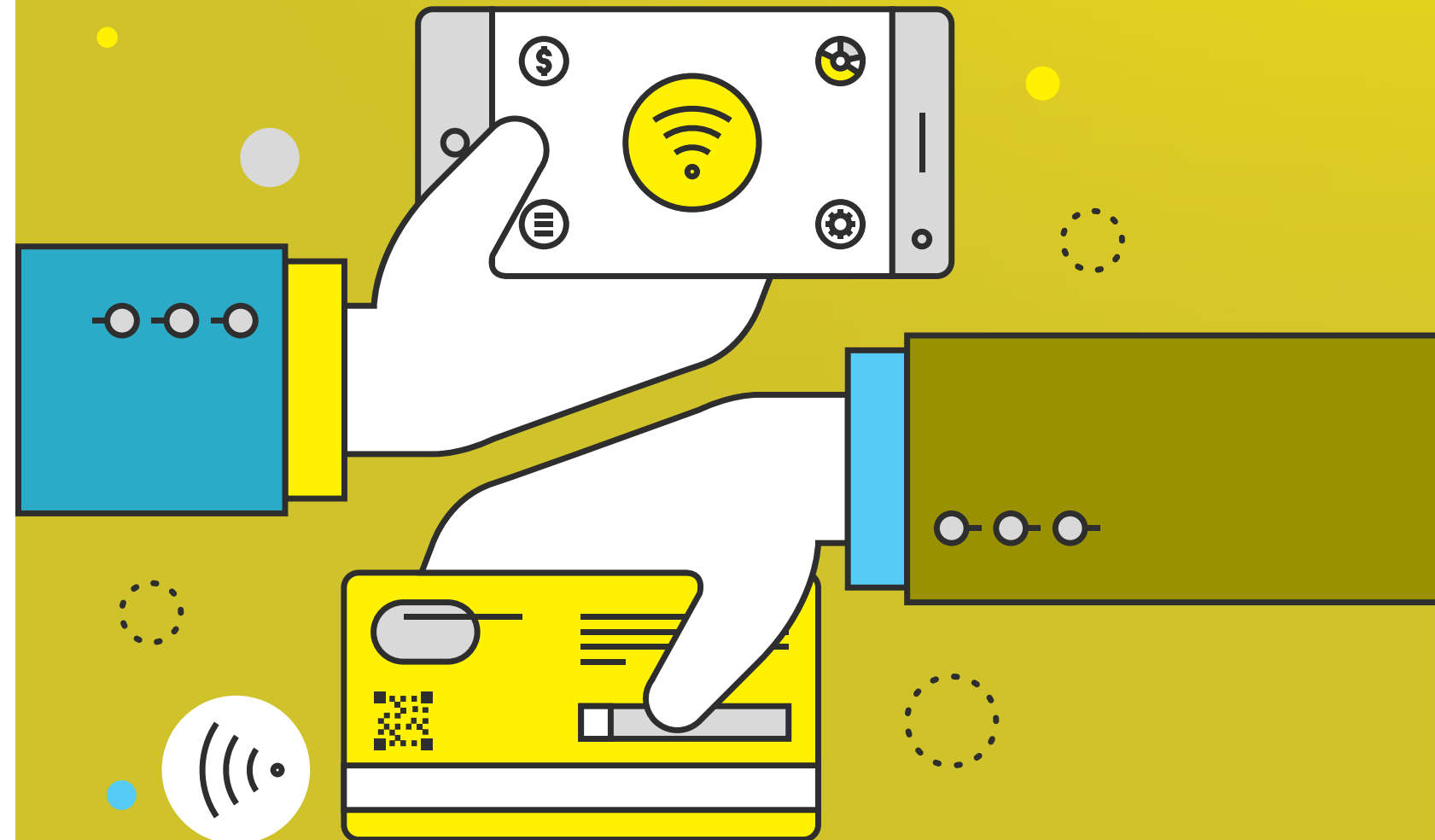


ServiRed contactless cards/total cards



# 24.6 millones

ServiRed closed 2016 with 24.6 million contactless cards, 55% of the total number of ServiRed cards.





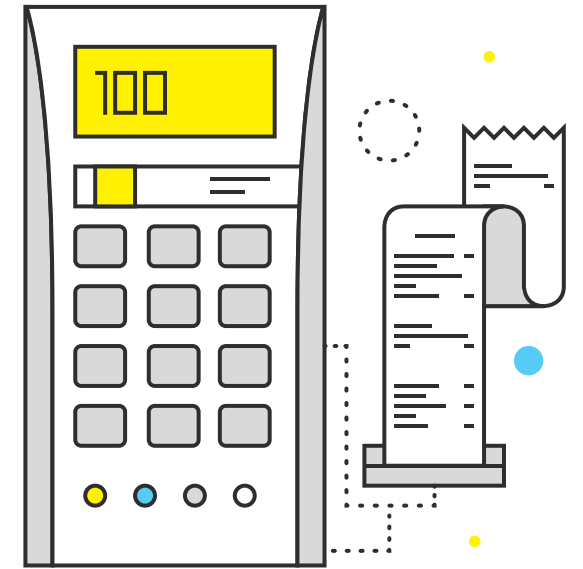
# 462 million

Contactless ServiRed cards made 462 million purchase transactions for a value of €15,82 billion euros, which equals 21% of the total transactions.



# 68%

68% of ServiRed's merchants at the end of 2016 were contactless.

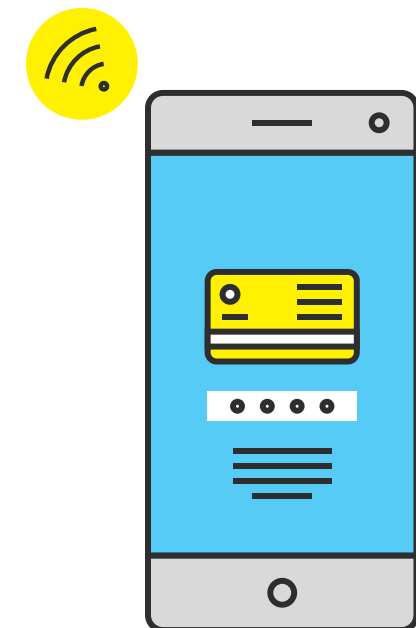


# 83%

By activity sectors, "retail merchants", "restaurants", "large food outlets" and "petrol stations" accounted for 83% of contactless purchases.

# >50%

More than half of contactless purchasing was concentrated in Barcelona, Madrid and Tenerife.







Barcelona is the Spanish province  
with the largest number of card  
purchases



### Purchases in ServiRed Merchants by Province

	Amount (€)	Transactions	% Total	Average amount (€)
Álava	594,071	11,669	0.5%	50.91
Albacete	456,938	10,024	0.4%	45.58
Alicante	4,522,117	92,725	4.1%	48.77
Almería	965,666	20,094	0.9%	48.06
Asturias	1,553,046	31,262	1.4%	49.68
Ávila	202,110	4,159	0.2%	48.60
Badajoz	671,540	14,946	0.6%	44.93
Balearics	4,794,309	69,503	4.4%	68.98
Barcelona	25,360,711	615,406	23.2%	41.21
Bizkaia	2,290,408	42,546	2.1%	53.83
Burgos	596,205	12,051	0.5%	49.47
Cáceres	365,941	7,630	0.3%	47.96
Cádiz	1,772,984	39,590	1.6%	44.78
Cantabria	793,218	15,081	0.7%	52.60
Castellón	1,340,433	30,639	1.2%	43.75
Ceuta	108,533	2,124	0.1%	51.11
Ciudad Real	512,893	11,056	0.5%	46.39
Córdoba	693,551	15,353	0.6%	45.17
Corunna	1,375,449	29,886	1.3%	46.02
Cuenca	193,109	4,065	0.2%	47.50
Girona	3,187,955	64,918	2.9%	49.11
Granada	1,228,907	24,850	1.1%	49.45
Guadalajara	291,371	7,093	0.3%	41.08
Guipuzcoa	1,583,732	27,331	1.4%	57.95
Huelva	681,016	15,552	0.6%	43.79
Huesca	425,670	7,976	0.4%	53.37
Jaén	430,265	9,195	0.4%	46.79
León	549,520	12,210	0.5%	45.00
Lleida	1,134,886	23,950	1.0%	47.39
Lugo	288,486	5,944	0.3%	48.54
Madrid	19,732,705	438,038	18.0%	45.05
Málaga	3,489,169	66,408	3.2%	52.54
Melilla	96,166	1,975	0.1%	48.69
Murcia	2,221,559	44,452	2.0%	49.98
Navarra	1,489,496	30,136	1.4%	49.43
Orense	226,539	4,854	0.2%	46.67
Palencia	170,654	3,677	0.2%	46.41
Palmas, Las	3,163,835	68,054	2.9%	46.49
Pontevedra	903,995	19,172	0.8%	47.15
Rioja, La	574,045	10,800	0.5%	53.15
Salamanca	401,606	8,175	0.4%	49.12
Saragossa	1,546,078	36,907	1.4%	41.89
Segovia	269,985	5,392	0.2%	50.07
Seville	2,848,248	65,080	2.6%	43.77
Soria	113,641	2,228	0.1%	51.01
Tarragona	2,536,636	58,353	2.3%	43.47
Tenerife	2,953,173	65,252	2.7%	45.26
Teruel	175,504	3,297	0.2%	53.22
Toledo	783,255	17,000	0.7%	46.07
Valencia	5,738,120	150,944	5.2%	38.01
Valladolid	798,306	16,175	0.7%	49.35
Zamora	168,428	3,575	0.2%	47.12
<b>Total</b>	<b>109,366,183</b>	<b>2,398,772</b>	<b>100.0%</b>	<b>45.59</b>

\*Thousands of euros and transactions



### Purchases at ServiRed Merchants by Retail Categories

Retail categories	Amount (€)	% of total	Transactions	Average amount (€)
Retail merchants	24,152,525	22.1%	457,681	52.77
Large food outlets	22,744,074	20.8%	632,856	35.94
Other large retail outlets	9,728,258	8.9%	143,221	67.92
Restaurants	9,552,849	8.7%	304,746	31.35
Petrol stations	6,211,338	5.7%	174,243	35.65
Hotels	6,080,775	5.6%	31,876	190.76
Travel agencies	4,185,917	3.8%	15,348	272.74
Supermarkets	4,177,111	3.8%	140,093	29.82
Passenger transport	3,338,896	3.1%	48,076	69.45
Leisure, entertainment	1,936,271	1.8%	39,010	49.64
Pharmacies	1,755,333	1.6%	68,432	25.65
Mail order/telephone sales	1,222,898	1.1%	20,815	58.75
Small-amount categories	1,101,102	1.0%	83,264	13.22
Drugstores	958,265	0.9%	21,725	44.11
Jewelers	759,372	0.7%	8,022	94.66
Car rental	713,938	0.7%	4,840	147.52
Toll motorways	528,945	0.5%	100,454	5.27
Massage parlors,saunas,discos	374,864	0.3%	10,329	36.29
Casinos	324,426	0.3%	4,025	80.61
Rest of sectors	9,519,025	8.7%	89,717	106.1
<b>Total</b>	<b>109,366,183</b>	<b>100.0%</b>	<b>2,398,772</b>	<b>45.59</b>

\*Thousands of euros and transactions



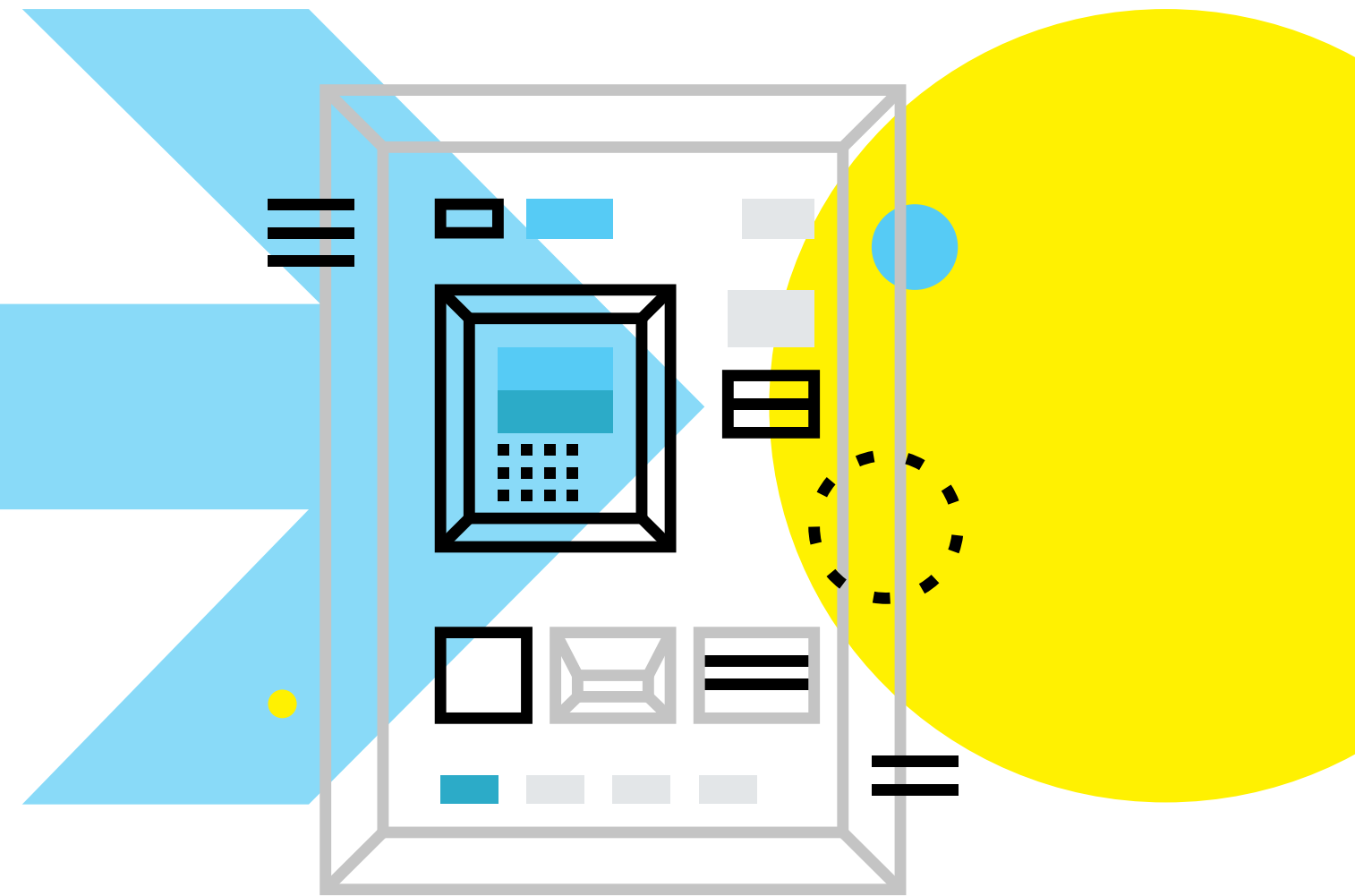
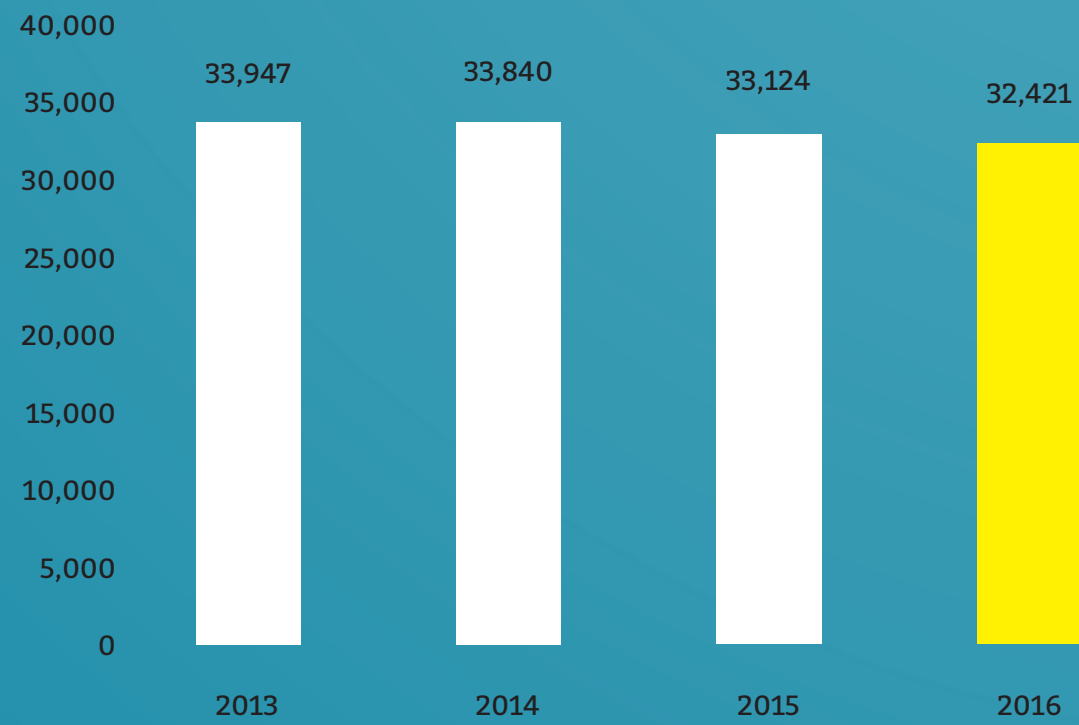
# 22.1%

In 2016, retail stores concentrate 22.1% of the purchases with cards





Total Number of ATMs



More than half of the ATMs in Spain belong to the ServiRed entities

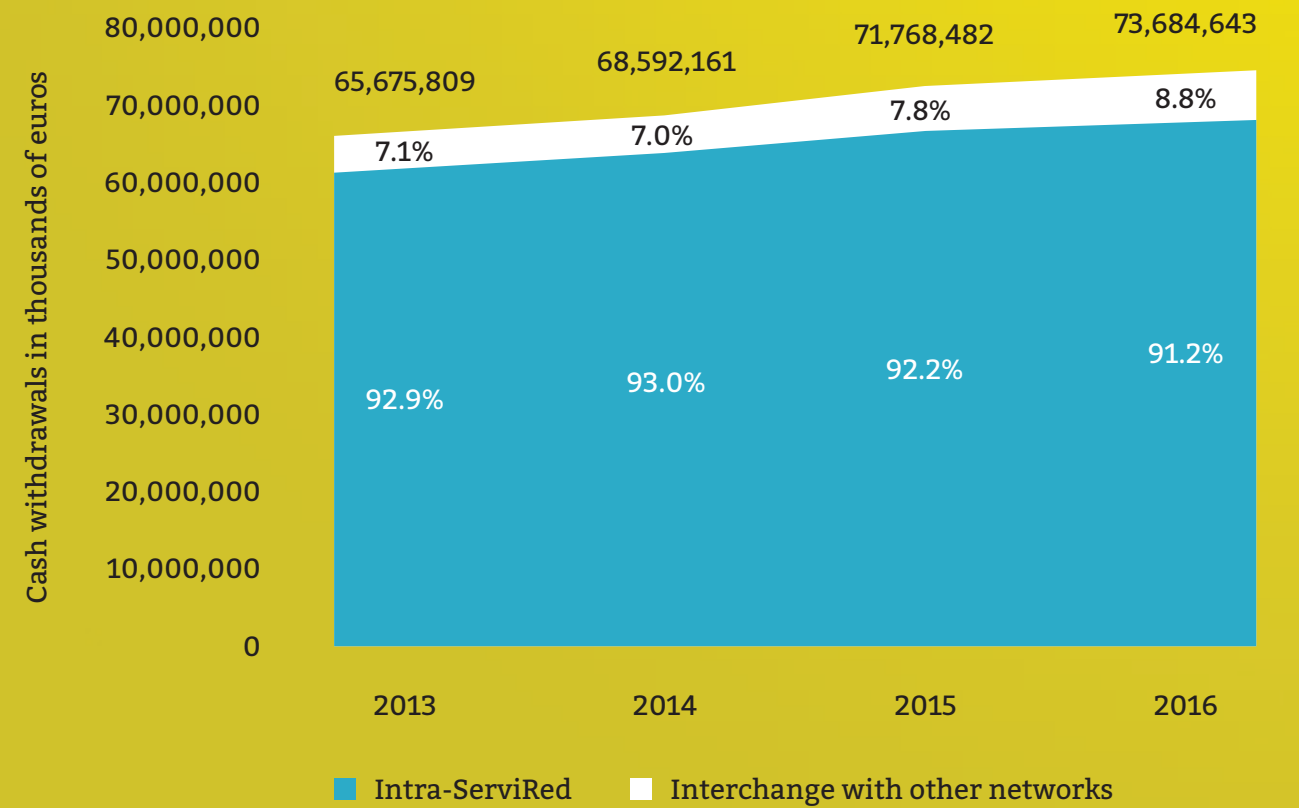


# 91.2%

ServiRed cards were used for 91.2% of cash withdrawals from ServiRed ATMs



Cash Withdrawals from ServiRed ATMs









## Cash Withdrawals by Provinces

	Transactions	ATMs	Transactions per ATM	ATMs per million inhabitants
Álava	3,467,434	175	19,832	539
Albacete	3,607,230	268	13,482	682
Alicante	26,121,340	1,847	14,143	1,006
Almería	8,536,322	373	22,894	529
Asturias	10,422,413	565	18,444	542
Ávila	2,804,660	137	20,447	844
Badajoz	5,107,374	461	11,085	674
Baleares	12,646,218	624	20,266	564
Barcelona	110,338,622	5,228	21,107	943
Bizkaia	12,723,789	619	20,550	540
Burgos	3,507,153	276	12,695	765
Cáceres	1,896,664	153	12,427	378
Cádiz	10,707,031	667	16,065	538
Cantabria	4,217,684	195	21,616	335
Castellón	8,895,831	600	14,830	1,036
Ceuta	1,294,070	56	23,098	663
Ciudad Real	4,140,196	335	12,352	661
Córdoba	5,117,108	362	14,127	458
Corunna	6,785,964	337	20,130	300
Cuenca	1,498,129	138	10,846	687
Girona	14,265,781	714	19,985	947
Granada	8,400,451	484	17,358	529
Guadalajara	1,847,938	126	14,716	497
Guipuzcoa	9,420,342	410	23,001	571
Huelva	5,298,477	392	13,511	755
Huesca	1,730,752	140	12,357	634
Jaén	3,947,384	326	12,126	502
León	3,310,105	206	16,088	434
Lleida	6,258,907	404	15,501	930
Lugo	1,757,241	125	14,102	370
Madrid	95,557,404	5,151	18,550	797
Málaga	13,424,643	713	18,832	438
Melilla	897,457	33	27,326	382
Murcia	15,978,137	946	16,896	646
Navarra	9,977,981	658	15,169	1,027
Orense	1,446,435	80	18,041	255
Palencia	1,181,730	71	16,532	434
Palmas, Las	19,092,071	816	23,391	744
Pontevedra	5,446,922	249	21,856	264
Rioja, La	3,630,390	263	13,818	832
Salamanca	2,215,311	141	15,708	420
Saragossa	6,619,125	430	15,399	452
Segovia	2,404,897	152	15,858	974
Seville	18,313,776	1,230	14,894	634
Soria	911,563	56	16,271	622
Tarragona	13,431,459	724	18,540	914
Tenerife	12,807,472	774	16,553	771
Teruel	864,563	74	11,624	543
Toledo	4,453,138	354	12,596	513
Valencia	37,118,208	2,432	15,261	956
Valladolid	4,185,348	248	16,860	474
Zamora	1,231,408	86	14,324	477
<b>Total</b>	<b>571,262,048</b>	<b>32,421</b>	<b>17,620</b>	<b>696</b>



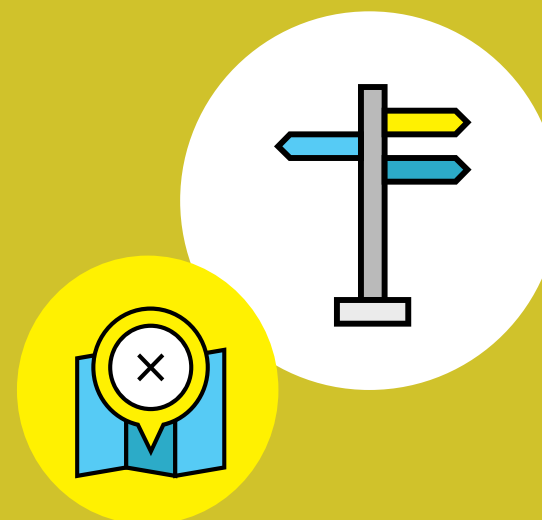
696

There are 696  
ServiRed ATM  
for every million  
inhabitants



&gt;32,400

There are more than  
32,400 ServiRed ATMs  
throughout Spain

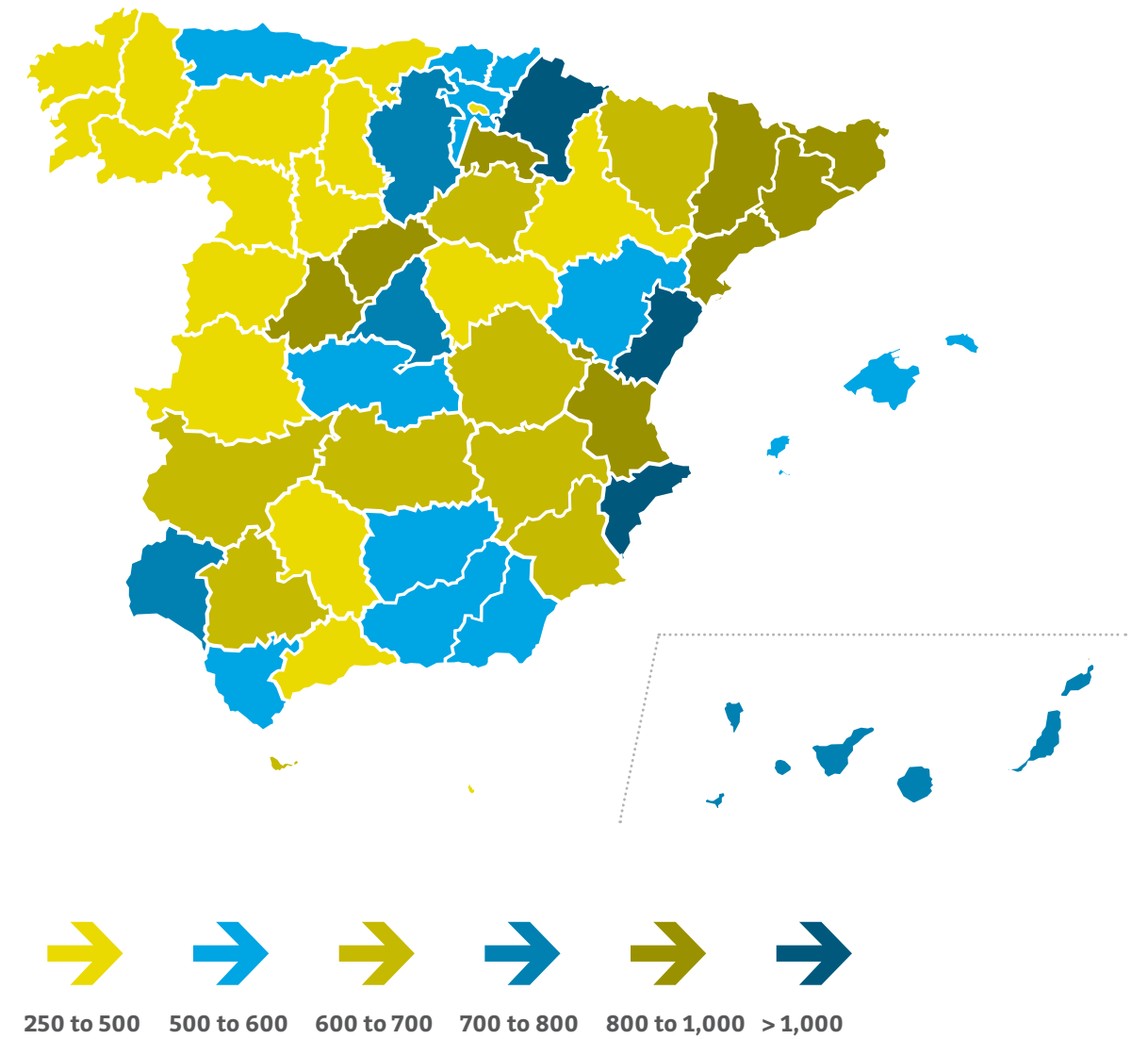


Castellón

Castellón is the province  
with the most ServiRed  
ATMs per capita



ATMs per million of inhabitants

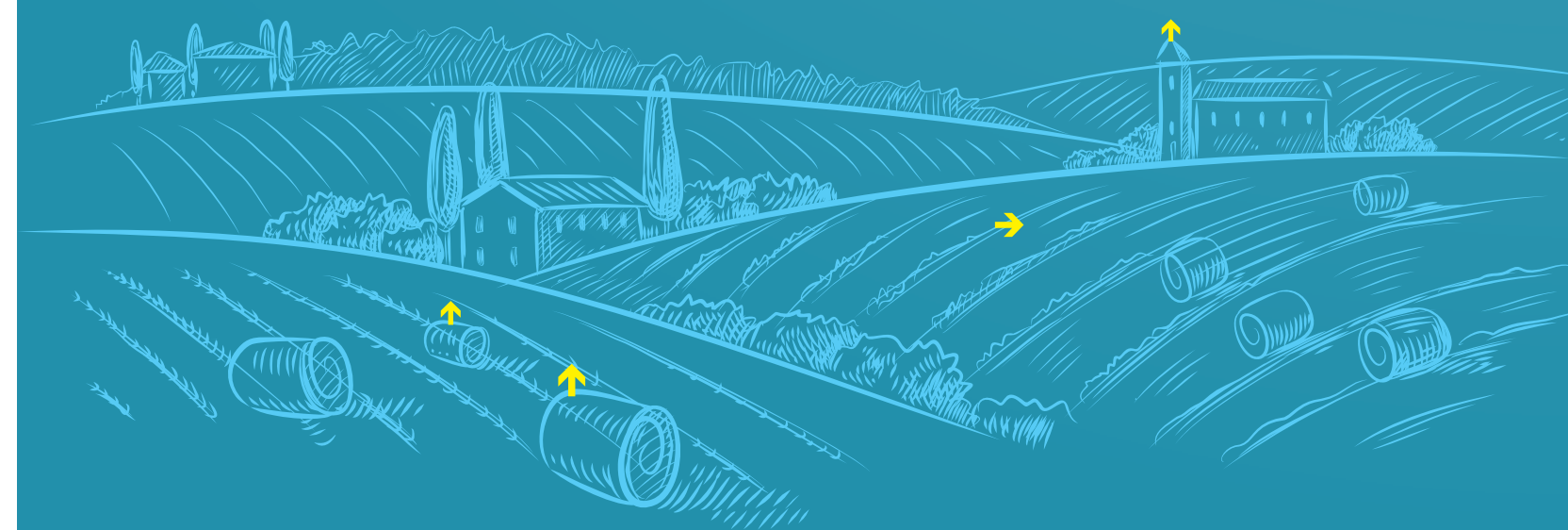
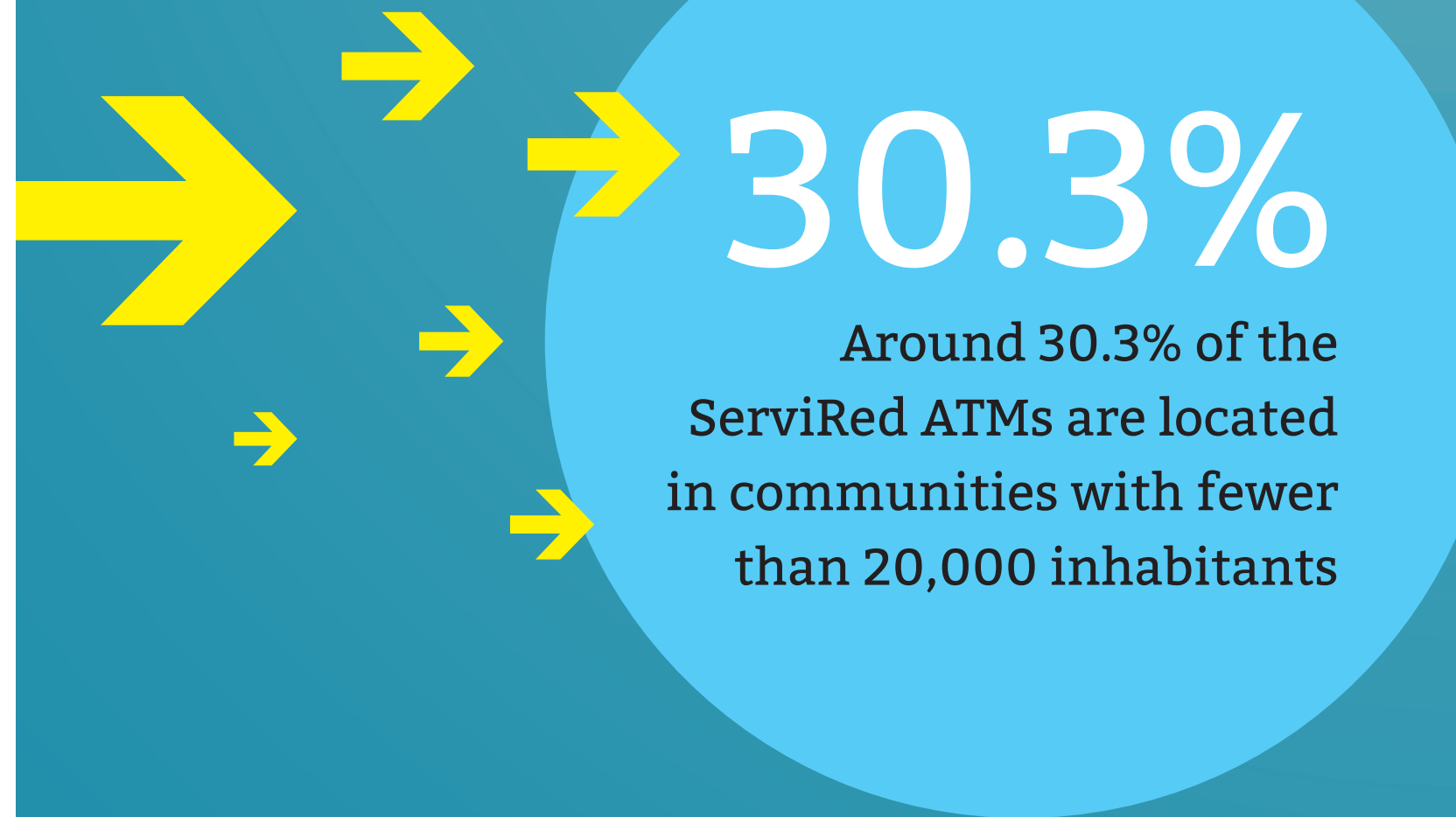






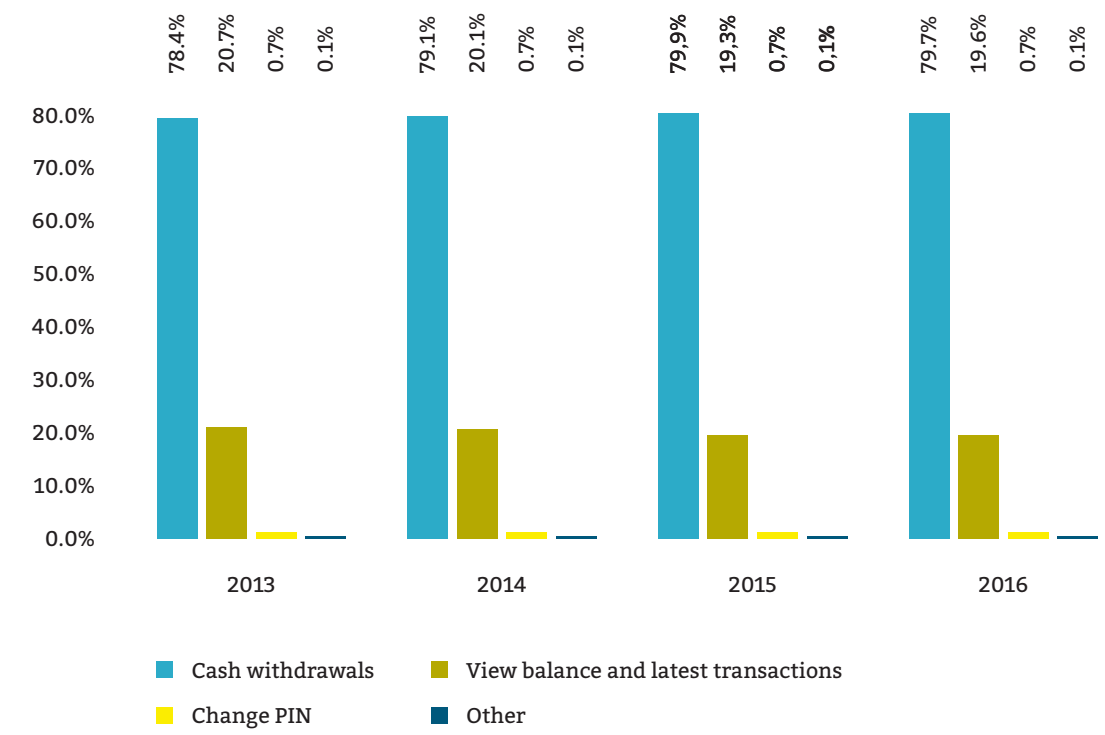
Geographical Distribution of ATMs

Population	ATMs	ATMs as % of total	Inhabitants as % of total
>500,000	6,961	21.5%	16.1%
>100,001<500,000	7,755	23.9%	23.6%
>50,001<100,000	3,499	10.8%	12.6%
>20,001<50,000	4,377	13.5%	16.5%
<=20,000	9,829	30.3%	31.3%
<b>Total</b>	<b>32,421</b>	<b>100.0%</b>	<b>100.0%</b>



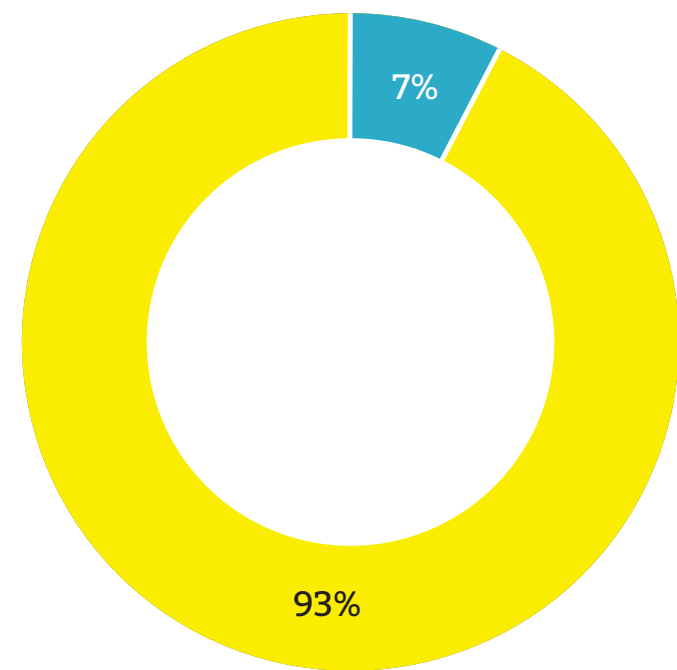


Transactions at ServiRed ATMs





Percentage of relocated ATMs over total



■ Relocated ATMs   ■ Other



7%

7% of the ATMs are not located in banks







### ServiRed functions as a scheme

The main functions that ServiRed performs in compliance with the requirements of the monitoring tools of the ECB are the following:

#### ServiRed functions:

1. Guarantee compliance with the legal and regulatory standards in force in Europe (SEPA) and in Spain
2. Guarantee compliance by ServiRed entity issuers and acquirers with the standards of the international schemes of which ServiRed is a member
3. Define the standards and rules that are necessary so that the ServiRed system is able to operate for its members and clients
4. Representation of the collective of member entities before regulatory bodies, various kinds of associations, administrative institutions and other payment schemes, both nationally and internationally.

In the domestic sphere, the Observatory of Means of Payment with Cards of the Ministry of Economy and Competitiveness is a forum of great relevance, which was created with the following objectives:

- study electronic card payment processes;
- identify and implement collaboration among all stakeholders;
- promote the use of cards as a means of payment; and
- improve information on electronic payment cards.

It involves, in addition to representatives of the Ministry, various associations of retailers and consumers, and the financial sector. ServiRed represents members who are not part of the Observatory and all members in the Monitoring Committee of the Observatory mentioned above.

One of the ServiRed functions is also the representation of members at the Bank of Spain, particularly in relation to:

- certification of the necessary information regarding card payments and
- monitoring of the migration to SEPA by the Monitoring Committee and the Observatory put in place for this by the Bank of Spain.

In connection with the Bank of Spain, we must also highlight the collaboration of ServiRed in the monitoring exercise that is being carried out under the scheme in relation to compliance with the standards of the "Oversight Framework for Card Payment Schemes".



## Requirement #1

*The CPS should have a sound legal basis under all relevant jurisdictions*





 **Coffee shop**  
★★★★★



 **Watch shop**  
★★★★★

 **Restaurant**  
★★★★★





## Requirement #2

*The CPS should ensure that comprehensive information, including appropriate information on financial risks, is available to the actors.*



### ServiRed functions:

1. Ensure that processing company(s) to which ServiRed subcontracts its own functions supply detailed information to the entities for each and every one of the transactions made with ServiRed cards at any acceptance point, and with any type of card at ServiRed acceptance points.
2. Promote and represent the ServiRed system.



ServiRed functions:

1. Define the security policy of the scheme and supervise their correct implementation.
2. Manage the prevention, detection and prosecution of fraud with ServiRed cards operating at any acceptance point, as well as for cards of any type operating in ServiRed acceptance points.



## Requirement #3a

*The CPS should ensure an adequate degree of security, operational reliability and business continuity.*





ServiRed has certification of its compliance with the security standards PCI-DSS.

### The most important data

	Fraud as % of total sales volume		Fraud as % of total card purchases	
	2015	2016	2015	2016
ServiRed cards/Total acquisition	0.024%	0.023%	0.039%	0.037%
ServiRed cards/ Domestic acquisition	0.005%	0.005%	0.008%	0.007%
ServiRed cards/International acquisition	0.276%	0.233%	0.282%	0.238%



### Fraud prevention

2016 was a stable year without any great leaps concerning fraud.

The fraud associated to non-presential environments continues to be the principal source of fraud linked with card based payments in absolute terms.

The recorded fraud ratio over total sales volume decreased from 0.024% in 2015 to 0.023% in 2016.

The fraud in the domestic interchange over total sales volume remains in 0.005% in 2015 during the last two years.

#### Issuers:

- The total fraud in 2016 recorded a 2% increase, in absolute terms, compared with 2015, much lower than the increase in the sales volume.
- 93% of the fraud corresponded to transactions to purchase goods or services and the remaining 7% to cash withdrawals. 18% of the issuer fraud occurred in national points of sale, while the remaining 82% occurred through international points of sale. 2016 recorded an 8% decrease in fraud compared with 2015 in the national sphere and a 5% increase in the international sphere.
- On the domestic market, fraudulent use in non-physical channels accounted for 55% of total confirmed fraud, a 15% fall with respect to 2015, while in international environments it came in at 73% with a 6% rise over the previous year.

Internet sales in virtual merchants, not allowing cardholders to be authenticated when paying, account for the bulk of fraud associated with electronic trade. Thus accounting for 83% of fraud in the domestic environment and 97% in the international.

#### Acquirers:

- In 2016, total fraud registered a decrease of 13% over 2015.
- 95% of the fraud corresponded to transactions to purchase goods or services and the remaining 5% to cash withdrawals, 15% of which occurred with national cards and 85% with international cards. The year recorded a 12% decrease with national cards and a 13% decrease with international cards compared with 2015.

In ServiRed's set of merchants, the fraudulent use in non-presential channels comprised 61% of the total fraud confirmed with national cards, and 73% of the total fraud confirmed with international cards, recording a 17% and 15% decrease, respectively.





## Requirement #3b

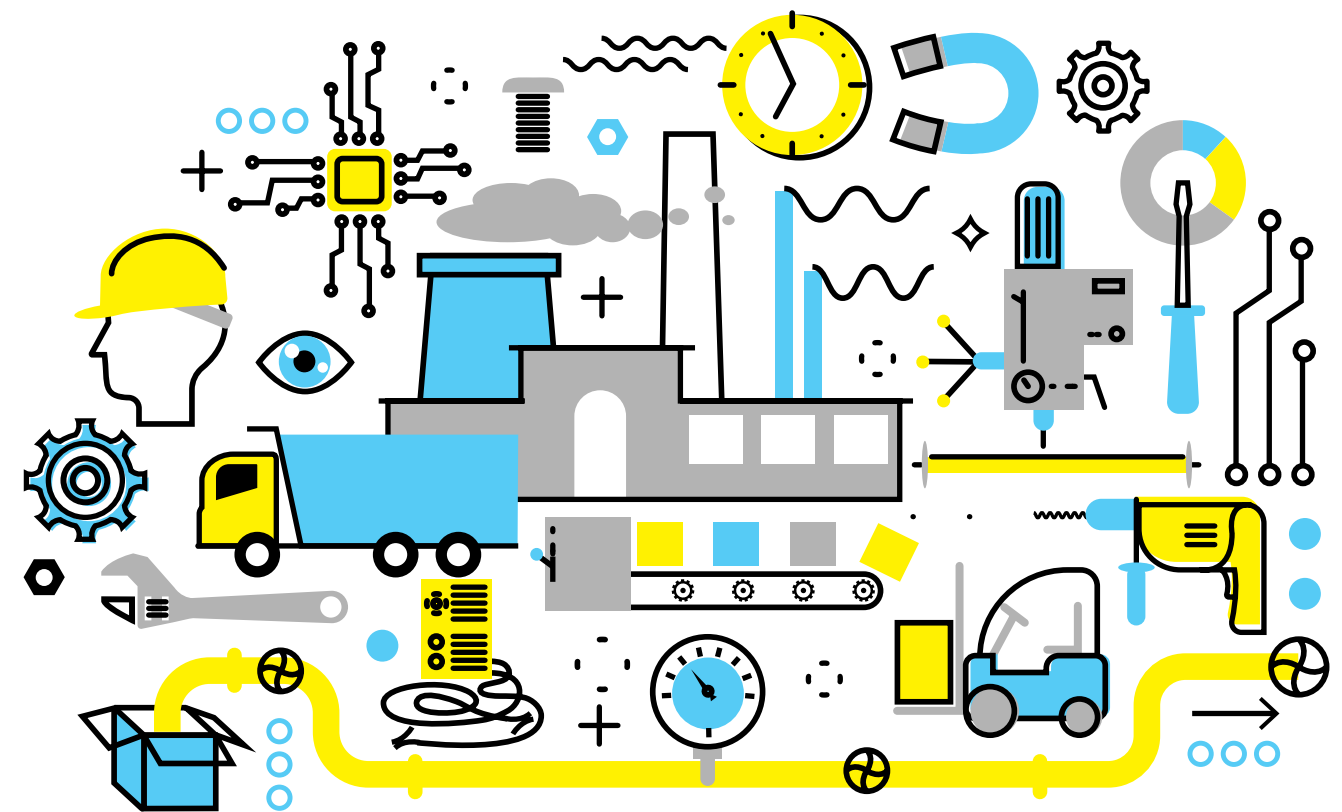
*Ensure an adequate degree of security, operational reliability and business continuity in relation the manufacture and distribution of cards and terminals.*



ServiRed

### ServiRed functions:

1. Define and update the requirements for ServiRed cards and terminals in relation to their manufacture and distribution.
2. Supervise compliance with the previously mentioned requirements.

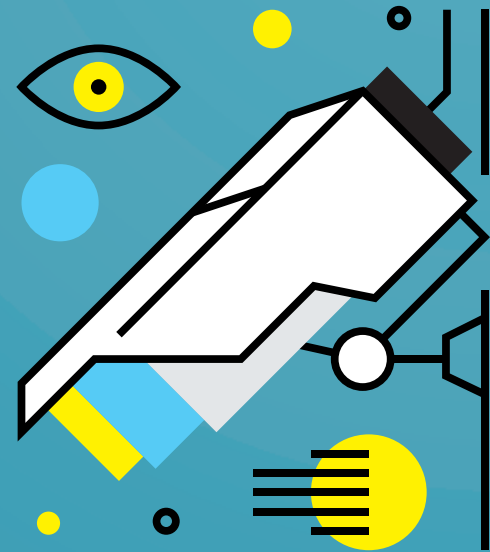




ServiRed brand is present on all cards issued by its members, as well as in merchants contracted by them, and in more than half of the ATMs in Spain.

ServiRed functions:

1. Regulate the identification, design and operational aspects of the cards, activators, payment service products and terminals that carry the ServiRed brand, in order to ensure the quality and security of ServiRed transactions.
2. Supervise the correct use of the ServiRed brand on cards, activators, payment service products, and payment acceptance terminals.



## Requirement #3c

*Ensure an adequate level of security, operational strength, and business continuity in relation to the transactions.*





## Requirement #3d

*Ensure an adequate level of safety, operational strength and business continuity in relation to exchanges and settlements.*



### ServiRed functions:

1. Manage interbank cooperation among members of ServiRed, through the definition of rules, including the interchange rates applied to intra-ServiRed transactions. ServiRed will ensure that any intra-system rule complies with the rules of law (Consumer Protection, Competition Law, Intellectual Property Law, etc.)
2. Define the rules for switching for authorisation, interchange and settlement of transactions between the members of ServiRed, and guarantee that the authorisation, interchange, clearing and settlement for ServiRed transactions are made according to the requirements of the ServiRed scheme.
3. Management of the ServiRed brand

Management of the ServiRed brand included its presence on cards, in merchants and at ATMs.

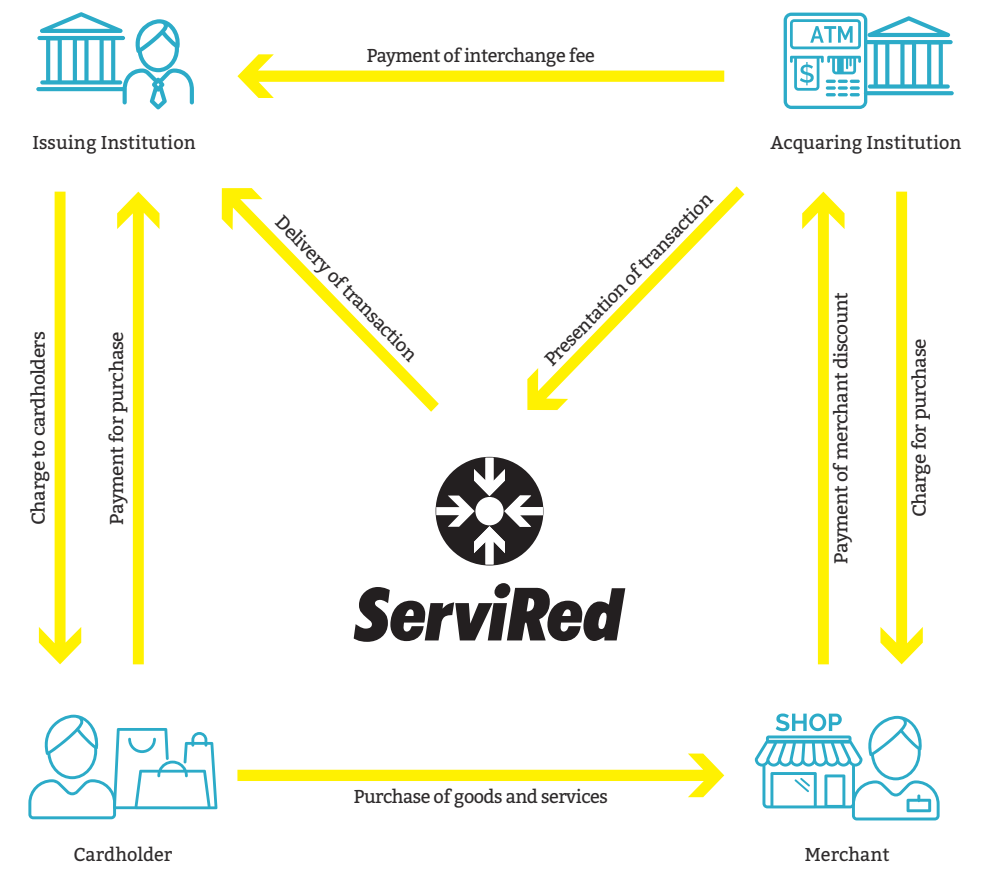
In 2016, 1,017 records referring to ServiRed card designs were processed to guarantee correct identification, mostly ServiRed/Visa(82.7%).

ServiRed checked correct signage in merchants so that both domestic and foreign cardholders are able to identify the card brands that are accepted. The most commonly used method of signage is to place adhesive decals, showing the different brands accepted by the merchant.





4. Purchase scheme with cards





ServiRed functions:

1. Define KPIs and SLAs so that computer systems of companies that process ServiRed transactions ensure business continuity
2. Ensure compliance with KPIs and SLAs



ServiRed functions:

1. Defining KPIs and SLAs to monitor all proprietary functions of ServiRed that have to be outsourced
2. Ensure compliance with KPIs and SLAs



## Requirement #3e

*Ensure an adequate level of security, operational strength, in relation to business continuity.*

## Requirement #3f

*Ensure an adequate level of security, operational strength and business continuity in relation to the conditions for outsourcing of proprietary functions.*



## Requirement #4

*Having effective, responsible and transparent governance mechanisms.*



ServiRed functions:

1. Continually improve the operating regulations of ServiRed governing bodies, as well as those of its committees and working groups
2. Periodically update the ServiRed operating regulations

Throughout 2016, the ServiRed's Criminal Code Compliance Programme was revised and updated in its entirety to take into account and adapt, when necessary, to the reform of the Criminal Code carried out by the Organic Law 1/2015, as well as the content of Memorandum 1/2016 of the State's Attorney General about the criminal liability of legal persons according to this Organic Law and to the modifications introduced in article 31 bis of the Criminal Code.

The Risk Management System continued its progression to reach a greater level of maturity in identifying, measuring and mitigating the potential events that could become risks for the company. The System in its entirety, the KPIs and action plans were monitored and updated, designed in order to improve risk management and minimise the probability of risks occurring and their impact, keeping the risk assumed within acceptable levels without leaving out strategic opportunities.

The company continued drafting its procedures manuals, identified in the Process Map and updating the existing processes, which has allowed a risk-based methodology to be designed according to the Internal Auditing Plan for 2017.



ServiRed functions:

1. Define the settlement risk policy of the ServiRed System.
2. Monitor the correct implementation of that policy.



## Requirement #5

*Manage and contain financial risks related to exchange and settlement activities.*





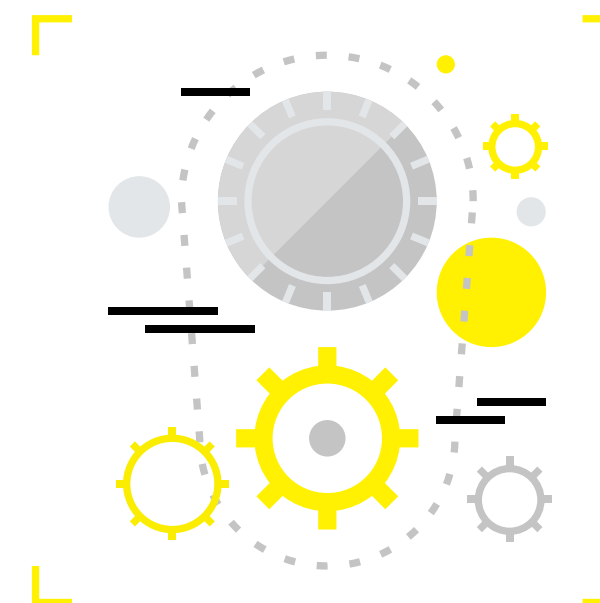
### Advantages of the ServiRed System

#### Merchants

- Guaranteed and fast payment
- Expense management
- Security
- Sales via a variety of channels

#### The Economy and Society at Large

- Reduction of the underground economy
- Reduction of the costs associated with the use of cash
- Security and efficiency



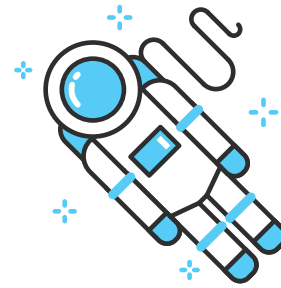
#### Cardholders

- Security
- Convenience
- Flexibility
- Spending control

#### Financial Institutions

- Increased revenues
- Decreased expenses
- Customer loyalty
- Crossed sales of products





Presence in Merchants

Billing made with bank cards in ServiRed merchants in 2016 experienced a year-to-year growth of 10.8%, reaching 109.37 billion euros.

The average value of the purchases made in ServiRed merchants continued their falling trend, dropping by 2.7% to 45.59 Euros.

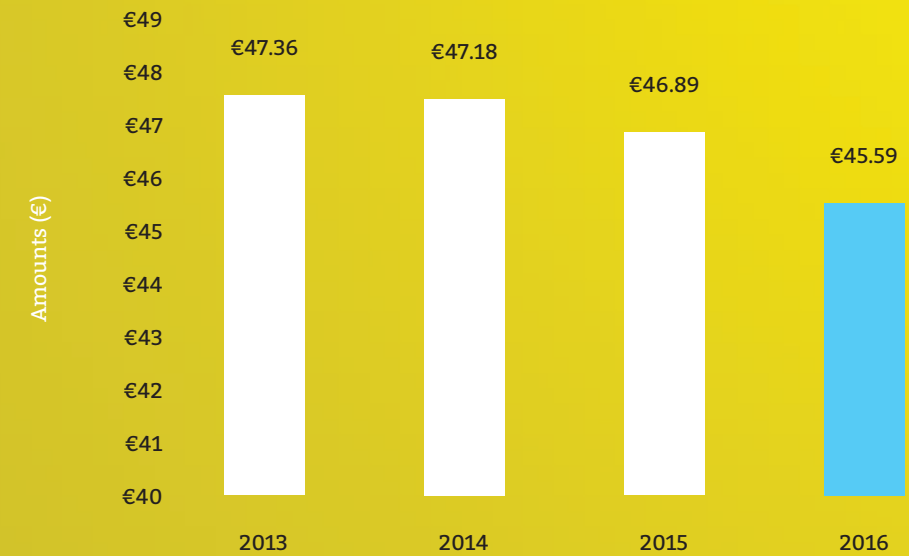
Once again this year, card purchases continued to represent a greater value than cash withdrawals made with cards. In this way, 57.1% of the expenses corresponded to purchases, which involved a volume of 94,308 million euros, in contrast with the 70,980 million euros of cash withdrawals.

Market penetration in private consumption of purchases made with ServiRed cards stood at 14.29% in 2016. In the case of purchases made by the market as a whole, the percentage was 22.24%.

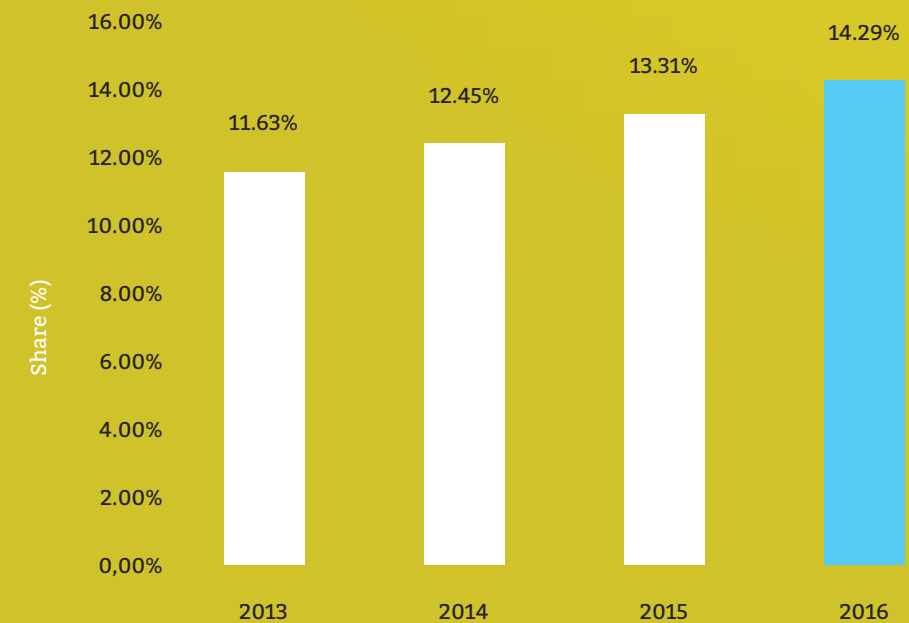
Although the penetration rate has increased over recent years, it is still far from reaching the values recorded in other European countries. According to the latest data published by the European Central Bank (corresponding to 2015), the average penetration in the European Union was 31.2%. Some of the countries in our vicinity, such as Portugal (55.3%), France (39.1%) and the United Kingdom (54.0%), have significantly higher values than Spain, which indicates that there is a long way to go.



Average amount of purchases



Card Purchases as a Share of Final Spending by Households and NPISHs\*



(\* ) NPISH : Non-profit institutions serving households

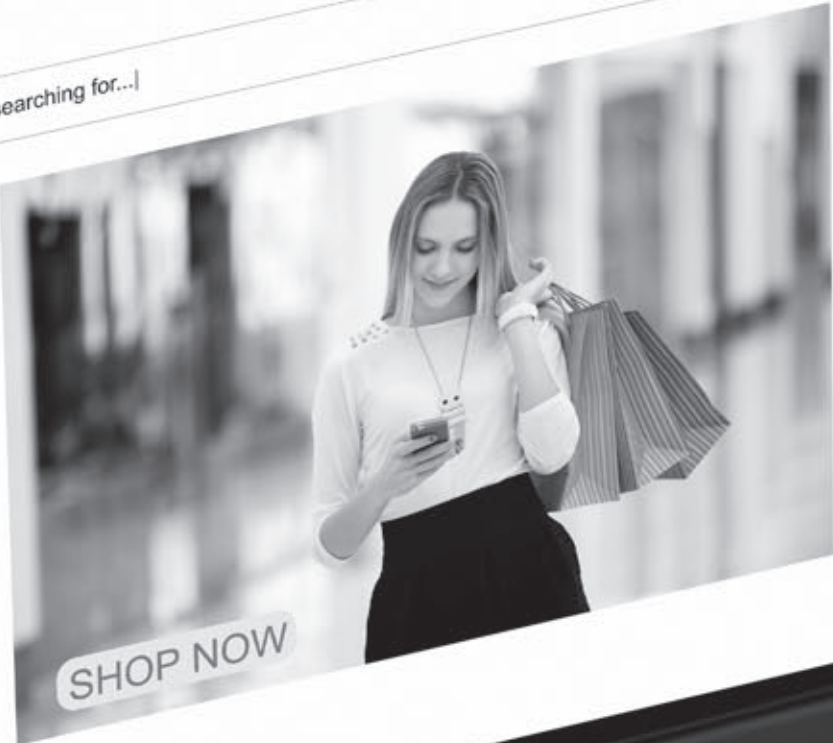


# Online Shopping

Log in

I'm searching for...

- CATEGORIES
- Women's Clothing
  - Men's Clothing
  - Phones & Accessories
  - Electronics
  - Jewelry & Watches
  - Home & Garden
  - Bags
  - Shoes
  - Toys
  - Kids
  - Sports & Outdoors
  - Health & Beauty



SHOP NOW



Trends



Best-sellers



Collections







**Advantis** is a multi-application operating system based on international standards for EMV chip technology



## Flexibility and Reliability

### Flexibility

#### MULTI-APPLICATION

- Credit/Debit
- Transport
- Electronic Purse
- Storage Data: loyalty programs, biometry, university, access control...
- PKI digital signature
- OTP Applications (CAP, DPA)

#### MULTI-PROVIDER

- **Advantis** is an open platform available for different chip, cards, manufacturers and personalizers

#### MULTI-BRAND

- Domestic
- International
  - Visa
  - MasterCard

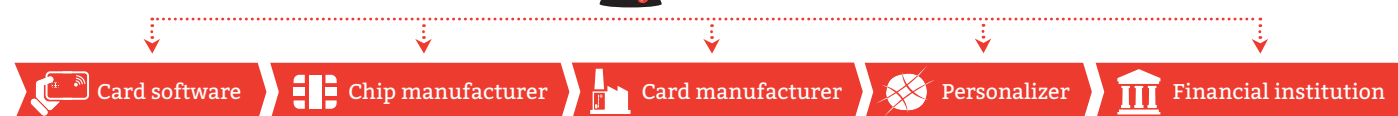
#### MULTI-INTERFACE

- Cards
  - Contactless )))
  - Contact
- Wearables
- Mobile

### 100% Reliability



SUPPORT



**135 million**  
 135 million chips with Advantis technology were sold in 2016

# 1.1 billion

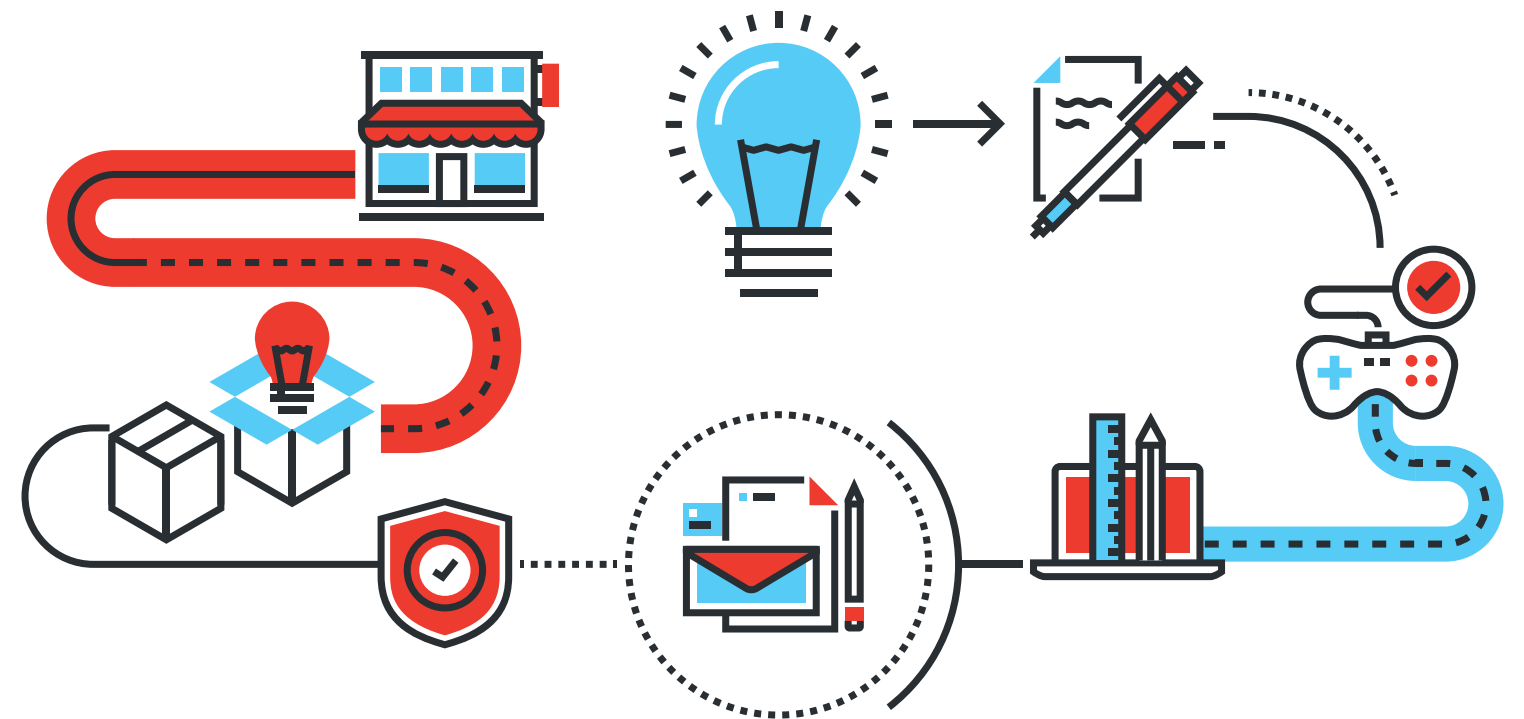
1.1 billion cards issued worldwide have Advantis technology





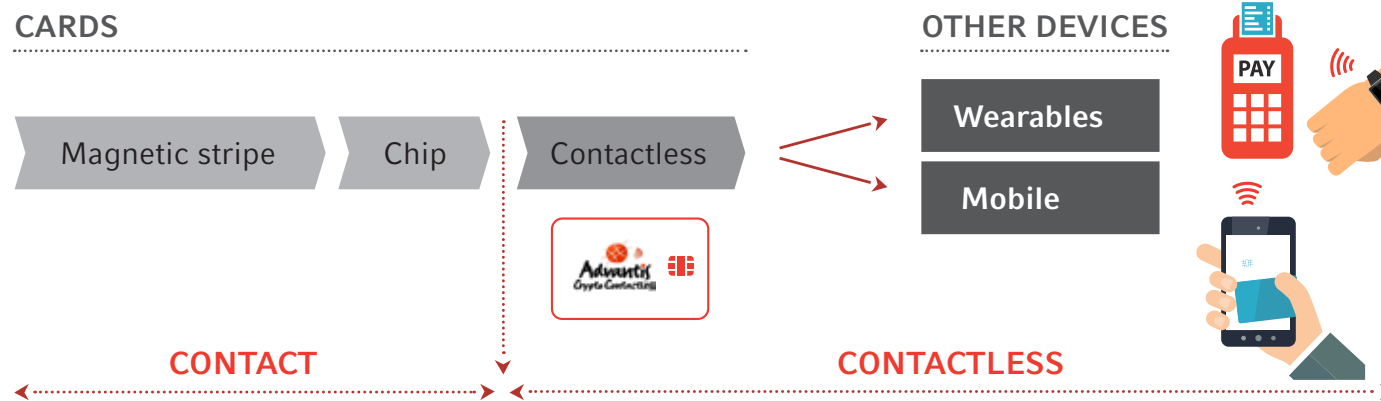
# 2016

2 new families  
8 new products





**Advantis cutting-edge technology for Digital Transformation**



**“Year of renewal”**

Advantis actively participates in chip migration and bet on the new innovative means of payment that make up the new digital era.

2016 was the year to completely overhaul Advantis products and include the new family: Advantis Private, which allows the issuer to issue financial cards with a private brand under the EMV standard. Furthermore, the products which make up the Advantis Crypto Contactless family have been overhauled, including products which incorporate Java technology. The company has promoted new Advantis Wearable and Advantis Mobile solutions focused on simplicity and speed, which improve the user experience, a reflection of Advantis’ strong push for the digitalization process in 2016.

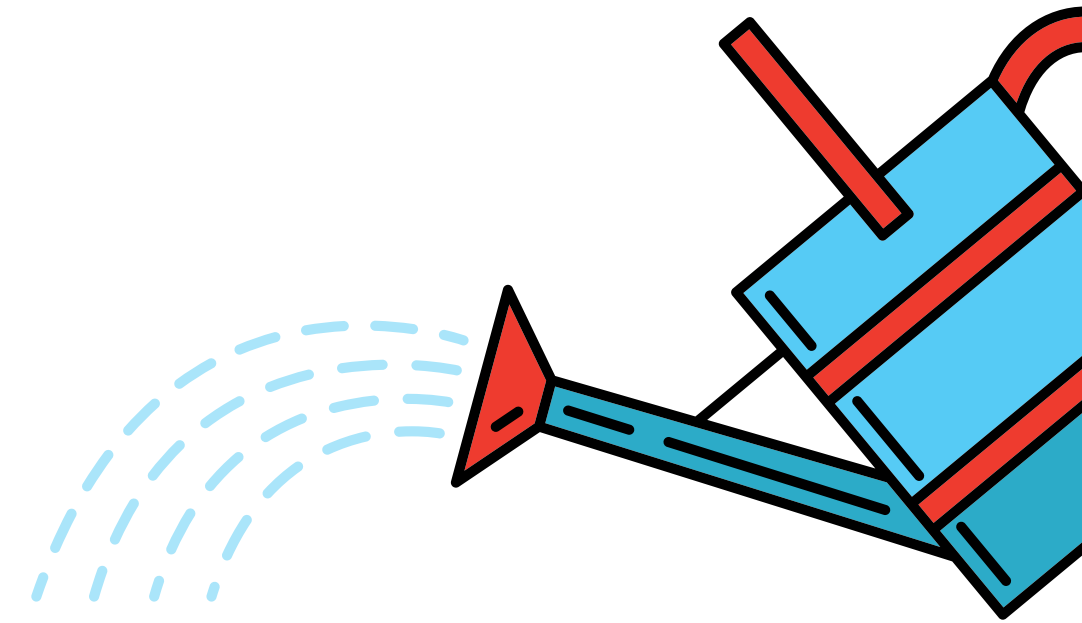


FAMILY	FEATURES	FINANCIAL APP	NO FINANCIAL APP
	<ul style="list-style-type: none"> <li>• Contact</li> <li>• SDA/No-Oda</li> </ul>	<ul style="list-style-type: none"> <li>• Visa</li> <li>• MasterCard</li> <li>• Electronic Purse</li> </ul>	 <ul style="list-style-type: none"> <li>• OTP Applications (CAP, DPA).</li> <li>• Storage data: loyalty programs, biometry, university, access control...</li> </ul>
	<ul style="list-style-type: none"> <li>• Contact</li> <li>• DDA/CDA</li> </ul>	<ul style="list-style-type: none"> <li>• Visa</li> <li>• MasterCard</li> <li>• Electronic Purse</li> </ul>	 <ul style="list-style-type: none"> <li>• OTP Applications (CAP, DPA).</li> <li>• Storage data : loyalty programs, biometry, university, access control...</li> <li>• PKI digital signature.</li> </ul>
	<ul style="list-style-type: none"> <li>• Dual Interface</li> <li>• DDA/CDA</li> </ul>	 <ul style="list-style-type: none"> <li>• Visa</li> <li>• MasterCard</li> </ul>	 <ul style="list-style-type: none"> <li>• OTP Applications (CAP, DPA).</li> <li>• Storage data : loyalty programs, biometry, university, access control...</li> <li>• Transport application (Mifare)</li> </ul>
	<ul style="list-style-type: none"> <li>• Contact</li> <li>• DDA/CDA</li> </ul>	<ul style="list-style-type: none"> <li>• CPA</li> </ul>	 <ul style="list-style-type: none"> <li>• Storage data: loyalty programs, biometry, university, access control...</li> </ul>
	<ul style="list-style-type: none"> <li>• Contactless</li> </ul>	 <ul style="list-style-type: none"> <li>• Visa</li> <li>• MasterCard</li> </ul>	 <ul style="list-style-type: none"> <li>• Storage data, access control...</li> <li>• OTP Applications</li> </ul>





Strong presence in America and Europe,  
being leaders in Latin America and Spain  
and working with leading suppliers  
worldwide.



### Growing with Advantis

2016 was a decisive year in Advantis' consolidation, because in spite of the decrease in sales due to the maturity of the market and the consequence of the EMV migration, Advantis has maintained and defended its market share in Latin America and has expanded into Central American countries. Furthermore, the company is positively carrying out the migration to the Advantis chip card in countries such as Argentina.





## Auditor's Report



Ernst & Young, S.L.  
C/ Raimundo Fernández Villaverde, 65  
28003 Madrid

Tel.: 902 365 456  
Fax.: 915 727 300  
ey.com

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

#### INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the shareholders of SERVIRED, SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.:

##### Report on the financial statements

We have audited the financial statements of ServiRed, Sociedad Española de Medios de Pago, S.A., which comprise the balance sheet at December 31, 2016, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

##### *Responsibility of the directors with respect to the financial statements*

The directors are responsible for preparing the accompanying financial statements so that they give a true and fair view of equity, the financial position, and results of ServiRed, Sociedad Española de Medios de Pago, S.A., in accordance with the regulatory framework for financial information applicable to the entity in Spain, described in Note 2 to the accompanying financial statements, as well as the internal control they consider necessary to ensure preparation of the financial statements free of material misstatements resulting from fraud or error.

##### *Auditor's responsibility*

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We performed our audit in accordance with prevailing audit regulations in Spain. Said regulations stipulate that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit entails the application of procedures to obtain audit evidence on amounts and information disclosed in the financial statements. The procedures selected depend on the auditor's judgment and include assessing the risk of material misstatement in the financial statements due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances and 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 overall presentation of the financial statements.

We consider that the audit evidence we obtained provides a sufficient and adequate basis for our audit opinion.



##### *Opinion*

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of ServiRed, Sociedad Española de Medios de Pago, S.A. at December 31, 2016, as well as of the results of operations and cash flows for the year then ended, in conformity with the applicable regulatory framework for financial information and, especially, the accounting principles and criteria established therein.

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

The accompanying management report for 2016 contains such explanations as the directors consider appropriate concerning the Company's situation, the performance of its businesses and other matters, and is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2016 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.  
(Registered in the Official Register of Auditors  
under entry no. S0530)

Francisco J. Fuentes García

April 21, 2017



Financial Information



## Balance

Audited by Ernst&Young

ASSETS	2015	2016
<b>FIXED ASSETS</b>	<b>3,071,877.00 €</b>	<b>4,235,372.75 €</b>
<b>Intangible fixed assets</b>	<b>171,589.11 €</b>	<b>105,046.63 €</b>
<b>Property, plant and equipment</b>	<b>2,251,103.63 €</b>	<b>2,089,893.58 €</b>
<b>Long-term investments in Group companies and associates</b>	<b>0.00 €</b>	<b>7,500.00 €</b>
Equity instruments	0.00 €	7,500.00 €
<b>Long-term financial assets</b>	<b>303,989.27 €</b>	<b>1,708,728.10 €</b>
Equity instruments	10.00 €	1,082,526.31 €
Long-term loans to employees	261,956.17 €	584,250.81 €
Other financial assets	42,023.10 €	41,950.98 €
<b>Deferred tax assets</b>	<b>345,194.99 €</b>	<b>324,204.44 €</b>
<b>CURRENT ASSETS</b>	<b>42,491,658.81 €</b>	<b>40,874,859.81 €</b>
<b>Non-current assets held for sale</b>	<b>0.00 €</b>	<b>0.00 €</b>
<b>Inventories</b>	<b>119,702.06 €</b>	<b>151,330.23 €</b>
Commercials	118,702.06 €	151,330.23 €
Advances to suppliers	1,000.00 €	0.00 €
<b>Trade and Other Receivables</b>	<b>12,203,916.82 €</b>	<b>9,424,381.27 €</b>
Customer receivables for sales and services	9,396,832.08 €	4,960,863.38 €
Sundry debtors	151,348.75 €	350,998.06 €
Loans to employees	44,959.46 €	54,383.59 €
Current tax expense	1,226,857.95 €	816,920.32 €
Public Administrations - Other	1,383,918.58 €	3,241,215.92 €
<b>Short-term investments</b>	<b>23,253,484.85 €</b>	<b>23,254,536.45 €</b>
Equity instruments	23,253,484.85 €	23,254,536.45 €
<b>Short-term accruals</b>	<b>75,849.57 €</b>	<b>33,538.20 €</b>
<b>Cash and cash equivalents</b>	<b>6,838,705.51 €</b>	<b>8,011,073.66 €</b>
Cash	6,838,705.51 €	8,011,073.66 €
<b>TOTAL ASSETS</b>	<b>45,563,535.81 €</b>	<b>45,110,232.56 €</b>



EQUITY AND LIABILITIES	2015	2016
<b>TOTAL EQUITY</b>	<b>32,342,017.41 €</b>	<b>33,867,551.37 €</b>
<b>Capital</b>	<b>29,717,699.61 €</b>	<b>31,066,849.98 €</b>
<b>Capital</b>	<b>16,371,783.35 €</b>	<b>16,371,783.35 €</b>
Paid in capital	16,371,783.35 €	16,371,783.35 €
<b>Reserves</b>	<b>10,187,023.64 €</b>	<b>10,294,897.60 €</b>
Legal and statutory	3,590,426.03 €	3,590,426.03 €
Other reserves	6,596,597.61 €	6,704,471.57 €
<b>Shareholder contributions</b>	<b>-187.57 €</b>	<b>-187.57 €</b>
<b>Profit/loss for the year</b>	<b>3,159,080.19 €</b>	<b>4,400,356.60 €</b>
<b>Value changes adjustments</b>	<b>2,624,317.80 €</b>	<b>2,800,701.39 €</b>
<b>Available for sale financial assets</b>	<b>2,624,317.80 €</b>	<b>2,800,701.39 €</b>
<b>NON-CURRENT LIABILITIES</b>	<b>2,612,458.04 €</b>	<b>2,615,843.22 €</b>
<b>Long-term provisions</b>	<b>1,458,692.44 €</b>	<b>1,432,276.68 €</b>
Long-term employee benefit obligations	658,692.44 €	732,276.68 €
Other provisions	800,000.00 €	700,000.00 €
<b>Deferred tax liabilities</b>	<b>1,153,765.60 €</b>	<b>1,183,566.54 €</b>
<b>CURRENT LIABILITIES</b>	<b>10,609,060.36 €</b>	<b>8,626,837.97 €</b>
<b>Short-term payables</b>	<b>41,357.80 €</b>	<b>0.00 €</b>
Other financial liabilities	41,357.80 €	0.00 €
<b>Trade and other payables</b>	<b>10,457,248.69 €</b>	<b>8,516,384.09 €</b>
Suppliers	10,054,793.71 €	6,369,400.07 €
Sundry payables	3,462.57 €	7,177.32 €
Accrued wages and salaries	206,425.07 €	258,941.95 €
Current tax liabilities	0.00 €	1,689,082.11 €
Payable to Public Administrations	192,567.34 €	191,782.64 €
<b>Short term accruals</b>	<b>110,453.87 €</b>	<b>110,453.88 €</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>45,563,535.81 €</b>	<b>45,110,232.56 €</b>

**Profit and Loss Account**

audited by Ernst&amp;Young

	2015	2016
Sales	2.299.356,36 €	110.323,44 €
Services rendered	24.019.249,84 €	24.624.657,02 €
<b>Revenue</b>	<b>26.318.606,20 €</b>	<b>24.734.980,46 €</b>
<b>Raw materials and consumables</b>	<b>-1.838.083,96 €</b>	<b>-317.720,27 €</b>
<b>Other operating revenue</b>		
Accessory and other income	698.395,22 €	524.888,30 €
<b>Other operating revenue</b>	<b>698.395,22 €</b>	<b>524.888,30 €</b>
<b>Staff costs</b>		
Wages, salaries and similar remuneration	-2.128.851,33 €	-2.281.645,56 €
Staff welfare expenses	-630.683,11 €	-659.614,00 €
<b>Total staff costs</b>	<b>-2.759.534,44 €</b>	<b>-2.941.259,56 €</b>
<b>Other operating charges</b>		
External services	-17.901.568,25 €	-19.253.961,44 €
Taxes	271.776,83 €	-221.956,14 €
Loss, impairment and variation in provisions	-73.635,92 €	-476.827,57 €
Other operating expenses	- €	-700.000,00 €
<b>Total other operating charges</b>	<b>-17.703.427,34 €</b>	<b>-20.652.745,15 €</b>
<b>Fixed asset depreciation</b>	<b>-258.937,57 €</b>	<b>-267.475,91 €</b>
<b>Surplus from provisions</b>	<b>- €</b>	<b>70.111,00 €</b>
<b>OPERATING INCOME/EXPENSE - NET</b>	<b>4.457.018,11 €</b>	<b>1.150.778,87 €</b>
<b>Financial income</b>	<b>48.981,71 €</b>	<b>48.008,20 €</b>
<b>Financial costs</b>	<b>-462.425,23 €</b>	<b>-266.577,55 €</b>
<b>Exchange differences</b>	<b>-239,23 €</b>	<b>-41.111,62 €</b>
<b>Impairment and profit/loss on disposal of financial instruments</b>	<b>16.586,74 €</b>	<b>5.282.182,63 €</b>
<b>FINANCIAL INCOME/EXPENSE - NET</b>	<b>-397.096,01 €</b>	<b>5.022.501,66 €</b>
<b>PROFIT/LOSS BEFORE INCOME TAX</b>	<b>4.059.922,10 €</b>	<b>6.173.280,53 €</b>
<b>Income tax</b>	<b>-900.841,91 €</b>	<b>-1.772.923,93 €</b>
<b>PROFIT/LOSS FOR THE YEAR</b>	<b>3.159.080,19 €</b>	<b>4.400.356,60 €</b>



