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## Banking Services

José Jesús Salvador Casas, Head of Interactive Services



### What are the impacts of technological innovation on businesses such as means of payment?

A multitude of new mobile-based purchasing options are emerging. The trick is to get the balance right between innovation, usability, security and client protection to allow solutions to become successful.

### A paradigmatic example of Banking Services is Servipagos/Ealia. What does the Ealia service comprise and why was it created?

Ealia was created as an interbank service to distribute electronic documents associated with collections to clients. It is based on a central repository, a public website and interfaces with banks,

Iberpay, and the public authorities. It solves the issue of the reduction in the amount of information contained in direct debits as a result of changes to the SEPA regulations. We are currently upgrading Ealia to offer added value services relating to bill payments, invoices, person-to-person and merchant payments, which we have termed Ealia Pagos - Inmediatos [immediate payments].

### What is the response from financial institutions and companies? Is Ealia open for new entities to join?

The Ealia extended receipts service has six service using entities, who submit around two million receipts a month, which are made available to payers online on Ealia's website and via user banks.

Ealia – Pagos Inmediatos currently has seven member entities using the service, with whom we are at the stage of integrating it with the e-banking services and the service is due to go live in the summer.

These Ealia services are aimed at the financial market in order to build a payments network, so Ealia is open to as many entities as possible in order to achieve the "network effect" that will ensure this payment method is a success

### Lastly, how do you think cloud-based services will change the payments world?

With cloud-based services and mobility, a process of increasing the client focus, based on usefulness and ease of use, is under way in the means of payment world.

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### Means of Payment



**Carmen Cacho San José**

Head of Means of Payment

*Despite the recent highly uncertain economic climate and frequent regulatory changes, pushed forward by strong technology competition, it is still unclear how or when mobile phones will become the main device for making payments.*

Cecabank provides a card-transaction processing service handling transactions between client institutions and other means of payment. This means that any of the ten million cards issued by client institutions can operate on other clients' service networks and those belonging to other national and international systems.

Transactions carried out via the more than 18,000 ATMs and 127,000 point of sale terminals belonging to client entities, or through direct connections with large retailers and virtual POS terminals managed by institutions, mainly belonging to the EURO 6000 network, are also handled. Additionally, Cecabank offers comprehensive operations processing and management services to Trionis, handling the clearing and settlement of the transactions processed, and

providing a fraud detection and prevention service, monitoring transactions processed in real time. It also provides Europe-wide card transaction exchange services.

Our added value includes proprietary applications in service mode, for the management of credit and debit card issues. These services enable the full card life cycle to be managed. We also offer device management applications through which transaction acquisition (POSTs and ATMs) is managed.

These enable institutions that do not have their own management application to manage their stock of devices.

Value services relating to card issue and acquisition include: a solution based on virtual cards, connection gateways between

devices and process nodes resolving various aspects of remote management, PIN management, acquisition solutions for various merchant types (POS, PC, mobile POS, m-Pos, virtual POS), bonding and loyalty solutions, payment apps and wallets, etc. Not to mention a service with specialist know-how on transaction dispute management.

We are specialists in specific consulting services card payments matters relating to both technology (migration to EMV, migration to contactless, and other market standards), and obtaining best practices in fraud management or business development.

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### Activity during the year

As in previous years, VISA and MasterCard have acknowledged on their website Cecabank's full compliance with the security requirements established in the PCI DSS standard. This compliance has been verified under the PCI Security Standards Council standards and procedures, by an external auditor certified by the aforementioned body to perform the relevant audits.

Another highlight was the continuing excellent results in the fight against fraud. Once again, the EURO 6000 system is a national leader in payment-card transaction fraud detection and prevention. This is thanks to its efficient staff, supported by the Espía system operated by Cecabank.

Cecabank has also worked on new models of service, supporting institutions developing their business; designing, in collaboration with EURO 6000, a new mobile-based multipurpose payment model for P2P, e-commerce and face-to-face commerce; and exporting our EMV technology consulting services to the Latin American market.

### Key data for 2014

**574** million

transactions processed, with total daily average settled amounts of

**90** million euros

Processes the EURO 6000 network with

**10** million cards

Processing systems availability of

**99.9999%**

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## Banking Services

### Payment Systems, Clearing and Discounting



ER-0023/2015



**David Pérez Barno**

Head of Payment Systems,  
Clearing and Discounting

*Cecabank's obtaining the UNE-EN ISO 9001 quality management system certification ratifies the institution's key position in the provision of charging and payment services for credit institutions and corporate clients, based on a model geared towards constant innovation, maximum efficiency, and generation of value added.*

Services provided to credit institutions and corporate clients for the comprehensive management of bank payments and collections, discounting operations, reverse factoring, and technical coverage of SWIFT connectivity.

#### Global coverage in the payment systems field

Administration, supervision and settlement of banking operations, and retail payment instruments exchanged by an entity in the framework of national and international payment systems as principal. Channelling and processing of collections and payments in euros and foreign currency for corporate clients.

#### End-to-end discounting management

Economic and administrative management of the ensemble of transactions involved in an institutions' bill portfolio, from

bill data input to customer settlement and application for collection.

#### Global reverse factoring service (FINVERSIÓN)

Administration of payment commitments (invoices) contracted with credit institution customers with suppliers of goods and services on a maturity date, by means of a technical application called FINVERSIÓN which makes customer and supplier financing and investment more flexible.

#### SWIFT technical coverage

Technical coverage service for the connection of an institution or customer's BIC code to the SWIFT network, allowing use of all SwiftNet services as if the client had a direct connection to the Swift platform.

#### Activity during the year

2014 saw the culmination of the process of conversion and adaptation to new SEPA payment instruments in the transfer and direct debit areas with both customers and represented institutions. In particular this included adaptation of the times of these operations and implementation of SEPA transfers in the SNCE with same-day value date.

A lot of effort has been focused on facilitating incorporation of new collective investment and pension fund managers, and their business in the depositary field, as regards the administration of current accounts, management of collections and payments, and handling exchange and settlement of members' transfers.

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One of Cecabank's activities as a central operational services provider is the combined management of social security treasury accounts as a service for its clients.

In this same area, Cecabank has also continued providing services to joint ventures set up by various Spanish financial institutions jointly with Cecabank to manage the state lotteries organisation Loterías y Apuestas del Estado (LAE), with thousands of LAE accounts open, managed exclusively by Cecabank.

It is also worth highlighting the hard work undertaken to prepare for the AENOR UNE – EN ISO 9001 quality certification of the exchange, clearing and settlement of collections and payments transactions (transfers, direct debits, fund transfers, and credit advances).

Since February 2015 the Payment Systems, Clearing and Discounting department has held this quality certification, thus complementing those obtained in relation to the Securities Services business, and in accordance with Cecabank's strategic plan to achieve excellent management of the processes and services it delivers.

### Key data for 2014

Cross-border cheque exchange /  
Currency clearing house

**148,018**

Cheques handled

SWIFT messages exchanged

**1,406,739**

Transactions handled with  
BIC Cecabank

**962,225**

Transactions handled with  
other BICs

Non-SEPA fund transfer orders (TAR-  
GET / EBA)

**227,273**

Transactions handled

**1,533,264.00**

Nominal (millions of euros)

Exchange of SEPA transactions  
(EBA and SNCE)

**549,032,200**

Transactions handled

**351,177.55**

Nominal (millions of euros)

Exchange of traditional transactions  
within SNCE

**91,284,470**

Transactions handled

**95,582.04**

Nominal (millions of euros)

Bill portfolio

**3,312,532**

Incoming bills

**6,334.92**

Nominal (millions of euros)

**266,040**

Bills deposited

**735.76**

Nominal (millions of euros)

Live guarantees granted

**29**

Transactions handled

**20.16**

Nominal (millions of euros)

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## Banking Services

### Business intelligence and new channels



**José Jesús Salvador Casas**  
Head of Interactive Services

*Regulatory changes in the payments area have represented a major challenge for the financial sector. Cecabank has contributed solutions for banks, as both debit issuers and debtors, to help them comply with the regulatory requirements by establishing a global direct debits payments solution for the Spanish financial sector. Cecabank is promoting a “brand” in digital payments among its associate banks that will make more widespread digital payments between individuals and merchants possible.*

Cecabank provides services relating to customer-not-present channels to financial institutions, collective investment managers and insurers. It also offers business intelligence by processing operational data to obtain scorecards and reports on various business areas. The aim of all these services is to achieve economies of scale and scope enabling institutions to distribute products and services via remote channels as efficiently as possible, allowing them to remain at the cutting edge of technology development and ensuring they have the tools they need to facilitate management and business growth.

#### Activity during the year

The e-banking area this year saw the integration of the Banco Finantia Portugal service, constituting the first extension of Cecabank's e-banking into the international market.

Development of the connection with the general entry point for electronic invoices from general government (FACe) has been undertaken.

In order to make it easier for entities to transition to the Single Euro Payments Area (SEPA), a clearing house was developed serving the firm Servipagos, S.A. enabling extended descriptive text on debits. This has been adopted by Caixabank, Catalunya Banc, BMN, Liberbank, Banco CEISS and Ibercaja (website: [web www.ealia.es](http://web.www.ealia.es)). It has been contracted by Iberpay for its own debit

description exchange with a view to offering a service to the whole financial system.

A new version of the application was implemented in 2014, used by “pulso” service customers, which includes new information measurement criteria, improvements in usability, and the option of a blind benchmark of data aggregated across the banks using the service.

The functional specifications for digital payments have been fleshed out, including payments to issuers, online purchasing and direct peer-to-peer payments.

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### Key data for 2014

The multichannel e-banking platform processed 568,164,964 financial transactions in 2014, serving 1,789,230 users who conducted transactions each month, with an availability of 99.98%, weighted in terms of the real traffic at all times.

Mobile channel

**109,947,705**

transactions over mobile terminals: 34% up on 2013

**15,740,647**

text messages sent

Securities trading transactions

**129,622**

securities trading transactions using Cecabank infrastructure, via online banking channels, mobile banking and the office terminal

Immigrant remittances: "Bravo" project

**33,512**

remittances sent to immigrants' countries of origin

E-commerce

**7,257,288**

number of transactions on Cecabank virtual POSTs.

Electronic invoicing

**189,528**

invoices issued

Pan-European debit platform

**15,994,446 euros**

handled



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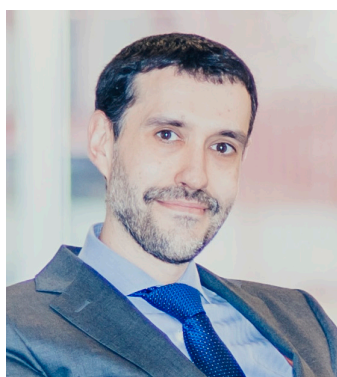
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## Banking Services

### Financial reporting



**Jaime Manzano Rodríguez**

Head of Comprehensive Reporting and Analysis Service (Pyramid)

Pyramid provides our clients with complete and comprehensive coverage of the whole reporting cycle, making it an end-to-end solution covering everything from regulatory analysis deriving from the publication of a reporting requirement by a regulatory body, through to the physical delivery of the files, once all the information required has been compiled and validated.

**The service rests on four main pillars:**

- Analysis, interpretation and resolution of queries on regulatory requirements associated with mandatory reporting to the relevant regulatory body.
- Cooperation with the Bank of Spain, with the active participation of working groups set up for the harmonisation of the new requirements.

*In recent years we have witnessed a considerable increase in regulatory pressure, which in most cases has been associated with new information requirements from the various regulatory bodies. This situation has led institutions to seek specialist advice and comprehensive solutions. At Cecabank we continue working to ensure our Pyramid solution meets all our clients' reporting cycle needs.*

Technology platform, entrusted with providing the information required by the regulator at source (information with the maximum level of detail), construction and parameterisation of statements (aggregate information), and all the data validation and balancing processes. A modular platform fully tailored to the needs of different user institutions and fully aligned with the EBA's data point model.

Intermediation in the submission of information, having our own data exchange infrastructure (gateway for data transmission to the Bank of Spain).

#### Activity during the year

During 2014, following the regulatory calendar, the necessary development work was carried out on the technology platform to meet institutions' reporting needs. Specifically:

- Phase I, covering the A (people) and B (operations) modules, to adapt to Bank of Spain CCR Circular 2013 of 24 May 2013 (CBE 1/2013).
- The FINREP (financial reporting) statements, intended to cover the new information requirements deriving from the EBA's taking on regulatory functions and some of the statements that were previously the competence of the Bank of Spain.



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- The new COREP (common reporting) statements for the adaptation of institutions to the new standardised reporting framework published by the EBA, deriving from the European CRD IV (Capital Requirements Directive IV) and CRR (Capital Requirements Regulation) standards.
- Adaptation of the platform to cover changes in the EMU and interest rate statements, and the new EBA requirement on asset encumbrances.

### Key data for 2014

At the close of 2014 the Pyramid service had a total of

**25**

groups of institutions as the solution's clients, translating into more than

**40**

user institutions

More than

**20%**

of current clients were acquired in 2014

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## Banking Services

### Regulatory consulting



**Luis Alberto Teijeiro Pita da Veiga**  
Head of Regulation and Studies

*Cecabank's regulatory consulting activity was busy in 2014 helping our clients adapt to the new regulations with minimum impact on their business. The projects carried out were in fields including solvency (CRD IV-CRR), anti-money laundering (AML/TF Regulation), and operational challenges regarding the exchange of tax information (FATCA) and new remote banking trends (on-line payment security).*

Cecabank is a benchmark in the consulting and advisory services market in the financial regulation area, standing out for:

- /// Its ability to anticipate new regulations,
- /// Its high degree of specialisation, and
- /// The support of proprietary tools, such as its website: [www.normativafinanciera.com](http://www.normativafinanciera.com)

**Cecabank's main lines of advisory and consulting services are:**

- /// **Access to the financial regulations website** (for subscribers) which compiles regulatory provisions and drafts (Spanish, European Union and international) on financial matters, and interbank regulations (interbank notebooks, arbitral awards, etc.).

- /// **Daily news service**, by e-mail, alerting to new developments in national and international regulations, sorted into published regulations and non-regulatory drafts.

- /// **Monthly report publication** with a summary of the impacts of the main standards and drafts published.

- /// **Publication of reports** covering standards of particular importance having an impact on institutions. Publication of this report is timed to coincide with that of the standard, i.e. prior to publication of the monthly overview.

- /// **Permanent comprehensive consulting**, on demand from institutions, on all regulatory obligations to which they are subject as a result of their business. Specific consultations in the following areas: solvency, corporate governance, regulatory compliance, payments, supervision, solvency, retail banking, risks and the securities market.

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### Activity during the year

Some of the main projects run in 2014 were:

- / Project to adapt to the CRR / CRD IV (Phase 2 and 3) Regulation and Directive capital requirements, based on:

- Preparation of data sheets on the standards published by the EBA, with analysis of the main impacts to facilitate their implementation by the institution.
  - Identification of the main new developments in corporate governance.

- / Project supporting institutions in the process of adapting to the FATCA standards, both internationally and in their national implementation.

- / Project adapting to AML/TF diligence measures under Law 10/2014 on preventing money laundering and terrorist financing. Includes support on identification of sources of information in order to compile the new documentation required by the legislation.

### Noteworthy projects

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Adaptation to the CRR / CRD IV (Phase 2 and 3) Regulation and Directive capital requirements

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Support to institutions in the process of interpreting and adapting to FATCA rules

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Adaptation to AML diligence measures

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## Banking Services

### International business



**M<sup>a</sup> Idoia Aramendi de la Piñera**

Head of Products and Services and Overseas Development

*A commitment to internationalisation is crucial to business growth. Therefore, at Cecabank we want to diversify our coverage of products and services in foreign markets to support the needs of our shareholders and clients, and to promote their international growth opportunities. With a presence in the three most important European financial centres from the financial and regulatory point of view, we support our operating branch in London and our two representative offices in Frankfurt and Paris, along with our subsidiary in Hong-Kong.*

#### Overseas network

Main functions:

##### Cecabank operating branch in London

Centralises a significant volume of payments between Spain and the United Kingdom, this branch pioneered direct debit handling with other Spanish financial institutions in 2014.

##### Representative Offices

###### Frankfurt

Covering Germany and Switzerland, this office's importance lies in its location at the nerve centre of the European financial system, with head offices of 63 German banks and 150 foreign banks in the city, along with the European Central Bank, the German Federal bank, and the German stock exchange.

###### París

Covering France and the Benelux countries, with a big increase in its relationships with institutions such as the ESMA (European Securities and Markets Authority) and the ESG (European Savings Banks Group).

##### Subsidiaries

The Hong Kong subsidiary centralises all foreign trade operations in Asia for customers of the institutions to which this service is provided. Its extensive experience ensures and guarantees transactions of this type, while offering economic advantages comparable to local banks. The network has a support team in Madrid that is in charge of handling pension agreement and migrant remittance operations, and has a specialist call centre to resolve issues and provide advice to pensioners, beneficiary entities in Spain, originating correspondent banks and payer entities.

#### International business

Cecabank has an extensive global network of correspondents, enabling it to send and receive payments in any currency around the world. Cecabank has extensive experience in this field and a wide range of collaboration agreements with financial institutions worldwide, allowing it to achieve a volume of 1.3 billion collection and payment transactions in 2014.

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## Banking Services

### Training



**María Antonia Losada Ferreiro**

Head of Human Resources Development,  
Technical Coordinator of ESCA

ESCA's mission is to provide specialised training service aimed at the financial institutions market, with a view to developing professionalism and adapting to European standards:

- ✓ Regulatory and legislative training
- ✓ Training on risks
- ✓ Banking training (products, services, etc.)

Cecabank offers specialist seminars, on-line and classroom-based training, tailored in-company training and an e-learning platform.

*Our training services showcase the knowledge and talent of the sector's professionals, pursuing excellence and adaptation to European standards. ESCA is today a benchmark in training on financial sector standards and regulations.*

#### Training in 2014

On-line

**+15,000** students

**325,000** hours of training

In-Company

**+600** hours

training provided through various activities

**3rd** edition

EECC internal audit expert programme for Banco Popular employees

Classroom-based

**12** events

**+630** participants

#### New features

- ✓ Customisation of training programmes for institutions.
- ✓ Training programmes integrating various training methodologies (on-line, live meeting, classroom).
- ✓ Learning paths tailored to specific student profiles as part of their professional career.

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### Activity during the year

The school has continued advance on updating its training offering, based on its premise of quality, and expanded its activities to new customers.

Its range of training centres on financial specialisation programmes, while also updating courses with a strong presence in the regulatory or standards training market, where ESCA has a strong position.

### Collaboration agreements

Internationally, with a view to expanding the school's activity, collaboration agreements have been signed with the Paris and Brussels Chambers of Commerce, and the school has also teamed up with the National police department to develop economic crime and financial investigation programmes.

### Classroom-based training

ESCA organised 12 classroom-based courses in 2014, with over 630 participants. This represents an increase of 37 percent on the previous year.

ESCA has also continued running its long-duration programmes, such as the Course on Accounting in Credit Institutions, which is now in its 19th edition.

### On-line training

This year more than 15,000 students were trained, receiving a total of 325,000 hours of training.

As well as these traditional lines of action, we have continued our agreements to provide training content for institutions to deliver to their employees on their own platform. This transfer has been complemented, where institutions so require, with student management, tutoring, issuing of reports on courses completed, or providing expert instructors.

### In-Company training

In-company training has made up a significant share of our programmes, with over 600h of training delivered through various training activities.

The programmes run in 2014 included the 3rd edition of the Expert Programme on Internal Auditing of credit institutions.

### Training for Directors and Senior management

The guidelines on suitability of members of the management body and key function holders of a credit institution, published by the EBA on 22 November 2012, and Royal Decree 256/2013 of 12 April 2013, incorporating the European Banking Authority's standards in legislation on credit institutions, include, inter alia, a requirement

that the members of the board of directors, the chief executive, and similar, are kept up to date, which entails the need to prepare a training plan for this purpose.

ESCA ran various training programmes in 2014 including general and specific courses targeting these groups.

### Sector certifications

Within the programmes associated with obtaining the various sector certifications we have continued certifying financial sector professionals on programmes such as those for Investment Products Advisors and Financial Advisors, confirming their market recognition and acceptance.



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### Banking Services

#### Currency exchange office

Cecabank's bureau de change buys and sells foreign banknotes to and from the public. It has immediate availability of around 40

currencies in all denominations and amounts, offering top quality banknotes at competitive prices and long opening hours.

