cecabank

Pillar 3 Disclosures

Contents

1. General information requirements

The purpose of the Pillar 3 Disclosure Report is to provide information the market with information on all aspects relating to the financial situation and activity of Cecabank (hereinafter, the "company") and, in particular, its risk profile. This ensures compliance with Article 85 of Act 10/2014 on the regulation, supervision and solvency of credit institutions.

This document also complies with Part Eight of EU Regulation 575/2013 of the European Parliament and of the Council (the Regulation), which establishes Basel Pillar 3, on disclosure obligations on the company's risk profile, the risk management and control system and capital and solvency levels. In presenting this information, Cecabank has complied with the terms of the Regulation and its subsequent developments.

In accordance with the provisions of Articles 431.3 and 434.1 and 2 of the Regulation, Cecabank has a Transparency Policy approved by the Board of Directors in its meeting of 20 February 2017, which brings together the various internal policies on the external disclosure of the information required by the supervisor in various matters and which includes, among other aspects, the content of the information to be published, the frequency, medium and place of publication and the verification of the information. The aforementioned policy establishes that the information contained in the Pillar 3 report will be subject to the same level of internal verification as the financial statements, to be carried out by the company's Internal Audit.

Once this document has been drawn up, it will be submitted to the Management Committee for review. Furthermore, in accordance with the provisions of articles 431.3 and 435 of the Regulation and the company's Transparency Policy, the Board of Directors of Cecabank, at the proposal of the Risk Committee, approved on 3 April 2023, the document containing the Pillar 3 disclosures for the financial year 2022 and certifies that the following information is contained in the Pillar 3 disclosures: :

- Cecabank's Pillar 3 report has been prepared in accordance with the guidelines of Part Eight of Regulation (EU) 575/2013 and published in accordance with the bank's internal policies, processes, systems and controls, and in particular, in accordance with the company's Transparency Policy, approved by the Board of Directors on 20 February 2017.
- No exceptions have been made for the publication of information considered confidential.
- The risk management systems implemented by the company are considered appropriate in relation to the bank's profile and strategy.
- Internal Audit has verified the completeness, consistency and reasonableness of the information contained in the document "Pillar 3 Disclosures 2022," and has concluded that the information provided is appropriate and sufficient.

The preparation of the Pillar 3 disclosures is based on the different verification and control processes established in each of the three lines of defence defined in Cecabank's General Control Framework[1]. Certain information required by the regulations in force, and which must be included in this report is presented in accordance with this regulation these regulations, with reference to Cecabank's 2022 individual financial statements. Along with the annual accounts, the "Pillar 3 Disclosures" can be found on Cecabank's website (www.cecabank.es).

With regard to information on intra-group and related party transactions with a significant impact on the consolidated group's risk profile, the scope Cecabank's Pillar 3 report is that of an individual company, insofar as, since April 2018 and under Article 19,1 of EU Regulation 575/2013,[2]Trionis (at 31/12/2022, the only subsidiary of the group) is excluded from the scope of application.

Cecabank is registered in the Bank of Spain's Register of Financial Institutions under code 2000 and has its head office in Alcalá no. 27, Madrid. It operates mainly in Spain, with a branch in Lisbon and representative offices in London and Frankfurt. Its corporate website is www.cecabank.es.

[1] Annex VIII
[2] The Bank of Spain informed Cecabank in writing that under article 19.1 of Regulation 575/2013, it met the requirements to exclude its subsidiaries from the scope of Pillar 3 consolidation.

2. Risk Management

2.1 Policies and Objectives

The Board of Directors of Cecabank establishes the corporate objectives of the company and has the highest responsibility regarding the risks incurred as a result in the performance of its activities. It is therefore this body that defines the general policies with regard to the assumption of risks. Similarly, the Board is the driving force in the corporate risk culture, which focuses on ensuring efficient internal control systems and rigorous and complete risk management and measurement processes.

To assist the Board of Directors to fulfil its risk responsibilities regarding the maintenance of the risk profile and the implementation of the policies agreed, it has established a supporting structure and a reporting and monitoring system. This structure is described in the following sections.

The risk management philosophy is based on rigorous criteria of prudence, in a manner consistent with commercial strategy, aiming to ensure the efficient use of the capital allocated to the business units. The application of this philosophy results in a highly prudent risk profile with a high level of solvency and a comfortable liquidity position.

The Board establishes the type and intensity of risks which it deems reasonable to assume in order to achieve corporate objectives. The definition and annual update of this risk appetite is set out in the Risk Tolerance Framework, as well as in the General Risk Management Framework, both of which are approved by the Board. It is also the responsibility of the Board to monitor the effective risk profile and to ensure that both are consistent. It is supported in this regard by the work performed by the Risk Committee.

In order to achieve its business objectives, the Board of Directors expects that Cecabank maintains a prudent risk profile at all times; losses arising from the implementation of the risks, even in stress situations, can be withstood within the normal operations of the company, without permanently affecting the capital and liquidity objectives.

Alongside this quantitative definition of the desired risk profile, the Board of Directors sets tolerance levels with quantitative metrics that determine the risk appetite. These are defined as follows:

- For each relevant risk identified, the maximum loss that the company is prepared to assume in the course of business is established. The definition is made in terms of forward-looking measures designed to anticipate the losses that might be recorded if the risks were to materialise, but also in terms of the maximum losses that will be tolerated (Annex I to this document provides more detail on the metrics used). These measures relate to the income statement and the available capital base for the aforementioned purpose of ensuring that, in the event of losses, they can be absorbed in the normal course of the bank's business.
- The minimum available liquidity position must allow for ample compliance with all the company's commitments, incorporating a safety margin to ensure that unexpected situations can be managed at any time.
- The solvency and leverage levels which the Board intends for the company remain above the regulatory requirements. This surplus of capital is considered essential to achieve the appropriate levels of quantity and quality of solvency and leverage for the wholesale business, and it represents one of the defining elements of the competitive position of Cecabank.

The principles established by the Board, and which determine risk management at Cecabank are essentially as follows:

- The business and the management will focus on a stable and recurring results structure and on the conservation of economic value of equity, in order to guarantee the long-term orderly growth of the company.

- Management will ensure compliance with good banking practices, applicable internal and external regulations and a way of doing business that is ethical, responsible, sustainable, fair and law-abiding.

- Capital planning will be designed to cover the current capital needs and any arising with the commissioning of the Strategic Plan, taking into account the minimum solvency levels defined by the Board and the fact that, in a normal situation, the company operates with an additional 8 percentage points of slack.

- The company will focus its liquidity management on guaranteeing that it maintains adequate resources to comfortably meet its short- and long-term commitments, taking into account its ability to call upon the markets; diversifying the sources through which it is financed; and to maintaining a high-quality unencumbered liquid asset buffer that covers the position effect of stress-generating events.

- The corporate governance, internal organisation and risk admission, control and management systems will be robust, appropriate to the activities which the bank performs and proportionate to the risks incurred.

Senior management is responsible for the effective implementation of these principles and for maintaining the desired risk profile. It is also responsible for the development of the Risk Tolerance Framework through the adoption of additional metrics and controls, thereby guaranteeing effective implementation of the policies defined.

The Board receives regular information as to the maintenance of the risk profile, and it reviews the risk management policies implemented at the company. In addition, it is the body responsible for approving the result of the internal capital and liquidity adequacy assessment, which is submitted each year to the Supervisor. In these activities, it has the support and guidance of the Risk Committee. There is a monitoring structure which allows the Board and the Risk Committee to identify potential deviations, so as thereby to adopt the necessary measures and hence adjust the risk profile.

As mentioned at the beginning, this document was approved by the Board of Directors of Cecabank, which performed its review with the assistance of the Risk Committee. As a result, in accordance with the requirements of Article 435, paragraph 1, letter (f) of Regulation (EU) 575/2013, the Board guarantees that, following the analysis performed, the company qualifies for a prudent risk profile and, therefore, within the accepted tolerance levels, its systems, processes, policies and resources employed for risk management are appropriate, and no adverse element is anticipated that could alter this situation in future.

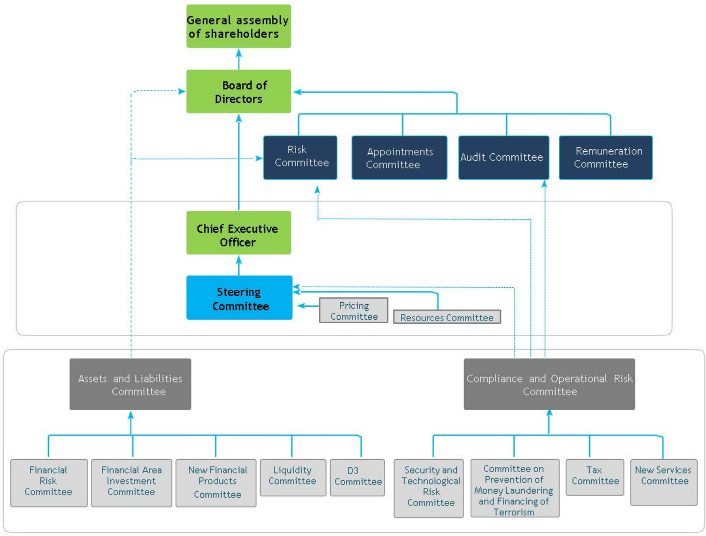
Likewise, it guarantees that, following the evaluation of liquidity, it has been concluded that the company has sufficient resources to guarantee its liquidity, as well as a suitable framework in place to control and manage the liquidity risk, according to the profile defined in the Risk Tolerance Framework and the bank's strategy. The company's liquidity risk is within a low profile, with high liquidity ratios, a high degree of stability in the available sources of liquidity, sufficient capacity to appeal to the wholesale market and availability of assets that can be sold at a level that is appropriate to the liquidity risk profile.

Annex I to this document includes detailed information on Cecabank's risk management and control, in addition to the specific policies and objectives applied when managing the relevant risks.

Section 9 "Structural Liquidity risk" includes key ratios and figures on the bank's liquidity risk management, which are in addition the templates in Annex VI.

2.2 Structure and organisation of the risk management function

The governing bodies of Cecabank are the General Shareholders' Meeting and the Board of Directors, in addition to the specialised committees and delegated bodies designated by the Board. From the perspective of the definition of tolerance to risk, the monitoring of the implementation of management policies and the monitoring of risk profiles, Cecabank has established a supporting structure and a reporting system as described in the following organisational chart:



2.2.1 Responsibilities of the governing bodies

The Board of Directors of Cecabank establishes the company's business objectives and is the maximum authority responsible for the risks it assumes when carrying out its activities. It is therefore this body which establishes the risk appetite and general policies with regard to the assumption of risks. Similarly, the Board is the driving force in the corporate risk culture, which focuses on guaranteeing efficient internal control systems and rigorous and complete risk management and measurement processes.

The Board of Directors of Cecabank is composed of the number of members appointed by the General Shareholders' Meeting, which, in accordance with the regulations applicable to capital companies, may not be less than five or more than fifteen.

At its meeting of 29 March 2022, the General Meeting reduced and fixed the number of directors to ten (10). Accordingly, as at 31 December 2022, the Board of Directors is composed of ten (10) directors, of whom five (5) are owner directors, four (4) are independent directors and one (1) is an executive director. The position of Executive Director is held by the Company's Managing Director.

The meeting of the Board of Directors held on 26 April 2022 resolved to appoint Mr. José María Méndez Álvarez-Cedrón as Chief Executive Officer of the company. This appointment did not represent a material change, as he already held the position of executive director with extensive powers.

This body meets on a monthly basis, having held 11 meetings in 2022.

The committees of the Board of Directors of Cecabank assist it in performing its responsibilities. All details regarding the composition, functions, and operation of these can be found in the Company's bylaws and in its operating regulations, which are available in "corporate information" section of the Cecabank website. Specifically, with regard to risks, these bodies undertake the following activities:

- **Audit Committee**: This Committee supervises and assesses the effectiveness of the internal control structure of the company, internal auditing and risk management systems; it also oversees the process for preparing and submitting regulated financial information. The Audit Committee held 6 meetings in 2022.

- **Nominations Committee**: This Committee advises the Board in relation to candidates for vacant positions on the Board of Directors and compliance with the suitability requirements for the Board's members. The Appointments Committee held 5 meetings in 2022.

- **Remuneration Committee**: This body advises the Board with regard to the company's remuneration policies and the alignment thereof with the maintenance of risk tolerance levels. The Remuneration Committee met on 3 occasions in 2022.

- **Risk Committee**: This Committee advises the Board as to the establishment and monitoring of the risk appetite of the company, and it evaluates the application of this strategy by senior management and the results thereof. The Risk Committee held 5 meetings in 2022.

To assist the Cecabank Board of Directors to fulfil its risk responsibilities regarding the maintenance of the risk profile and the implementation of the policies agreed, it has established a reporting and monitoring system.

The main objective of this supervisory exercise is to keep the Board abreast, directly and through its supporting bodies, of compliance with the tolerance limits of the evolution of the metrics supporting them; to prospectively identify any source that could result in an infringement of the limits and to raise the alarm in the case of any stress situations; and to enable corrective actions to be taken, when appropriate.

To this end, during 2022, the Risk Committee, with the support of the Risk and Compliance and Planning Departments and the Risk Admission and Control Division, developed the outline and contents of the reporting received from internal units and that which is sent to the Board. This information includes a scorecard that integrates the main evolutionary indicators relating to risks and capital and monitors the operating results and the annual budget.

Furthermore, the Board and its committees have unrestricted access to the personnel involved in the risk, planning, audit, control and regulatory compliance functions.

2.2.2 Policies regarding the selection of board members and diversity of the Board of Directors

In accordance with applicable regulations, the bank has a policy for selecting and evaluating the suitability of directors[3] which considers different diversity criteria and, in particular, has a representation target established for the least represented sex on the Board of Directors.

2.2.2.1 Selection and Suitability Assessment Policy

At its meeting in November 2018, the Board of Directors approved, at the proposal of the Appointments Committee, the Suitability Policy for selecting and evaluating members of the Board of Directors, the CEO or similar members of Cecabank.

The approval of this Suitability Policy came as a result of the entry into force of the EBA-ESMA Guidelines on the assessment of suitability of members of the Board of Directors and key function holders, published in September 2017, and as a result of Cecabank's revision and adaptation of the Suitability Policy that it had in effect since June 2013.

[3] The Selection and Suitability Assessment Policy for members of the Board of Directors and the CEO or similar.

According to this policy, the Board of Directors of Cecabank must be composed of persons whose appointment favours or promotes the good governance of the Bank and who, in any case, meet the requirements of suitability established by the regulations in force at any given time with regard to the performance of their duties. These requirements regarding their knowledge, honesty and ability to exercise good governance must be assessed both individually and for the Board of Directors as a whole, applying the principle of proportionality.

Cecabank encourages diversity in the Board of Directors in such a way that its composition reflects a diverse group, taking into account the structure of the CECA - Cecabank group, in which CECA is the majority shareholder. In accordance with the provisions of the Board's Suitability Policy as regards gender diversity, the bank has established a gender diversity target for its Board of Directors whereby at least 50% of the independent directors are female. At 31 December 2022, 75% of independent directors were women. When calculating this percentage, in the event the number of independent directors is uneven, it will be rounded up to the next whole number.

Furthermore, the representation of women on the Board of Directors will be subject to an upward trend, with the ultimate objective being to reach an equal balance of men and women on the Board. In order to reach this objective, when vacancies arise on the Board and its different Committees, the foregoing shall be taken into account.

Regarding the suitability of the members of the steering committee, those responsible for internal control functions and other key positions, the Board of Directors of Cecabank, at its meeting on 30 April 2019, called by the Appointments Committee, approved the Suitability Policy for specific Directors.

2.2.3 Supporting structure for the Board of Directors

In addition to the Board and its Commissions as described above, the following committees in which Senior Management is involved also play a key role in governance, policy design and risk monitoring:

Assets and Liabilities Committee (ALCO)

By appointment of the Board of Directors, this is the company's body responsible for upholding senior management's participation in monitoring and controlling the financial risks and developing and implementing risk policies that ensure the established risk profile is maintained. The ALCO regularly reports to the Board of Directors on the company's investments and the performance thereof, and on operations it has authorised on the basis of the powers delegated to it.

The ALCO has the following structure of support committees:

- **Financial Risk Committee**. Decides on proposed operations and credit risk limits that fall within powers delegated to it by the ALCO and submits to the ALCO those operations that exceed its authorisation limits. Ensures that the company's exposure to risk is within the tolerance levels set by the Board of Directors and the ALCO. Continuously adapts risk management procedures to the increasing sophistication of the financial market and aligns them with capital requirements at each moment in time; as well as assessment methodologies to ensure they are in line with best market practice and the needs of the company.

- **Financial Department Investments Committee**. It deals with key matters relating to the management of the company's investments and opportunities arising in the markets. It will also submit a report to the ALCO setting out the entity's position clearly and in full.

- **New Financial Product Committee**. It assesses and approves, as required, new financial products to be used by the company's Trading Room.

- **Liquidity Committee**. It evaluates the liquidity situation of the company and the markets, and, in the event of a liquidity crisis, it defines the measures to be taken and coordinates actions.

- **Committee for Disruption, Diversification and Driving Change (3D Committee)**. Its objective is to search for, analyse and monitor investment opportunities in companies, mainly in the Fintech, Insurtech, Regtech and Cybersecurity sectors, submitting the corresponding investment proposals to the ALCO for approval.

Compliance and Operational Risk Committee (CORC)

This is company's body that upholds senior management's participation in the development and implementation of risk policies and in the management, monitoring and control of non-financial risks (operational, reputational and ESG risks). The functions that it has been delegated are covered in its Regulations.

To carry out its tasks, this committee has a support structure in place to which to delegate part of its powers:

- **Committee on Prevention of Money Laundering and Financing of Terrorism**. This is the internal control body responsible for applying Cecabank's policies and procedures on PMLFT and, in general, those set out in this PMLFT manual.

- **Tax Committee**. It collaborates in the analysis and interpretation of tax rules that are applicable to Cecabank's activity, to the monitoring of compliance with formal obligations and to the investigation, evaluation, and monitoring of possible tax risks.

- **Security and Technological Risk Committee**. Its functions are to analyse the company's technological risks (security, change, integrity and availability) and to establish the actions considered appropriate to manage them.

- **New Services Committee**. Its purpose is to analyse and, where appropriate, submit the new services to be provided by the company to the Compliance and Operational Risk Committee (COCR) for approval in order to ensure that the risks incurred are adequately understood; the necessary infrastructure is in place to manage, control and monitor them; and progress is made in the standardisation of the services offered in terms of procedures and systems.

2.2.4 Risk management departments

Article 38 of Act 10/2014 stipulates that credit institutions must have a unit that assumes the role of risk management in proportion to the nature, scale, and complexity of its activities.

Underpinned by the principles described in section 2.1 on risk management policies and objectives, the structure of the risk function of Cecabank is set up to comply with these requirements, and is independent of the business units, with direct access to the Board of Directors, mainly through the Risk Committee.

This section gives an overview of the structure of the company's risk function which, along with the description of the procedures included in Annex I, demonstrates that Cecabank complies with the aforementioned requirements enacted by Royal Decree 84/2015 and the Bank of Spain Circular 2/2016, as well as the Corporate Governance guidelines of the European Banking Authority.

2.2.4.1 Risk and Control Admission Division

Integrated within the first line of defence, it aims to cover the credit risk analysis needs of counterparties and businesses, assuming the credit risk analysis associated with the admission and monitoring processes. Regardless of the placement of this group within the financial area, it provides cross-cutting support to the credit risk analysis needs of all operational areas.

2.2.4.2 Risk and Compliance Department

The Risk and Compliance Area was created in the first quarter of 2021 with the aim of assuming the role of the second line of defence, both for financial and non-financial risks, to offer a global overview of all the company's risks.

The Department is structured as follows:

1. **Financial Risk Division:**

   This Division is composed of the following departments:

   - **Credit and Counterparty Risk**: responsible for controlling the second level credit risk associated with the activities of the various business units.
   - **Market Balance and Liquidity Risk**: is responsible for the management and control of market risk and structural balance sheet risk, and also for the monitoring of the management results of the trading activities.

2. **Financial and Non-financial Risk and Compliance Division:**

   This Division is composed of the following departments:

   - **Internal Control and Operational Risk Unit**: Its key function is to plan, organise and implement the operational risk management system in the company in accordance with the approved policies and procedures and to ensure that the first line of defence identifies, evaluates, measures, controls, manages and communicates all operational risks as needed. seeks to align the "operational risk profile" of the bank with the guidelines established by the Board of Directors within the Risk Tolerance Framework.

     It also performs activities that allow the comparison and verification of the degree of effectiveness of the primary operational and accounting controls previously established by each department, in order to ensure that the controls have been complied with, the transactions are accounted for and reflected in an appropriate manner and that the financial information provided is correct. It also checks compliance with internal operating standards.

   - **Information Security and Technological Risks**: This is the secondary control unit in the field of information and communications technology (ICT) risks. In accordance with the guidelines of the European Banking Authority (EBA) detailed in its document EBA/GL/2017/05, entitled “Guidelines on ICT Risk Assessment under the Supervisory Review and Evaluation process (SREP)”, the unit specifically accounts for security, continuity and data integrity risks, change risk and outsourcing risk, although the latter is analysed jointly with the Operational Risk Unit.
   - **Regulatory Compliance**: Its main aim is to ensure efficient management of compliance risk, which is defined as the risk that breaches of legal demands or internal standards could impact on the income statement, as a result of official sanctions or adverse judgments.

     Its main spheres of action are the prevention of money laundering, standards of conduct on the Securities Market (RIC and MiFID), personal data protection, corporate governance and criminal risk.

3. **Cross-Cutting Coordination and Risks Unit**

   It is the unit responsible for the management and control of transversal risks affecting the entity as a whole, namely reputational risk, ESG risks (environmental, social and governance risk), model risk and other emerging risks.

   It is also responsible for coordinating the preparation of legally required documents before regulators and market (IACL, IRP, Recovery Plan), as well as the documentation requested by the regulator for resolution purposes. It is also responsible for coordinating the preparation of Guidelines and Policies within the Department.

2.2.5 Internal Audit of Risks

Internal Audit is the third line of defence of risk control. One of the general aims of the analysis carried out by this independent team is to verify that the risks the company is taking on fall within the risk appetite agreed by the Board of Directors.

Internal Audit is located within the organisational structure, and functionally reports to the Audit Committee on a monthly basis through its Chairperson. This ensures its independence in the undertaking of its functions, for which it has unrestricted access to all the areas, departments and employees, assets, physical or computer activity records and, in general, all repositories holding physical or digital documentation that are necessary to carry out its activity.

In general, in its area of work, Internal Audit will perform the following functions:

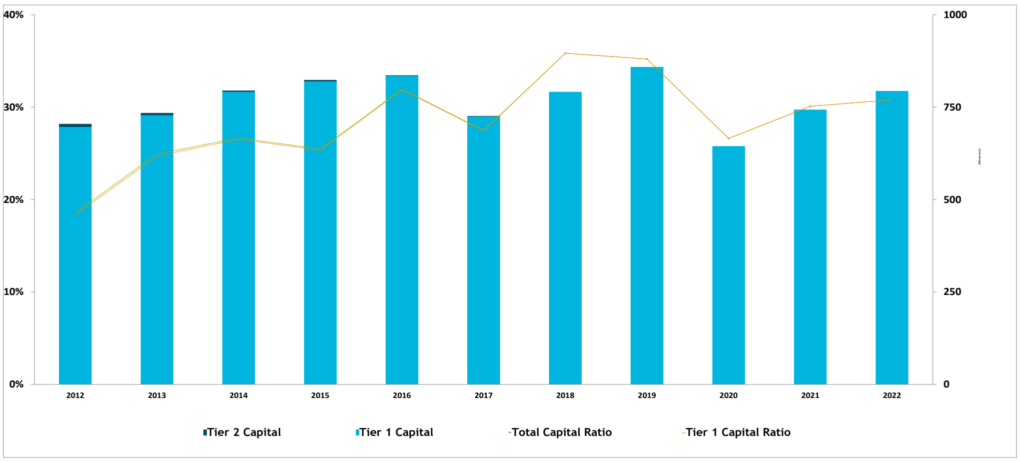
- Communicate and keep the Audit Committee informed of the results of all audit activities.
- Provide an independent and objective assessment of the company's corporate governance system, risks and controls.
- Analyse the reliability, effectiveness and integrity of the information and process management systems (audit of the technological environment and risk applications).
- Monitor compliance with the current regulations, including the requirements stipulated by the supervisor.
- Monitor second-level control units, including Standards Compliance, the Operational Risk Unit, Internal Control, Information Security and Technology Risk, the Financial Risk Division and the Cross-Cutting Coordination and Risks Unit.
- Analyse the accuracy and reliability of risk reports, computer and accounting records and financial reports.
- Analyse the accuracy and reliability of the company's systems used to assess capital needs in relation to its risk calculation.
- Verify the maintenance of risk levels within those approved by the company.
- Assess the effectiveness and efficiency of operations.
- Analyse the accuracy and validity of the different risk assessment models established in the company (credit, market, operational, etc.).
- Assess the accuracy and timely delivery of regulatory information (IACL, IRP, COREP, etc.).
- Verify the implementation of all the corrective measures recommended in the audit reports.
- Verify the proper safeguarding of the bank's assets.
- Carry out, at the proposal of senior management or the Audit Committee, consultancy work aimed at adding value and/or increasing the efficiency and effectiveness of operations.

Internal Audit publishes reports including an assessment of the work carried out in these fields, as well as recommendations they consider necessary to resolve any identified incidents and an expected resolution date. Similarly, Internal Audit carries out ongoing monitoring of the recommendations, with the aim of checking that they have been properly implemented.

3. Solvency Position

At the close of 2022, the solvency ratio[4] of Cecabank was 30.79%, fully comprising Common Equity Tier 1 capital (CET1 solvency ratio). The main factor that has affected the evolution of these ratios has been the amortisation of the intangible asset resulting from the acquisition of new businesses related to securities services, together with the policy of capitalisation of results applied in the company.

In this regard, a key factor for management is keeping a sound capital structure in terms of quantity and quality. As a result, and as reflected in the graph, in recent years, the Tier 1 capital base has been progressively strengthened through the capitalisation of profits which, together with upholding low risk levels, has enabled the company to maintain elevated capital ratios over time.



This comfortable solvency situation allows Cecabank to cover current and future capital requirements, and those deriving from additional risks considered when self-assessing capital, which are not included in Basel Pillar 1 requirements.

Furthermore, on 21 December 2022, the Bank of Spain informed Cecabank, S.A. that, in the supervisory review and assessment exercise, and in application of article 68.2.a) of Law 10/2014[5]required Cecabank to maintain a total capital ratio (or total SREP capital requirement (TSCR), as defined in article 1.2 of the EBA/GL/2014/13 Directives (SREP) individually at no less than 10.27% of the total amount of risk exposure. At the end of the financial year, the own funds classified as CET1 covered this requirement with an excess of 200%.

Cecabank is also subject to a “capital conservation buffer” of 2.5% of CET1. At the close of 2022, the exposures held by the bank barely entail any additional requirements for the "bank-specific countercyclical capital buffer", due to being 0.09% of total exposure. It is also subject to expectations of the additional capital guidance (Pillar 2 or P2G guidance). Taking into account the combined requirements of the buffer, the P2G and the Bank of Spain's decision on capital mentioned in the previous paragraph, the excess of capital, on top of the actual requirement, stands at around 141% at year-end.

The result of the internal evaluation of capital requirements is in agreement with the supervisor’s assessment and, as a result, the levels of coverage of these requirements are similar.

Further information on equity is included in Annex V.

[4] As in 2021, equity at year-end do not reflect the year's results that the Board of Directors agreed to withhold as reserves for an amount of €51.5 million.
[5] The requirements for 2022, in accordance with the Bank of Spain's capital decision letter, stood at 10.19%.

3.1 Eligible capital

The total eligible capital at 31 December 2022 stands at €793.7 million, all of which is Common Equity Tier 1 Capital.

The characteristics of the eligible capital and their composition are set out below.

3.1.1 Tier 1 capital

For the purposes of the calculation of minimum capital requirements, Tier 1 capital is understood as the elements defined as such, taking into consideration the corresponding deductions, in Part Two, Title I, Chapters 1, 2 and 3 of Regulation (EU) Nº 575/2013.

Common Equity Tier 1 capital components are characterised as equity that can be immediately used without restriction in order to cover risks or losses as soon as they occur, being recorded for their amount free of any foreseeable tax at the time of calculation.

The Common Equity Tier 1 capital of the bank at 31 December 2022 amounts to €793.7 million, predominantly consisting of paid-up equity instruments, the share issue premium and retained earnings. The amounts corresponding to intangible assets incorporated within equity have been deducted from this.

As in previous financial years, a reduction in Common Equity Tier 1 capital is carried out due to prudential filters - the result of the application of Commission Delegated Regulation (EU) 2016/101, of 26 October 2015, with regard to regulatory technical standards for prudent valuation. This completes Regulation (EU) no. 575/2013 and establishes requirements regarding prudent reductions of the value of positions on the investment portfolio, to a fair value. Cecabank calculated a reduction using a simple approach which as at 31 December 2022 resulted in a Tier 1 Capital reduction of €4 million.

Additionally, in 2020, Cecabank adhered to Regulation (EU) 2020/873 (COVID or "quick-fix" Regulation) which amends the CRR and CRRII with respect to Article 468, establishing a new transitional timetable to remove—from the calculation of eligible capital—the amount of accumulated unrealised gains and losses as of 31 December 2019, accounted for as "changes in fair value with impact on other comprehensive income" of sovereign debt instruments. The application of this prudential filter, which ceased to be in force at the end of 2022, had an equity-increasing effect in December 2022, as the cumulative amount over 2022 of the affected transactions results in unrealised losses of €27.9 million, which increase equity.

Annex V gives a breakdown of the eligible capital of Cecabank at 31 December 2022. The annex also includes a conciliation of the own fund items with the balance sheet in the audited financial statements.

3.1.2 Tier 2 Capital

Tier 2 capital is understood as the factors defined in Part Two, Title I, Chapter 4 of Regulation (EU) No. 575/2013, with the limits and deductions established in this chapter. These own funds, although they comply with the definition of equity established in the regulations in force, are characterised by having, in principle, greater volatility and a lower degree of permanence than those elements classified as Tier 1 capital. At 31 December 2022, the company holds no Tier 2 capital.

3.2 Minimum capital requirements

The Pillar 1 capital requirements of Cecabank at 2022 year-end amount to €206.2 million. The distribution by risk is as follows:

Item	2022	2021
Credit Risk requirements	**113,927**	**112,363**
Of which counterparty risk	22,311	26,433
Of which securitisation risk	3,486	4,099
Market Risk requirements	**35,898**	**36,006**
Of which position risk of the trading book fixed-income portfolio	32,471	32,136
Of which position risk of the trading book equity portfolio	1,390	2,468
Of which exchange rate risk	2,037	1,402
Operational Risk requirements	**46,596**	**40,874**
CVA requirements	**9,781**	**8,424**
Total Pillar 1 Requirements	**206,202**	**197,667**

Figures in thousands of euros

The eligible Common Equity Tier 1 own funds cover these Pillar 1 capital requirements with a surplus of 285% over the requirement itself.

3.2.1 Minimum capital requirements for credit risk and counterparty risk

The following table shows the amount of the minimum capital requirements for credit risk and counterparty risk at 31 December 2022. This also includes information on exposure, the effects of technical mitigation and risk-weighted assets.

Risk Category	Net Exposure*		Value of the Exposure **		RWAs***		Capital requirements
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA Density ****	
Central administrations or central banks	9,651,726	-	9,651,726	-	225,043	2%	18,003
Regional administrations and local authorities	551,874	-	551,874	-	-	0%	-
Public sector entities and other non-profit public institutions	59,754	401,657	59,754	200,331	29,151	11%	2,332
Institutions	1,677,080	49,532	1,418,755	10,876	437,767	31%	35,021
Corporates	588,904	73,726	588,904	36,081	535,075	86%	42,807
Retail	5,790	2,420	5,790	1,196	5,240	75%	419
Exposures secured by mortgages on immovable property	35,686	-	35,686	-	12,490	35%	999
Exposures in default	315	-	315	-	351	111%	28
Items associated with specially high risk	32,846	18,113	32,846	18,113	76,439	150%	6,115
Equity exposures	3,045	-	3,045	-	3,045	100%	244
Other exposures	244,591	-	244,591	-	55,911	23%	4,473
Securitisation exposures	30,111	-	30,111	-	43,571	145%	3,486
Total	**12,881,722**	**545,448**	**12,623,397**	**266,597**	**1,424,083**	**11%**	**113,927**

Figures in thousands of euros

* Net of corrections and provisions.

** Fully adjusted exposure value following application of credit-risk mitigation techniques and following the adjustment of exposure corresponding to conversion-factor memorandum account entries.

*** Risk-weighted assets.

**** Density of risk-weighted assets: RWAs / Value of exposure.

The distribution of the fully adjusted exposure according to the corresponding risk weight is shown in the following table:

Risk Category	Exposure classified by the applied risk weight, according to the degree of credit quality of each exposure										
	0%	2%	20%	35%	50%	75%	100%	150%	250%	Other	Total
Central administrations or central banks	9,498,122	-	-	-	76,060	-	4,565	-	72,979	-	9,651,726
Regional administrations and local authorities	551,874	-	-	-	-	-	-	-	-	-	551,874
Public sector entities and other non-profit public institutions	202,021	-	79	-	57,700	-	285	-	-	-	260,085
Institutions	-	129,534	769,213	-	499,100	-	31,784	-	-	-	1,429,631
Corporates	-	82,724	1,302	-	23,469	-	509,618	7,872	-	-	624,985
Retail	-	-	-	-	-	6,986	-	-	-	-	6,986
Exposures secured by mortgages on immovable property	-	-	-	35,686	-	-	-	-	-	-	35,686
Exposures in default	-	-	-	-	-	-	243	72	-	-	315
Items associated with specially high risk	-	-	-	-	-	-	-	50,959	-	-	50,959
Equity exposures	-	-	-	-	-	-	3,045	-	-	-	3,045
Other exposures	176,775	3,000	-	-	-	-	54,466	-	-	10,350	244,591
Securitisation exposures	-	-	-	-	-	-	-	-	-	30,111	30,111
Total	**10,428,792**	**215,258**	**770,594**	**35,686**	**656,329**	**6,986**	**604,006**	**58,903**	**72,979**	**40,461**	**12,889,994**

Figures in thousands of euros

The comparison of risk-weighted assets and consumption by credit risk and counterparty risk with respect to the previous year are shown below:

Risk Category	2022		2021	
	RWAs	Capital requirements	RWAs	Capital requirements
Central administrations or central banks	225,043	18,003	164,187	13,135
Regional administrations and local authorities	-	-	-	-
Public sector entities and other non-profit public institutions	29,151	2,332	24,385	1,951
Institutions	437,767	35,021	519,800	41,584
Corporates	535,075	42,807	565,298	45,224
Retail	5,240	419	6,234	499
Exposures secured by mortgages on immovable property	12,490	999	13,691	1,095
Exposures in default	351	28	407	33
Items associated with specially high risk	76,439	6,115	-	-
Equity exposures	3,045	244	3,314	265
Other exposures	55,911	4,473	55,978	4,478
Securitisation exposures	43,571	3,486	51,243	4,099
Total	**1,424,083**	**113,927**	**1,404,537**	**112,363**

Figures in thousands of euros

3.2.2 Capital requirements for trading book price risk

The table below shows the requirements for price risk of positions held in the company's trading book at 31 December 2022, based on the method applied in its calculation:

Method applied	Capital requirement
Position risk of debt instruments in the trading book calculated in accordance with the terms of Part Three, Title IV, Chapter 2, Section 2 of Regulation (EU) No. 575/2013	32,471
- General risk (*)	21,844
- Specific risk:	10,627
Position risk in equity instruments calculated in accordance with Part Three, Title IV, Chapter 2, Section 3 of Regulation (EU) No. 575/2013	1,390
Total capital requirements for trading book price risk	**33,861**

Figures in thousands of euros

(*) Calculated by applying the "maturity-based" method.

3.2.3 Minimum capital requirements for exchange rate risk and gold position risk

The table below shows the amount of the company's capital requirements at 31 December 2022 for exchange rate risk and gold position risk. The calculation was performed in accordance with the standard method, as defined in Part Three, Title IV, Chapter 3 of Regulation (EU) no. 575/2013.

Capital requirements for exchange rate risk and gold position risk	2,037

Figures in thousands of euros

3.2.4 Capital requirements for operational risk

The table below shows the amount of capital requirements for operational risk at 31 December 2022. The calculation was performed with the standard method, as defined in Part Three, Title III, Chapter 3 of Regulation (EU) No. 575/2013.

Equity requirements for operational risk and amounts of risk weighted exposures

	Banking activities	a	b	C	d	e
		Relevant indicator			Capital requirements	Amount of risk exposure
		Year-3	Year-2	Last year		
1	Banking activities subject to the basic indicator approach	-	-	-	-	-
2	Banking activities subject to the standardised approach or the alternative standardised approach	251,086	312,696	321,573	46,596	582,450
3	All portfolios subject to the standardised approach:	251,086	312,696	321,573	46,596	582,450
4	Subject to the alternative standardised approach:	-	-	-	-	-
5	Banking activities subject to advanced calculation approaches	-	-	-	-	-

Figures in thousands of euros

3.2.5 Procedures applied in order to assess internal capital adequacy

The Cecabank Group has implemented an internal assessment process which comprises a quantitative and qualitative assessment of its internal governance structure, its systems of identification, measurement and aggregation of risks incurred in the pursuit of its activities and the control environment. The fundamental aim of this review is to assess the adequacy of the available capital, taking into consideration the control framework and risk management, the economic environment and its strategic business plan.

The procedure also serves to ensure that risks lie within the limits which the Board and senior management establish in order to define the risk profile.

This procedure is aligned with the "Guidelines on Internal Capital Adequacy Assessment Process" (hereinafter ICAAP Guidelines) published by the Bank of Spain, providing the basis for drafting the "Internal Capital and Liquidity Assessment Report" (hereinafter, the ICLAR), which is presented each year to the supervisory authority.

For the purposes of this Report, it was decided to generally employ the simplified options proposed by the supervisor in the aforementioned ICAAP Guidelines, which generate prudent additional capital requirements and facilitate the supervisory review process. Nonetheless, the company has complemented those additional needs for the case of operational risk and concentration risk. In such cases, the application of a more rigorous model that is aligned with the business of the company produces more demanding capital needs than those defined by the supervisor.

Following this process of internal analysis, the conclusion reached regarding all the risks is that the company maintains low levels of risk, for which it has ample capital coverage. Throughout this document and in Annex I there is information about the aforementioned risk profile and control and management framework.

The outcome of the capital needs and the stress exercises incorporated to the capital self-assessment process anticipates the previously described situation, in which the quality and quantity of capital available will have appropriate margins in order to be able to guarantee that current or future capital requirements will be maintained in the future.

4. Information on credit risk and dilution risk

4.1 Credit risk exposure as at 31 December 2022

As of 31 December 2022, the value of the company's exposures and its annual average credit risk, following the adjustments indicated in Part Three, Title II, Chapter 1 of Regulation (EU) No. 575/2013, of the corresponding impairment value corrections of assets[6], as applicable, of the effects of credit risk mitigation techniques and the application of conversion factors for the entries included in memorandum accounts is presented below, disclosed by risk category:

Risk Category	31 December 2022	2022 Annual Average	2021 Annual Average
Central administrations or central banks	9,651,726	9,383,050	11,460,197
Regional administrations and local authorities	551,874	655,083	802,182
Public sector entities and other non-profit public institutions	260,085	249,637	247,746
Institutions	1,429,631	1,621,904	1,686,806
Corporates	624,985	661,732	630,332
Retail	6,986	7,605	8,038
Exposures secured by mortgages on immovable property	35,686	37,986	39,084
Exposures in default	315	367	699
Items associated with specially high risk	50,959	29,167	-
Exposure to institutions and corporates with a short-term credit assessment	-	2	-
Covered bonds	-	-	38
Equity exposures	3,045	3,111	3,321
Other exposures	244,591	264,581	217,291
Securitisation exposures	30,111	34,706	44,191
Total	**12,889,994**	**12,948,931**	**15,139,925**

Figures in thousands of euros

4.2 Geographical and counterparty distribution of exposures

The following table gives an overview of the exposures defined in the above subsection, with a breakdown by geographical area:

Geographic region	Amount the exposure
Spain	10,963,280
Other countries in the EU	630,045
Other	1,296,669
Exposure as at 31 December 2022	**12,889,994**

Figures in thousands of euros

4.3 Residual maturity of the exposures

The following table sets out the distribution by residual maturity term of the exposures referred to in section 4.1:

Risk Category	Residual maturity as at 31 December 2022				
	On demand	Up to 3 months	Between 3 months and a year	Between 1 and 5 years	More than 5 years
Central administrations or central banks	7,586,268	22,965	397,676	906,307	738,510
Regional administrations and local authorities	30,649	17,413	79,807	300,354	123,651
Public sector entities and other non-profit public institutions	36,481	-	200,000	23,319	285
Institutions	736,976	6,469	3,181	143,436	539,569

[6] Annex II of this report includes the definition of "delinquency" and "impaired positions" that are used in different sections of this report, as well as the definition of the methods used in the determination of provisions for deterioration of the credit risk.

Corporates	145,418	10,997	9,392	192,843	266,335
Retail	1,334	1	130	925	4,596
Exposures secured by mortgages on immovable property	-	-	26	1,012	34,648
Exposures in default	10	-	-	72	233
Items associated with specially high risk	3,325	5,502	32,047	-	10,085
Equity exposures	3,045	-	-	-	-
Other exposures	244,591	-	-	-	-
Securitisation exposures	-	1,538	-	4,730	23,843
Exposure as at 31 December 2022	**8,788,097**	**64,885**	**722,259**	**1,572,998**	**1,741,755**

Figures in thousands of euros

4.4 Counterparty credit risk

Counterparty credit risk is understood as the credit risk arising from derivatives, repurchase operations, securities or commodities lending, margin lending transactions or long settlement transactions carried out by the company.

The details of the exposure to counterparty credit risk through derivative and securities financing operations at 31 December 2022, are set out below:

	Notional Amount	Current market value (CMV), positive	Current market value (CMV), negative	Exposure value
Original exposure method (for derivatives)	-	-	-	-
Simplified SA-CCR (for derivatives)	-	-	-	-
SA-CCR (for derivatives)	25,445,695	835,048	673,486	326,986
Simple method for financial collateral (for SFT)	-	-	-	-
Comprehensive method for financial collateral (for SFT)	1,395,329	1,166,294	-	270,138
Total	**26,841,024**	**2,001,342**	**673,486**	**597,124**

Figures in thousands of euros

Cecabank calculates the exposure of derivatives under the SA-CCR methodology, which is the standard method for calculating counterparty risk requirements for this type of product.

This methodology refines the sensitivity to the assumed risk by focusing on two aspects:

- Differential treatment of collateral replenishment agreements (collateralized positions through margin replacement agreements).
- Treatment of the potential future exposure that is more sensitive to the risk actually assumed, depending on the type of derivative.

When the operations are carried out under contractual clearing and financial collateral framework agreements, the company incorporates the variation margin or collateral in the exposure calculation, the purpose of which is to protect counterparties against exposures related to the current market value of outstanding derivative contracts.

In addition, from 1 September 2022 and as a phase 6 institution, it calculates initial margin or collateral to protect counterparties against changes in the market value of the derivative position that occur between the last exchange of variation margin prior to the default of a counterparty and the time at which the derivative contracts are replaced or the corresponding risk is hedged.

To calculate the initial margin, the company has adopted the ISDA/SIMM approved model.

At year-end, there were no counterparties to which Cecabank had to contribute or from which it had to receive initial margin, so the impact on counterparty risk exposure from the consideration of this margin was zero.

4.4.1 Credit derivatives

At the end of 2022, the company completed two CDS (Credit Default Swap) protection sales, one for a nominal value of €25 million and the other for €15 million. In addition, the company completed two Itraxx credit index purchase transactions for €25 million each and a sale of the same index for €25 million. All these derivatives are offset through a central counterparty clearing house.

4.4.2 Impact in collateral in the case of a reduction in the company's credit rating

The impact is extremely low in view of the fact that practically all the collateral agreements currently in force do not have an agency rating as a factor that conditions its elements. Of the five contracts that have the Minimum Transfer Amount linked to the rating, three would be amended in the event the bank is at levels Baa1/BBB+ or lower, and two if the investment grade is lost. The impact on liquidity would not be considered relevant in any of these cases.

4.5 Concentration risk

Cecabank's activity as a wholesale bank means the management of risks associated with concentration is particularly relevant. At year-end 2022, there were no exposures above the large exposures threshold. Furthermore, the 10 greatest exposures, without taking into account public debt and other exposures not included in the large exposure calculation, according to solvency standards, represent around 32.55% of the total.

This exposure corresponds to some of the main national and international banking groups and a large Spanish portfolio corporation. The distribution according to credit agency ratings is presented below:

Level	Rating	% 2022
1 and 2	AAA/AA/A	32.1%
3	BBB	42.6%
Lower than 3	BB-B	4.1%
Not rated	-	21.3%
Total		**100.0%**

Cecabank's level of specialisation can be seen at both sectoral and geographical levels. In terms of the relevant exposure for the purpose of determining large risks, financial institutions accounted for 58.7% and those located in the Eurozone, including Spain, stood at 76.5%.

In the assessment of the degree of sector concentration the exposure is considered to be maintained within a highly regulated and supervised sector. This aspect is explained as the level of sectoral specialisation. Irrespective of this, and as shown in section 3.2.5, the company applies prudent criteria to cover these risks under the Pillar 2 framework, with the appropriate levels of capital.

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4.6 Impaired exposures

Exposures impaired by counterparty

The following table shows the value of impaired exposures at 31 December 2022, with a breakdown by counterparty type, together with the coverage for credit-risk losses due to insolvency and country risk established at year end, and the amount of provisions accounted for, in net terms, in the 2022 financial year:

Counterparty	Original Impaired Losses	Coverage for non-performing assets	Provisions for the year to cover non-performing assets
Institutions	41	32	- 72
Companies (*)	-	-	-
Retail	378	76	- 24
Securitisation exposures	-	-	-
Amounts as at 31 December 2022	**419**	**108**	**- 96**

Figures in thousands of euros

(*) "Financial assets not held for trading at fair value through profit or loss" has been included as a non-performing exposure.

Impaired exposures by geographical area

The following table indicates the above exposures depending on their location:

Counterparty	Original Impaired Losses	Coverage for non-performing assets	Provisions for the year to cover non-performing assets
Spain (*)	403	101	- 24
Other countries in the EU	-	-	-
Other	16	7	- 72
Amounts as at 31 December 2022	**419**	**108**	**- 96**

Figures in thousands of euros

(*) "Financial assets not held for trading at fair value through profit or loss" has been included as a non-performing exposure.

At 31 December 2022, the value of non-performing exposures, net of provisions, stands at €311 thousand.

Credit quality of restructured or refinanced exposures

As of 31 December 2022, the company had the following restructured or refinanced operations:

CQ1 - Credit quality of restructured or refinanced exposures									
		a	b	c	d	e	f	g	h
		Gross carrying amount/Nominal amount of restructured and refinanced exposures				Accumulated impairment, accumulated changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on restructured or refinanced exposures	
		Restructured or refinanced performing	Restructured or refinanced non-performing			On performing forborne exposures	On non-performing restructuring or refinanced exposures		Of which: collateral and financial guarantees received on non-performing restructured or refinanced exposures
				Of which: with non-payment	Of which: whose value has deteriorated				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances		289	289	289		- 57	232	232
020	*Central banks*	-	-	-	-	-	-	-	-
030	*Public administrations*	-	-	-	-	-	-	-	-

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040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial companies*	-	-	-	-	-	-	-	-
060	*Non-financial companies*	-	-	-	-	-	-	-	-
070	*Households*	-	289	289	289	-	- 57	232	232
080	**Debt securities**	-	-	-	-	-	-	-	-
090	**Loan commitments given**	-	-	-	-	-	-	-	-
100	***Total***	**-**	**289**	**289**	**289**	**-**	**- 57**	**232**	**232**

Figures in thousands of euros

Credit quality of performing and non-performing exposures according to the number of days elapsed since maturity

The table represents the gross book value of the exposures broken down by maturity and product tranches:

CQ3 - Credit quality of performing and non-performing exposures for days elapsed since maturity

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: with non-payment
005	Cash balances at central banks and other demand deposits	7,677,224	7,677,224	-	16	16	-	-	-	-	-	-	16
010	Loans and advances	2,234,909	2,234,792	116	403	4	-	3	2	293	77	25	403
020	Central banks	1	1	-	-	-	-	-	-	-	-	-	-
030	Public administrations	532,623	532,623	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	1,352,991	1,352,991	-	25	-	-	-	-	-	-	25	25
050	Other financial companies	305,651	305,651	-	-	-	-	-	-	-	-	-	-
060	Non-financial companies	2,166	2,166	-	-	-	-	-	-	-	-	-	-
070	Of which: SMEs	1,706	1,706	-	-	-	-	-	-	-	-	-	-
080	Households	41,477	41,360	116	378	4	-	3	2	293	77	-	378
090	Debt securities	2,917,067	2,917,067	-	-	-	-	-	-	-	-	-	-
100	Central banks	115,616	115,616	-	-	-	-	-	-	-	-	-	-
110	Public administrations	2,096,460	2,096,460	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	220,810	220,810	-	-	-	-	-	-	-	-	-	-
130	Other financial companies	135,849	135,849	-	-	-	-	-	-	-	-	-	-
140	Non-financial companies	348,332	348,332	-	-	-	-	-	-	-	-	-	-

150	**Off-balance-sheet exposures**	**678,211**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
170	Public administrations	401,657	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	169,567	-	-	-	-	-	-	-	-	-	-	-
190	Other financial companies	30,897	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial companies	73,670.00	-	-	-	-	-	-	-	-	-	-	-
210	Households	2,420	-	-	-	-	-	-	-	-	-	-	-
220	**Total**	**13,507,411**	**12,829,083**	**116**	**419**	**20**	**-**	**3**	**2**	**293**	**77**	**25**	**419**

Figures in thousands of euros

Of the total number of non-performing exposures, 95% have been due for more than a year, while 5% have been due for less than 90 days.

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Performing and non-performing exposures and related provisions

CR1 - Performing and non-performing exposures and related provisions		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying / nominal amount						Accumulated impairment, accumulated changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures: accumulated impairment loss and provisions			Non-performing exposures - Accumulated impairment, accumulated changes in fair value due to credit risk and provisions				On performing exposures	Non-performing exposures
			Of which: phase 1	Of which: phase 2		Of which: phase 2	Of which: phase 3		Of which: phase 1	Of which: phase 2		Of which: phase 2	Of which: phase 3			
005	**Cash balances at central banks and other demand deposits**	**7,677,224**	**7,677,224**	-	**16**	-	**16**	**- 81**	**- 81**	-	**- 7**	-	**- 7**	-	-	-
010	**Loans and advances**	**2,234,909**	**2,234,792**	**116**	**403**	-	**403**	**- 355**	**- 355**	-	**- 101**	-	**- 101**	-	**704,254**	**301**
020	Central banks	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
030	Public Administrations	532,623	532,623	-	-	-	-	-	-	-	-	-	-	-	50,000	-
040	Credit institutions	1,352,991	1,352,991	-	25	-	25	-	-	-	- 25	-	- 25	-	605,828	-
050	Other financial companies	305,651	305,651	-	-	-	-	- 249	- 249	-	-	-	-	-	11,549	-
060	Non-financial companies	2,166	2,166	-	-	-	-	- 14	- 14	-	-	-	-	-	-	-
070	of which SMEs	1,706	1,706	-	-	-	-	- 12	- 12	-	-	-	-	-	-	-
080	Households	41,477	41,360	116	378	-	378	- 92	- 92	-	- 76	-	- 76	-	36,877	301
090	**Debt securities**	**2,917,067**	**2,896,163**	**11,769**	-	-	-	**- 5,162**	**- 2,494**	**- 2,668**	-	-	-	-	**23,072**	-
100	Central banks	115,616	115,616	-	-	-	-	-	-	-	-	-	-	-	-	-
110	Public Administrations	2,096,460	2,096,460	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	220,810	220,810	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial companies	135,849	125,012	1,702	-	-	-	- 969	- 750	- 219	-	-	-	-	-	-
140	Non-financial companies	348,332	338,265	10,067	-	-	-	- 4,193	- 1,744	- 2,449	-	-	-	-	23,072	-
150	**Off-balance-sheet exposures**	**678,211**	**678,211**	-	-	-	-	**- 414**	**- 414**	-	-	-	-	-	**150,019**	-
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	Public Administrations	401,657	401,657	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	169,567	169,567	-	-	-	-	-	-	-	-	-	-	-	144,952	-
190	Other financial companies	30,897	30,897	-	-	-	-	- 146	- 146	-	-	-	-	-	-	-
200	Non-financial companies	73,670	73,670	-	-	-	-	- 246	- 246	-	-	-	-	-	5,067	-
210	Households	2,420	2,420	-	-	-	-	- 22	- 22	-	-	-	-	-	-	-
220	**Total**	**13,507,411**	**13,495,525**	**11,885**	**419**	-	**419**	**- 6,012**	**- 3,344**	**- 2,668**	**- 108**	-	**- 108**	-	**877,345**	**301**

Figures in thousands of euros

Of the total exposures at the close of 2022, non-performing exposures represent 0.003%.

Collateral obtained through takeover and enforcement processes

During 2022, no collateral was obtained through takeover or enforcement processes.

4.7 Changes during the 2022 financial year in losses through credit risk impairment and provisions for risks and contingent commitments for credit risk and country risk

The changes during the 2022 financial year in coverage of losses from credit risk due to insolvency and country risk comply with the terms of Regulation (EU) no. 575/2013, both in the type of coverage and the methodology applied to the calculation thereof (see Annex II).

The detail of the changes in non-performing assets in 2022 is as follows:

Coverage of non-performing assets	
Balance at 31 December 2021	204
Provisions charged to income statement	16
Recovery credited to results	- 107
Effect of the differences in foreign currency exchange	- 5
Balance at 31 December 2022	**108**

Figures in thousands of euros

With regard to coverage of standard risk and risk under special monitoring, the summary of changes in 2022 is shown in the following table:

Coverage of standard risk and risk under special monitoring	
Balance at 31 December 2021	5,078
Provisions charged to income statement	1,321
Recovery credited to results	- 379
Uses	-
Effect of the differences in foreign currency exchange	- 8
Balance at 31 December 2022	**6,012**

Figures in thousands of euros

4.8 Credit rating agencies used

Cecabank uses Moody's and S&P as credit ratings agencies when determining the risk weights applicable to its exposures. These ratings agencies are used consistently and on a long-term basis for all the assets for which they are available, including securitisation exposure. Given the wholesale nature of the company's activity, these ratings are usually available for assets from the various categories, except for those related to individuals.

4.8.1 General description of the process of assigning public security issue credit ratings to comparable assets

When there is a credit rating for a particular issue programme or for an exposure to which the element comprising the risk belongs, this rating is used in order to establish the risk weight applicable to that element.

In cases in which there is no credit rating directly applicable to a specific exposure, but there is a general credit rating for the issuer, the latter is used, in accordance with the ratings assignment criteria described in the solvency regulations.

The credit ratings corresponding to the issuers of a particular economic group are not used to classify the credits of other issuers of the same group. Likewise, short-term credit ratings are applied only to those exposures which may be considered to be short-term and are not extended to other entries.

In cases in which the external credit rating corresponds to an exposure in the local currency of a debtor, this will not be used to determine the risk weight of another exposure of the same debtor in foreign currency.

4.8.2 Risk-weighted exposure determined by the risk assessment of external rating agencies

The following table shows all risk-weighted exposures for various categories of credit risk, separating weighted exposure based on the credit rating awarded by an ECAI, from those whose credit rating comes from a central administration:

Risk Category	Risk-weighted exposure		
	Total	Of which: with credit rating awarded by an ECAI	Of which: with credit rating from central administrations
Central administrations or central banks	225,043	-	38,030
Regional administrations and local authorities	-	-	-
Public sector entities and other non-profit public institutions	29,151	11,659	17,476
Institutions	437,767	348,862	62,810
Corporates	535,075	350,508	-
Retail	5,240	5	-
Exposures secured by mortgages on immovable property	12,490	39	-
Exposures in default	351	-	9
Items associated with specially high risk	76,439	-	-
Equity exposures	3,045	-	-
Other exposures	55,911	-	-
Securitisation exposures	43,571	43,571	-
Total	**1,424,083**	**754,644**	**118,325**

Figures in thousands of euros

4.9 Securitisation transactions

The following breakdown shows the securitisation positions held on 31st December 2022, classified by the risk-weighting bands to which they are assigned:

				Weight				
	Original exposure	Original net*	Value of the Exposure **	Level 3	Level 4	Level 7	Level 11	Risk-weighted exposure
On-balance-sheet items	30,111	30,111	30,111	1,538	4,730	22,141	1,702	43,571
Derivatives and off-balance-sheet items	-	-	-	-	-	-	-	-
Total investor position exposure	**30,111**	**30,111**	**30,111**	**1,538**	**4,730**	**22,141**	**1,702**	**43,571**

Figures in thousands of euros

** Net corrections and provisions.*

*** Fully adjusted exposure value following application of credit-risk mitigation techniques and following distribution of the fully adjusted value corresponding to conversion-factor memorandum account entries.*

On 31 December 2022, all Cecabank's securitisation operations correspond to investment positions and are traditional securitisations (no re-securitisations or synthetic securitisations).

Cecabank has no share in securitisation programmes other than in its own position as an investor. This includes, in addition to investment in securitisation bonds, acting as a counterparty in interest rate swap contracts.

These positions are incorporated in the usual monitoring channels corresponding to the portfolios in which they are held. As well as the information published by external credit ratings agencies, monitoring of the behaviour of underlying assets and the structure of securitisation funds is carried out based on available public information, and market prices of positions are followed.

4.10 Credit-risk mitigation techniques

Cecabank requires compliance with the following requirements using any of the recognised credit-risk mitigation techniques:

- Ensuring there is always the option to legally enforce the settlement of guarantees.
- Checking that there is never any significant positive correlation between the counterparty and the value of collateral.
- Requiring the proper documentation of guarantees.
- Undertaking the regular monitoring and control of the mitigation techniques used.

Cecabank acknowledges the following credit risk mitigation techniques.

Contractual netting agreements

Contractual netting agreements (ISDA and CMOF – Spanish Financial Transactions Framework Agreement) are employed as a credit-risk mitigation technique. Furthermore, in order to reduce credit risk, CSA and CTA Annexes are signed for ISDA contracts and Annexes III and V for the CMOF agreement for the collateralisation of the risk in these types of operations.

The Global Master Repurchase Agreement (GMRA) is also used as a credit-risk mitigation technique for repo-style operations, and securities lending agreements (EMA and GMSLA).

These agreements are specified in further detail in Annex I: Risk Management and Control Policies and Objectives. Section 1: Credit Risk.

Collateral

Collateral refers to assets that remain subject to the guaranteed obligation.

At Cecabank collateral assets are basically cash in euros and Spanish public debt securities. In the case of collateral that is a financial asset, the potential volatility of the value of the securities is taken into account, in line with provisions in current solvency regulations.

A particularly important case of financial collateral is the collateral (usually cash) linked with OTC derivatives, repos, or sell/buy-backs, and securities lending subject to contractual netting and financial guarantee contracts, mentioned in the previous section.

Personal guarantees and credit derivatives

These types of guarantees correspond to a third party's obligation to pay an amount in the event of a borrower's non-payment or when other specific events occur. An example of such types of guarantees are bonds and warranties.

In terms of their capacity to mitigate credit risk, only those guarantees provided by third parties that meet the minimum requirements established by the current solvency regulations will be recognised.

The purchase and sale of protection through credit derivatives, generally Credit Default Swaps (CDS) and ITRAXX Credit Indices, as well as Total Return Swaps, are carried out with Central Counterparty Clearing Houses indirectly through a clearing member (top tier credit institutions) and/or bilaterally with financial institutions (also top tier).

The following details indicate the distribution of credit risk exposure on 31 December 2022, disclosed in accordance with the application or otherwise of credit risk reduction techniques and, where applicable, the mitigation technique applied (the exposure data refer to exposures prior to application of the risk mitigation applied):

Exposure type	Value of the original exposure
A) Exposures to which no credit-risk mitigation technique is applied	11,948,037
B) Exposures to which a credit-risk mitigation technique is applied	941,957
- Netting agreements for off-balance sheet transactions	-
- Netting master agreements regarding operations with a repurchase commitment, securities or commodities lending operations or other operations tied to the capital market	597,125
- Collateral	271,867
- Other collateral	-
- Hedging based on personal guarantees	72,965
- Hedging through credit derivatives	-

Figures in thousands of euros

Central Clearing Houses and Organised Markets

In an effort to reduce the credit risk and as required by regulations, the company settles and clears standardised OTC derivatives in central counterparty clearing houses. It also clears and settles part of its operations with a repurchase agreement in clearing houses.

In the case of standardised OTC derivatives operations (including credit derivatives), access to central counterparty entities are carried out indirectly through a clearing member. On the contrary, for operations with a repurchase agreement, the company accesses directly, as it is a clearing member in various houses.

With regard to organised and equity markets, the company carries out operations directly with central counterparty clearing houses on national markets and indirectly in international markets through a clearing member.

4.11 Encumbered assets

Assets which, as at 31 December 2022, are committed (contributed as collateral or guarantee against certain liabilities) and any unencumbered assets are detailed below:

	Encumbered assets			
	Book value of encumbered assets	Fair value of the encumbered assets	Book value of unencumbered assets	Fair value of the unencumbered assets
Assets of the declaring bank	**997,299**	**718,122**	**13,416,348**	**2,342,100**
Loans on demand	-	-	7,677,151	-
Equity instruments	2,262	2,262	108,528	143,991
Debt securities	723,489	715,860	2,236,515	2,198,109
Loans and advances other than loans on demand	271,548	-	1,963,308	-
Other assets	-	-	1,430,846	-

Figures in thousands of euros

Encumbered assets mostly correspond to collateral pledged to guarantee derivatives operations, and debt securities that are handed over in reverse repurchase agreement operations.

Outlined below are the guarantees received which are used in collateral taken for derivatives operations and in guarantees taken from reverse purchase lending operations and securities lending:

Exposure type	Fair value of collateral received or of own encumbered debt securities issued	Fair value of collateral received or of own debt securities issued available for encumbrance
Collateral received by the declaring bank	**205,211**	**1,119,145**
Equity instruments	-	11,195
Debt securities	205,211	740,406
Other collateral received	-	367,544
Own debt securities issued other than covered bonds or securitisation bonds for own assets	-	-

Figures in thousands of euros

Guarantees received in the form of the reverse repurchase lending operations or securities lending are committed through their use in reverse repurchase agreement operations, as is the case with debt securities.

At 31 December 2022, the total financial liabilities associated with different assets/guarantees committed in financial operations is shown below:

Exposure type	Corresponding liabilities, contingent liabilities, or securities loaned	Assets, collateral received, and own debt securities issued other than secured bonds and securitisation bonds for encumbered assets
Book value of selected financial liabilities	837,195	1,003,226
Other sources of encumbrance	136,611	136,655
Total Sources of Encumbrance	**973,806**	**1,139,881**

Figures in thousands of euros

5. Market risk in the trading book

For the purposes of calculating the capital requirements associated with the trading book, it should be indicated that the company classifies as such any positions in financial instruments and commodities which are held with the trading intent, in other words, the portfolio of financial assets held for trading ("trading intent" being understood as holding positions for the purpose of disposing of them in the short term or benefiting in the short term from real or expected differences between the purchase price and the sale price, or variations in other prices or interest rates), or which are measured at fair value through profit or loss (portfolio of financial assets not held for trading at fair value through profit or loss). Lastly, the trading book includes positions that provide coverage to the elements of this portfolio.

The company uses an internal model for managing and controlling market risk. A description of the risk management and control model can be found in point 2 of Annex I.

The details of financial assets included in the trading book are set out below as defined previously, classified by accounting portfolio and type of instrument at 31 December 2022.

Financial assets for trading	
Held-for-trading financial assets	**857,046**
Derivatives	447,469
Equity instruments	102,253
Debt securities	307,324
Financial assets not held for trading at fair value through profit or loss	**14,939**
Equity instruments	5,804
Debt securities	9,135
Loans and advances	-
Total financial assets in the trading book	**871,985**

Figures in thousands of euros

The following table shows the amount of the capital requirements associated with the trading portfolio on 31st December 2022:

Capital requirements in the trading book	
Position risk requirements	33,861
Counterparty credit risk requirements	10,984
Total capital requirements	**44,845**

Figures in thousands of euros

Details of capital requirements for position risk, according to the instrument, are as follows:

Position risk requirements	
Requirements for position risk in equity instruments	**1,390**
General Risk	761
Specific Risk	629
Requirements for position risk in fixed-income instruments	**32,471**
General Risk	21,844
Specific Risk	10,627
Capital requirements for securitisation instruments	147
Total capital requirements	**33,861**

Figures in thousands of euros

As mentioned previously, within the positions of the trading book fixed-income portfolio, there are securitisation positions with capital consumption requirements of €147 thousand.

6. Equity instruments not included in the trading book

Equity instruments not included in the trading book include participations in the permanent portfolio ("strategic investments") which have been held at fair value through changes in other comprehensive income. Notes 2 and 7 of the 2022 Individual Report include a description of the accounting portfolios into which these equity investments and instruments owned by the bank are classified, together with the accounting criteria for the registration and measurement applied to each of them. These notes also indicate the models and assumptions applied for determination of the value of instruments included in this portfolio.

The permanent portfolio is made up of the holdings in other entities in which, to a greater or lesser extent, are involved in the administration and decision-making processes. The holdings in this portfolio, in addition to maintaining a permanent relationship with its shareholders, aim to achieve the purposes that are part of the company's strategy and objectives. At 31 December 2022, strategic investments totalled €2,733 thousand euros.

The following table shows a breakdown of these exposures:

	Amount the exposure
Equity instruments listed on organised markets	-
Equity instruments not listed on organised markets	2,733
Total	**2,733**

Figures in thousands of euros

Gains, net of the tax impact, without impairment, at 31 December 2022 and associated with the various investments in equity instruments included in the trading book and those which are consolidated amounted to €1,515 thousand.

The cost of exposures and their unrealised capital gains and losses are as follows:

	Amount the exposure	Cost	Unrealised capital losses	Unrealised capital gains[7]
Equity instruments listed on organised markets	-	-	-	-
Equity instruments not listed on organised markets	2,733	569	-	2,164
Total	**2,733**	**569**	**-**	**2,164**

Figures in thousands of euros

The following is a breakdown of exposures based on the issuer's sector:

Classification by issuer	
Credit institutions	-
Other financial companies	1,382
Non-financial companies	1,351
Total	**2,733**

Figures in thousands of euros

[7] The amount corresponds to the unrealised capital gains in the portfolio, which include €122,153.08 corresponding to outstanding payments, and are therefore not included in equity.

7. Information on Operational Risk

Calculation of the Pillar 1 Regulatory Capital for operational risk is performed by applying the percentages established in the standard method to the relevant revenue. The procedure includes the following aspects:

- Determination of relevant revenue.
- Assignment of relevant revenue to business lines.
- Application of weight to the business lines.
- Calculation of capital consumption.

The following table indicates the capital consumptions at the close of 2022 for each business line:

Line of business	Weight	Requirements
Trading and sales	18%	9,566
Commercial banking	15%	13,011
Retail banking	12%	35
Asset management	12%	-
Payment and settlement	18%	4,263
Agency services	15%	19,528
Retail brokerage	12%	-
Business funding	18%	193
Total		46,596

Figures in thousands of euros

Additionally, as mentioned in section 3.2.5, the company applies a more stringent methodology than that required by regulations, under the Pillar 2 framework.

8. Interest rate risk in positions not included in the trading book

Interest rate risk is the risk affecting or potentially affecting results or capital as a result of adverse changes in interest rates in the trading book. The measurement and analysis of this risk is performed by taking into consideration the following aspects in accordance with the premises described below:

- It is conducted on a regular basis.
- An analysis is performed of the effects on the Net Interest Margin and Economic Value which could result from variations in interest rates in the various currencies in which significant exposures are maintained.
- The analysis includes all positions that are sensitive to interest rate risk, including interest rate derivatives, both implicit and explicit, and excluding positions that form a part of the trading book.

Based on these analyses, measures are adopted as required in order to guarantee the optimal management of this risk.

Gap analysis indicates the exposure to interest rate risk on the basis of the maturity structure and/or repricing of positions. This analysis enables the distribution of interest risk along different terms, and also aims to ascertain where potential impacts may affect the financial margin and equity. Management data at 2022 year-end are set out in the following table:

	0<=1M	1<=2M	2<=3M	3<=4M	4<=5M	5<=6M	6<=12M	1<=2Y	2<=5Y	5<=10Y	10<=20Y	20<=30Y
ASSETS	11,662	27	77	444	27	52	82	312	1,124	1,184	-	3
1. Cash and balances with central banks	**7,862**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Available-for-sale financial assets	**474**	**21**	**56**	**425**	**-**	**-**	**-**	**186**	**722**	**1,092**	**-**	**-**
2.1 Debt securities	474	21	56	425	-	-	-	186	722	1,092	-	-
2.2 Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Loans and receivables	**1,423**	**6**	**11**	**9**	**27**	**52**	**82**	**94**	**202**	**46**	**-**	**-**
3.1 Debt securities	95	1	9	-	3	49	78	94	202	46	-	-
3.2 Customer credit	20	5	3	2	20	2	4	-	-	-	-	-
3.3 Credit institution deposits	1,308	-	-	7	4	1	-	-	-	-	-	-
4. Amortised cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32**	**200**	**46**	**-**	**-**
5. Hedging derivatives	**1,903**	**-**	**10**	**10**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6. Investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
LIABILITIES	11,919	109	36	24	1	8	89	296	807	774	-	-
1. Fin. liabilities amortised cost and FV thr. P&L	**2,129**	**1**	**1**	**-**	**-**	**-**	**-**	**142**	**-**	**-**	**-**	**-**
1.1 Credit institution deposits	1,576	1	1	-	-	-	-	142	-	-	-	-
1.2 Temporary assignment of assets	553	-	-	-	-	-	-	-	-	-	-	-
2. Customer deposits	**9,781**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**87**	**-**	**-**	**-**
3. Hedging derivatives	**9**	**108**	**35**	**24**	**1**	**8**	**89**	**154**	**720**	**774**	**-**	**-**
GAP	- 257	- 82	41	420	26	44	- 7	16	317	410	-	3
ACCUMULATED GAP	- 257	- 339	- 298	123	148	192	185	201	517	928	928	931

Data in millions of euros

As mentioned above, the most representative indicators employed internally for management identify the levels of structural interest rate risks based on sensitivities to interest rate movements. The values of these indicators are set out below:

Indicator	Indicator description	
Economic Value	The relationship between the economic value and the highest quality eligible capital.	166.54%
Sensitivity to Economic Value with respect to Own Funds	Percentage of eligible capital that would be represented by the loss in Economic Value caused by a sudden change of 200 b.p. on the yield curves.	9.52%
Sensitivity to Economic Value with respect to EVC	Percentage of economic value that would be represented by the loss caused by a sudden change of 200 b.p. on the yield curves.	5.84%
Net Interest Margin Sensitivity	Sensitivity of the one-year financial margin projections to sudden changes of 100 b.p. on the yield curves.	13.78%
VaR - Banking Book	Percentage of Tier 1 capital committed to the VaR of the Banking Book.	0.87%

Average data for the year

9. Structural liquidity risk

Structural liquidity risk is an entity's difficulty meeting its payment obligations upon maturity without incurring losses. This risk affects or can affect earnings and capital.

This risk reflects the probability of incurring losses or having to give up new business or an increase in current business through an inability to fulfil commitments upon maturity in a normal manner or being unable to fund additional needs at market costs. In order to mitigate this risk, the liquidity situation is regularly monitored together with potential actions to be performed, and measures are put in place in order to be able to re-establish the overall financial balance of the company in the event of a potential liquidity shortfall.

The measurement and analysis of this risk is performed by taking into consideration the following aspects in accordance with the premises described below:

- It is conducted on a daily basis.
- Liquidity situations are analysed over different time frames.
- Compliance with the regulatory ratios is ensured.
- They are accompanied by market indices and data affecting liquidity.
- The analyses include all those positions which generate or could generate cash movements.

The company maintains a high degree of stability in terms of liquidity sources, adequate capacity for wholesale market calls and the availability of sellable assets. All of this results in a comfortable liquidity situation.

Indicators		
LCR (Liquidity Coverage Ratio)	Year-end data	188%
Average LCR for the year	Average monthly LCR values	179.6%
Average total liquid assets for the year	Average monthly total liquid assets (thousands of euros)	9,253,777
Average net liquidity outflows for the year	Average net monthly liquidity outflows (thousands of euros)	5,167,507
NSFR (Net Stable Funding Ratio)	Year-end data	361.9%
Available stable funding	Year-end data (thousands of euros)	4,577,365
Required stable funding	Year-end data (thousands of euros)	1,264,697

The company amply complies with the liquidity coverage ratio (LCR), as defined in the solvency regulations, continuously maintaining it throughout the year with a margin of more than 50%. The changes in this ratio are mainly due to the increase in customer account balances, which are maintained in a stable and sustained manner as a result of the Securities Services business carried out by the company. The rest of the components that make up the denominator of this ratio have remained stable during the year.

Cecabank's liquidity management follows a centralised model, monitoring the concentration of its financing channels when guaranteeing access to the necessary liquidity. Cecabank's financing structure is therefore composed of deposits in current customer accounts, which represents around 75% of total liabilities. The rest of the sources of financing are mainly temporary asset disposals, with a maturity of no more than one month, as well as other deposits.

This financing structure reflects Cecabank's comfortable liquidity status, with a set of highly liquid assets that it holds for the purpose of acting as a last resort in situations of maximum market stress, and a balanced liquidity structure due to the great weight of stable customer deposits and investments in highly liquid short-term assets with a high credit rating.

At the end of 2022, the balance of this reserve of liquid assets to deal with potential liquidity needs was €11,159 million, predominantly comprised of the cash balance and assets eligible for discounting with the European Central Bank (87%).

Cecabank regularly conducts stress tests on the liquidity ratios, as indicated in section 6 of Annex I. Among other factors, these stress scenarios take into account a prolonged closure of the capital and interbank markets, the activation of contingent lines and deposit flight. The result of these exercises is that the company has a sufficient buffer of liquid assets in place to withstand a situation of prolonged stress.

9.1 Procedures applied for the assessment of liquidity adequacy

As is the case in the internal capital adequacy assessment process, Cecabank quantitatively and qualitatively assesses the adequacy of its processes for managing liquidity.

This procedure is aligned with the ICAAP Guidelines published by the Bank of Spain, providing the basis for drafting the ICLAR, which is presented each year to the supervisory authority.

The evaluation of the liquidity position, as previously described, concludes that the company has sufficient resources to guarantee its liquidity position, as well as a suitable framework in place to control and manage the liquidity risk, as shown in Annex I.

Stress tests and the projection of future funding needs conducted anticipate a comfortable liquidity position in future.

Further information on liquidity requirements is provided in Annex VI.

10. Leverage

Another factor that demonstrates Cecabank's level of solvency is the leverage ratio. The calculation for December 2022, as shown below, results in a ratio of 5.2%.

This ratio shows the relationship between the capital and the assets of a credit institution and off-balance sheet items, regardless of their degree of risk. The requirement for a leverage ratio of 3% has been mandatory since 28 June 2021.

Controlling the risk of leverage is incorporated within the standard monitoring of risk parameters. There is a limit that is monitored based on the information received by the Risk Committee and the Assets and Liabilities Committee in order to guarantee that the ratio comfortably exceeds the level set in solvency regulations. Monitoring is performed alongside the supervision of solvency levels, and it includes an assessment of both the company's exposure and available own funds.

The following table shows the elements taken into consideration in the leverage ratio calculated at 31 December 2022.

	2022	2021
CET1 (full-loaded)	**765,810**	**740,219**
CET1 (phase-in)	**793,720**	**743,373**
Total exposure (fully loaded)	**13,707,107**	**6,682,900**
Total exposure (phase-in)	**13,735,017**	**6,686,054**
Derivatives	389,322	386,992
Securities lending and financing	747,120	605,699
Off-balance sheet items	269,305	293,719
Other assets	12,710,943	14,241,690
Regulatory adjustments* (fully loaded)	**- 409,583**	**- 456,354**
Regulatory adjustments (phase-in)	**- 381,673**	**- 453,200**
Leverage ratio (fully loaded)	**5.59%**	**11.08%**
Leverage ratio (phase-in)	**5.78%**	**11.12%**

Figures in thousands of euros

** Assets deducted from Tier 1 Capital*

11. Information on remuneration

With regard to reporting remunerations to the market, and in line with Directive 2013/36/EU following the amendments brought by Royal Decree Law 7/2021 of 27 April, Commission Delegated Regulation (EU) No. 923/2021, of 25 March, supplementing European Parliament Directive 2013/36/EU and the Bank of Spain Circular 2/2016 of 2 February, which clarifies the adjustment of the Spanish legal ruling to EU Directive 2013/36 and EU Regulation no. 575/2013, Cecabank herein outlines its remunerations policies and practices relating to managers, senior management, employees performing control functions in risk, employees carrying out duties relating to control systems, and any other worker whose overall remuneration may be similar to that already mentioned.

11.1 Remuneration of Cecabank personnel

11.1.1 Remuneration Committee

The Board of Directors of Cecabank has a Remuneration Committee, in accordance with the provisions of the regulation, supervision, and solvency of credit institutions Act 10/2014, of 26 June, and its enacting regulation, as well as Act 31/2014 of 3 December, amending the Corporation Act for the improvement of corporate governance.

The Remuneration Committee has regulations specifying the following:

1. In accordance with the provisions of Royal Decree 84/2015, of 13th February, implementing Act 10/2014, of 26 June, on the regulation, supervision, and solvency of credit institutions, the Remuneration Committee has the following functions:

    a) Preparing decisions in relation to remuneration, including decisions that have repercussions for the bank's risk and risk management, which must be adopted by the Board of Directors.

    b) Reporting information on the General Remuneration Policy of the members of the Board of Directors, CEOs, or similar positions, as well as the individual remuneration and other contractual conditions of the members of the Board of Directors who perform executive duties and ensuring compliance therewith.

    c) Reporting information on the Remuneration Policy of senior executives, employees that take on risk, employees performing control functions and any employee that receives an overall remuneration that falls within the same scale of remuneration as applies to senior executives and employees that take on risk, whose professional activities significantly coincide with their risk profile.

    d) Directly supervising the remuneration of senior executives responsible for risk management and in charge of the company's compliance functions.

    e) Reporting information on the incentive plans for directors or employees linked to the company's profit and/or other variable indices/components.

2. The Remuneration Committee may also report on any issues assigned to it in relation to the remuneration and compensation system, amounts and raises, of the Board of Directors, executive directors, and executive personnel.

3. When preparing the decisions, the Remuneration Committee takes into consideration the long-term interests of the company's shareholders, investors, and other stakeholders, as well as the public interest.

4. The Committee reports its activity and the work conducted to the Board of Directors in an appropriate and timely manner.

5. The Committee drafts an annual report on its activities over the course of the financial year.

The composition of the Remuneration Committee can be consulted in Annex III of this document.

In 2022, the Remuneration Committee held three meetings.

At its meetings of 26 April 2022, at the proposal of the Remuneration Committee, the Board of Directors approved the General Remuneration Policy applicable to the entire workforce resulting from technical improvements when applying the policy and the new regulatory requirements on Cecabank.

11.1.2 General principles of the remuneration policy

The remunerations policies must be understood as an instrument of internal governance and risk management at the company, and as a result, the main objective in this regard is to align the objectives of the employees themselves with the business strategy, objectives, values and long-term interests.

To this end, the valuation of the components of performance-based remuneration focuses on long-term results and takes into consideration all outstanding risks associated with these results. In this regard, the Policy is aligned with the company's sustainability (ESG - environmental, social and governance) policies and procedures in accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability reporting in the financial services sector.

In this regard, the principles governing this remuneration policy are as follows:

- Multiplicity of elements
- Prudent and effective risk management
- Alignment with long-term interests
- Suitable ratio between the fixed and variable components
- Internal equality and external competitiveness
- Supervision and effectiveness
- Flexibility and transparency
- Simplicity and individualisation
- Equal pay

Cecabank commissioned the services of an external consultant, Ernst&Young Abogados, S.L.P., to evaluate the remuneration policy, as well as to review the procedure for determining the identified group.

11.1.3 Risk-adjusted identified group

A distinction is made between four groups (hereinafter, in aggregate terms, the Identified Group) that may have a material impact on the risk profile of the bank, and which would be affected by the requirements in terms of remunerations:

- Group 0: Members of the Board of Directors without executive roles.
- Group 1: Members of the Steering Committee, including the CEO.
- Group 2: Employees belonging to the Trading Room.
- Group 3: Heads of control functions and other key functions.

Situation as at 31/12/2022	Number of people
Group 0	9
Group 1	8
Group 2	31
Group 3	26

11.1.4 Relationship with the company’s profit

The objective of Cecabank’s annual variable remuneration system is to establish a relationship between the profit obtained and the amount of remuneration, which must furthermore compensate the level of achievement, performance, effort and responsibility, as well as be aligned with the long-term interests of the bank, without involving any excessive risk-taking.

The potential variable remuneration is established taking into account the achievement of objectives and the performance evaluation, based on certain reference scales that are set out for each functional level, taking into account the competitiveness criteria. The payment of variable remuneration is also determined by whether the budget is attained.

With regard to the control units, the method for establishing the remuneration of the key figures does not compromise their objectivity and independence, nor create conflicts of interest in their function of monitoring and advising.

In turn, the variable remuneration model for the Cecabank Trading Room comprises the distribution of a percentage of the profit obtained by the Divisions, after expenses up to the limits and regulatory requirements in force. In addition, corrective elements are applied that enable the final amounts paid to be adjusted (upwards or downwards). These reductions are made according to: (i) the degree of difficulty of the different desks in the process of obtaining profit, and (ii) an evaluation of any exceptional situations which may have occurred during the process, as set out in the Performance Assessment, at both the quantitative and qualitative levels.

Therefore, variable remuneration for the Treasury Management divisions is determined by whether 80% of the annual budget for each Division has been met or exceeded.

11.1.5 Characteristics of the remuneration system of the identified group

Risk tolerance as defined by the Board determines that remuneration policies have to reinforce the control environment and incorporate incentives to keep the risk profile within the defined tolerance levels, and, in this way, they help align the bank's objectives with the assumed risk levels, without incurring in inadequate levels of risk and promote their rigorous management.

- **Fixed remuneration**

The fixed remuneration constitutes the basic element of the Remuneration Policy. This concept is, in essence, linked to the content of the positions and is established based on the level of responsibility of the occupied position, as well as the experience, performance and training of the person occupying it (functional level and position appraisal system). Members of the Board of Directors without executive roles do not receive any fixed remuneration.

- **Variable remuneration**

The objective of Cecabank's variable remuneration system is to establish a relationship between the profit obtained and the amount of remuneration, which must furthermore compensate the level of achievement, performance, effort and responsibility, as well as be aligned with the long-term interests of the Bank, without involving any excessive risk-taking. Members of the Board of Directors without executive roles do not receive any variable remuneration.

Identified groups 1 and 3

The accrual of variable remuneration for these groups depends on compliance with the tolerance levels defined by the main indicators determining the risk profile of the bank; specifically, maintaining the market risk limits (total VaR limit) and capital target set by the Board of Directors and the company's total profitability versus capital consumption ratio.

Group 2

The remuneration of this group is conditional on meeting the limits approved by the Assets and Liabilities Committee (ALCO) and that are set out in its Guide. Thus, as part of the process of adjusting remuneration risks, the element to consider will be maintaining risk levels within the limits set.

- **Other elements of the remuneration package**

Cecabank employees have a series of benefits that, together with fixed and variable remuneration, comprise the employee's "total compensation" package, including private medical insurance, granting of loans and advances under better-than-market conditions, social security system for retirement, as well as training bursaries for employees and their children.

- **Ex-post remuneration adjustments**

Variable remuneration, including deferred amounts, will be paid or consolidated only where sustainable in accordance with the financial situation of the entity as a whole.

Without prejudice to the application of the general principles of contractual and labour law, total variable remuneration will reduce when the bank records lower earnings or losses, taking into account both the current remuneration and the reductions in payments of amounts previously accrued, where applicable, through a malus or clawback clause.

Malus. Deferred variable remuneration pending payment will be reduced if, during the period until consolidation, any of the following circumstances occur:

- Deficient performance of the company.
- Non-compliance by the beneficiary with internal regulations, in particular with regard to risks and standards of conduct.
- Material preparation of the company's financial statements, when considered appropriate by the external auditors, except where appropriate following a change in accounting regulations.
- Significant changes in the economic capital or the risk profile of the institution.

Clawback. The variable remuneration already paid to the members of the identified group, whether deferred or otherwise, shall be partially or totally recovered by Cecabank in the event that it is demonstrated that the payment and, as such, the non-application of the adjustment mechanisms, has been partially or totally made based on information that has been proven to be false or seriously inaccurate, a posteriori, or that risks arise that were assumed during the period in question, or other circumstances that are unforeseen and unaccepted by the bank that have a significant negative impact on the income statement of any of the financial years in which the variable remuneration was applied.

This clause will extend to a period that will cover the deferral and withholding periods applied to variable remuneration plus an additional year.

In particular, the circumstances under which a member of the identified staff in Cecabank must repay part or all of the variable remuneration received to the company are as follows:

1. In the event that Cecabank reformulates its financial statements on the condition that, in accordance with this reformulation, a resulting lower variable remuneration is due to be paid than the amount actually paid, or that no variable remuneration would be due in accordance with the system of variable incentives implemented by the company.

2. In the event that the payment of the variable remuneration was based on objectives which were achieved as a direct or indirect consequence of:

   (i) A fraudulent activity by the individual;

   (ii) The occurrence of circumstances that lead to the lawful disciplinary dismissal of the employee in accordance with the applicable employment legislation or, in the case of a board member, the occurrence of circumstances that lead to the termination of their role as director due to breach of their duties, an act or omission that causes damages to the company, or the combined occurrence of the circumstances required to entitle the company to bring a derivative suit against the individual in question;

(iii) In the event that, by their action or omission, the individual has caused damages to Cecabank through fault or negligence.

(iv) In the event that the individual has been penalised for a serious and intentional breach of any of Cecabank's internal regulations that may be applicable.

(v) In the event that the individual has been penalised for a breach of the rules on order and discipline contained in Title IV of Act 10/2014, of 26 June, on the regulation, supervision, and solvency of credit institutions, classified as serious or extremely serious. The sanction imposed must be confirmed and accredited by a senior competent body.

3. The increase in the capital requirements of the company or its unit that is not foreseen when generating exposures.

Remuneration system deferral clauses

Identified groups 1 and 3

Considering the regulations applicable to credit institutions, the deferral requirement will be applied in all cases. The deferred amount of the variable remuneration accrued, a rate of 40% is applied, being paid in equal parts, over a period of four financial years.

In the case of the Chief Executive Officer, a deferral of 60% of the amount payable is applied, in equal parts, over the 5 years following accrual.

Group 2

There is a deferral of the variable remuneration accrued in accordance with the following: 50% will be paid in cash upon conclusion and evaluation of the earnings for the financial year, with the remaining 50% to be paid in equal parts over the next 4 financial years after deferral.

In accordance with the directives of the EBA Guidelines on sound remuneration policies, Cecabank has established specific deferral systems for variable remunerations of particularly high amounts for all groups.

In accordance with the amendments implemented by Royal Decree Law 7/2021, of 27 April, transposing EU directives on competition, anti-money laundering, credit institutions, telecommunications, tax measures, prevention and repair of environmental damage, movement of workers In the provision of transnational services and consumer protection, into Act 10/2014, of 26 June, on the supervision and solvency of credit institutions, Cecabank will apply the principle of proportionality to members of the identified group-all collectives-whose variable remuneration is under 50,000 euros and where this does not represent more than one-third of their gross fixed remuneration, so those people will not receive their variable remuneration in non-pecuniary instruments and will not be subject to four-year deferral.

Under no circumstances may the principle of proportionality apply to the figure of CEO.

11.1.6 Ratio between fixed and variable remuneration

In general terms, for Cecabank personnel, the amount of variable remuneration per employee must not exceed, as a rule, 40% of fixed remuneration, with the final variable being adjusted in all cases to individual achievement of objectives and performance.

This percentage can be exceeded depending on the assigned responsibilities, achievement of set objectives and performance of the employee, without exceeding 100% of fixed remuneration and upon justification by the corresponding Area Director.

As regards the identified group, the variable remuneration is limited to a maximum of 100% with respect to fixed remuneration, unless authorised by the General Shareholders' Meeting, in which case it may reach 200%.

The General Shareholders' Meeting of 29 March 2022 approved a level of variable remuneration of up to 200% of fixed remuneration for certain positions.

11.1.7 Payment of variable remuneration in non-pecuniary instruments and withholding periods

Broadly speaking, all members of the identified group that accrue variable remuneration will receive 50% accrued in 2022 in non-pecuniary instruments, which will be subject to a withholding period of one year, except for the CEO, whose withholding period will be two years.

Given that Cecabank is not a listed company, the Board of Directors, at the proposal of the Remuneration Committee, has decided to implement a system of phantom shares, the value of which will depend on the evolution of the bank's own funds.

Notwithstanding the above, In accordance with the amendments implemented by Royal Decree Law 7/2021, of 27 April, transposing EU directives on competition, anti-money laundering, credit institutions, telecommunications, tax measures, prevention and repair of environmental damage, movement of workers In the provision of transnational services and consumer protection, into Act 10/2014, of 26 June, on the supervision and solvency of credit institutions, and Circular 2/2016, of 2 February, of the Bank of Spain, Cecabank will apply the principle of proportionality to members of the identified group-all collectives-whose variable remuneration is under 50,000 euros and where this does not represent more than one-third of their gross fixed remuneration, so those people will not receive their variable remuneration in non-pecuniary instruments and will not be subject to four-year deferral.

Under no circumstances may the principle of proportionality apply to the figure of CEO.

11.1.8 Main parameters and purpose of the variable remuneration plans

Cecabank believes that its professionals are a key factor in achieving the bank’s objectives and it is aware of the impact of remuneration on motivation and talent retention.

For these purposes, the bank has implemented a performance management system that, based on the competences identified for Cecabank and the functions performed in the job position by the employee, facilitates the assessment and observation of behaviour or conduct with respect to which there may be an opportunity for each professional to grow and improve.

The annual appraisal measures a series of competences with a specific requirement level set for each functional level, with the aim of identifying strengths and areas for improvement. Moreover, an analysis of the Functional Job Execution is conducted in order to ascertain how the professional under assessment performs the duties corresponding to their position.

Once the final rating is obtained from the performance management system, the following actions may be taken:

- Remunerative: an input that facilitates each individual’s position within their remuneration scale. It is also an element involved in the determination of the percentage of variable remuneration to be received, as a complement to the level of achievement with respect to objectives.
- Competence-based: by comparing the evaluation conducted and the competence profile of the functional level, the profile’s strengths and points for improvement are obtained.
- Developmental: drafting an improvement plan that, having obtained the result of the assessment, sets out the future plans of the professional under assessment, with the aim of the areas identified as requiring improvement.

Possible payments due to early termination of a contract

At the close of 2022, there is no member of the identified group whose employment contract provides for the payment of any amount corresponding to remuneration above that established by labour law.

Severance pay granted to personnel from the identified group during the financial year

During 2022, there were no terminations of employment contracts for personnel considered as a Cecabank identified group.

Number of individuals that receive remuneration of €1 million or more during the financial year

No employee received remuneration of €1 million or more for the financial year.
Annex VII includes more information on the company's remuneration policy.

ANNEX I: Risk Management and Control Policies and Objectives

Below, in accordance with the information advanced in Title 2 of this document, this Annex includes detailed information on the management objectives and policies connected with each of the risks having a significant impact, included in the bank's various documents, including the Financial Risk Management Guide and the bank's General Control Framework[8].

1. Credit risk

Objectives, general policies with regard to assumption and management of risks

The General Risk Management Framework approved by the Board, implementing the Risk Tolerance Framework, contains the policies regarding the assumption and management of credit risk.

This document is the foundation upon which the management of internal risk is based and determines the governance and monitoring structure. It also determines the internal limit structure, and processes for risk admission, assessment, mitigation, and coverage, as well as pricing.

The policy highlights that the portfolio is made up of, primarily, exposures with a low level of risk and shows that other risks with a worse credit rating are rare, exceptional and few in number.

Credit Risk Processes and Management

This is one of the basic risks to which Cecabank is exposed through its various business units.
Credit Risk is defined as the risk which affects or could affect results or capital as a result of a breach by a borrower of the commitments set out in any contract, or the possibility that it might not act as agreed. This category includes:

1. **Principal risk**. Resulting from a failure to repay the principal.

2. **Substitution or counterparty risk**. This refers to the capacity and intention of the counterparty to comply with its contractual responsibilities at the time of maturity. Credit risk exists throughout the lifespan of the operation; however it may vary from one day to another because of settlement mechanisms and changes in the market valuation of operations.

3. **Wrong-way risk**. As counterparty risk, depending on the nature of the specific transactions, OTC derivative instruments can also have adverse effects from correlation between exposure to risk with a specific counterparty and credit quality, in such a way that when it decreases, exposure to the counterparty increases. This risk is called wrong-way risk.

4. **Issuer risk**. This risk arises when trading financial assets of an issuer on primary and/or secondary markets and is defined as the risk that a loss in their value could occur as a result of a change in the market perception of the economic and financial strength of the issuer.

5. **Settlement or handover risk**. This is the risk that one of the parties settles the transaction and that the agreed consideration is not received.

6. **Country risk**. This is the credit risk which applies to the debts of borrowers in another country because of circumstances beyond the standard commercial risk. It may take the form of a transfer risk or sovereign risk, and other risks derived from international financial activity.

7. **Concentration risk**. This measures the degree of concentration of credit risk portfolios under different relevant dimensions: geographical areas and countries, economic sectors, products, and client groups.

[8] Annex VIII

8. **Residual risk**. This incorporates risks derived from strategies for dynamic hedging, credit risk mitigation techniques, securitisations, etc.

In order to manage credit risk properly, a number of procedures are established, the key elements of which are described below.

Credit Risk Analysis

The process of assessing the credit rating of counterparties and the assignment of limits is closely connected. As a result, an internal rating is granted to the various counterparties with which operations are desired. This internal rating contributes to the establishment of the maximum amount of risk allowed with each entity. It also constitutes the baseline for the admission and monitoring of the risk.

The rating is the result of the analysis of various quantitative and qualitative factors, which are assessed independently and are given a specific weight for the calculation of the final rating. The result is an independent analyst valuation, which combines the perception of the credit rating of those counterparties with which operations are intended.

The model for assigning an internal credit rating to credit institutions used by the company is the so-called S&P "Bank Scorecard". This model considers ESG factors that could have an impact on institutions' credit ratings.

On the other hand, the credit assessment analyses of the different counterparties incorporate, whenever possible, the different ESG rating factors implemented by S&P.

Credit Risk Control and Monitoring

The monitoring of credit risk is performed by means of active portfolio management. The fundamental aim is to detect sufficiently in advance any counterparties which may register some impairment in their credit quality or weakening of guarantees. As an integral part of the monitoring process, a list is kept of all counterparties requiring special monitoring. They are identified and kept on so-called FEVE (signings under special monitoring) or FRO (signings with operating restrictions) lists.

As in the analysis process, ratings are an additional strand in the risk monitoring process, in addition to the country and business type, among other variables.

The company undertakes special monitoring of fixed-income positions with "Green label".

In addition, and as a part of the monitoring of credit risks incurred by market operations, in collaboration with Legal Consultancy active management is performed, and the adequacy of the contractual documentation on which the operations are based is monitored.

The control process comprises all activities connected with the permanent verification of compliance with all settlement, counterparty and credit risk limits established, the management and reporting of surpluses, and the maintenance and updating of the parametrisation of products, clients, countries, economic groups, ratings, contractual netting agreements and financial guarantees in the control tools.

Risk limit structure

The general credit risk limit structure (lying within the Risk Tolerance Framework and the General Risk Management Framework) is divided into two major groups.

On the one hand, there are the limits granted individually to a counterparty. On the other, there is a series of limits associated with certain activities: country risk limits and operational limits for private fixed income and for equities activities, among others.

Credit risk measurement methodology

The methodology applied for the calculation of credit risk exposure is, generally speaking, the standard set out in the Solvency Regulation.

Furthermore, for derivatives subject to counterparty risk, the company has applied the so-called "Standardized approach for counterparty credit risk" (SA-CCR), whose regulatory development is set out in RGT (EU) 876/2019. This method replaces the previous current exposure method and includes improvements such as new calibrations of the different risk factors, aligning them to the greater volatility recorded in the last financial crisis, recognises the benefits of netting and reduces of the risk of collaterals in exposures. For this purpose, Cecabank calculates and manages both the variation margin and the initial margin, having started calculating the latter, as a phase 6 institution, on 1 September 2022 under the ISDA SIMM Approved Model.

Management tools provide information on the consumption of limits in real time for each counterparty and economic group, allowing for the application of ongoing monitoring of any modification and/or excess in the limits.

The existence of guarantees and collateral is taken into consideration with regard to reduced credit risk consumption in operations covered thereby, and also in accordance with the criteria established in the applicable regulations.

Counterparty risk

It is the risk that the counterparty could default upon payment before the final cash flow settlement of any of this operation. It includes the following types of operations, among others: derivative instruments, operations with a buy-back commitment, security loan operations.

Depending on the nature of the specific transactions, derivative instruments can also have adverse effects from correlation between exposure to risk with a specific counterparty and credit quality, in such a way that when it decreases, exposure to the counterparty increases.

Managing wrong-way risk forms part of the process of accepting and monitoring risk. Given Cecabank's activities, these cases are exceptional, which means they can be treated on an individual basis, usually through a reduction of the exposure to the operation in question.

With respect to correlation between the guarantee and the guarantor, because cash is mainly received as collateral in the world of derivatives, there is almost no risk of adverse effects due to the existence of correlation. Any potential adverse effects due to correlations in non-cash collateral are not significant.

Concentration risk

Concentration risk, within the scope of credit risk, represents an essential element for management. The degree of concentration of credit risk is continuously monitored in accordance with various relevant classifications: countries, ratings, sectors, economic groups, etc.

For the management of concentration risk, prudent criteria are applied so as to be able to manage the limits available with sufficient leeway with regard to the legal concentration limits established.

As for the level of sector concentration, this is the consequence of Cecabank's specialisation in the execution of all manner of activities, operations, and services inherent in the banking business in general, or directly or indirectly associated with this. Nevertheless, when evaluating this degree of sector concentration, a significant part of the exposure is taken on by the financial sector, a highly regulated and supervised segment.

Contractual netting and financial guarantee contracts or "collateral"

The general policy regarding trading of financial derivatives, and repo, sell/buy-back and securities lending operations is to sign netting agreements prepared by national or international associations. In the event of a breach by the counterparty, these contracts allow for the foreclosure of the operations covered by them and offsetting, which means that the parties will only be able to demand the net balance of the product of the settlement of such operations.

For financial derivatives, ISDA Master Agreements are formalised, subject to UK law or that of the State of New York, or otherwise the CMOF (Spanish Financial Transactions Framework Agreement), subject to Spanish law, depending on the counterparty. Meanwhile, for hedging derivative financial instruments beyond a certain risk level, financial guarantee agreements are formalised, namely the Credit Support Annex for the ISDA Master Agreements and the Credit Transfer Agreement, Annexes III and V for CMOF.

In the case of repo and sell/buy-back operations, the Global Master Repurchase Agreements (GMRA) are signed, while for securities lending, the European Master Agreement (EMA) or the Global Master Securities Lending Agreements (GMSLA) are formalised. In this type of contractual netting agreement, the clauses incorporate the regulation of the financial guarantees or "margins" for the operations.

At present, most collateral (to be handed over or received) in derivatives takes the form of cash, although market practices are demonstrating that non-cash collateral usage is increasing, a trend which Cecabank is taking into consideration in its active collateral management.

The cash collateral provided under contractual clearing contracts is remunerated at the standard daily interest rate used by the market in euros.

Credit risk exposure in accordance with the credit ratings

At 31 December 2022, some 78.7% of exposure (without taking into consideration investments in the public sector, nor central counterparties (CCP) with direct or indirect access) has been given a rating granted by one of the credit rating agencies recognised by the Bank of Spain.

The distribution by rating level of the rated exposure is as follows:

Level	Rating	Percentage
1	AAA-AA	1.6%
2	To	39.1%
3	BBB	54.1%
4	BB	4.5%
5	B	0.7%
6	CCC and lower	0%
	Total	**100%**

2. Risks associated with the portfolio at fair value through profit or loss

The General Risk Management Framework approved by the Board, implementing the Risk Tolerance Framework, contains the policies regarding the assumption and management of market risk.

Market risk management objectives, policies, and processes

Market risk is defined as the risk affecting results or capital and resulting from adverse changes in the prices of bonds, securities, commodities, and exchange rates in operations registered in the trading book. This risk arises from market-making activities, trading, adoption of positions in bonds, securities, currencies, commodities, and derivatives (based on bonds, securities, currencies, and commodities). This risk includes foreign currency risk, defined as the current or potential risk affecting results or capital and resulting from adverse changes in exchange rates in the trading book.

The exposure of the company to this type of risk is derived from various financial factors affecting market prices. These factors include, but are not limited to, the following:

- Levels of interest rates in each country and product type.
- Spread levels above the risk-free curve with which each instrument is quoted (including the credit and liquidity spreads).
- Market liquidity levels.
- Pricing levels.
- Exchange rates.
- Levels of volatility in the above factors.

The concept of Value at Risk (VaR) provides an integrated measurement of market risk, covering the fundamental aspects of the risk: interest rate risk, exchange rate risk, equities risk, credit spread risk and volatility risk in the preceding factors.

Interest rate risk

Interest rate risk is the exposure to market fluctuations as a result of changes in the general level of interest rates. Exposure to interest rates can be separated into the two following elements:

- **Directional, slope and basis risk in the curve**

  Directional risk is the sensitivity of revenue to parallel changes in the yield curve, while the yield curve risk is the sensitivity of gains to a change in the structure of the rate curve, either through a change in the slope or in the form of the curve.

  Basis risk is the potential risk caused by unexpected changes in the margins between the different yield curves with regard to those maintaining portfolio positions. Market liquidity conditions, and also the perception of the specific risk, are typically the triggers for this type of change (although other factors may also exert an influence).

  All interest rate risks described are tracked by means of the VaR, in which all relevant factors are included for their measurement, including all the different curve time frames and all the relevant curves (including specific sector curves for each level of credit rating).

- **Spread and illiquidity risk**

  Spread risk is derived from holding positions in private fixed income and credit derivatives, and it is defined as the exposure to the specific risk of each issuer.

  Certain circumstances in the market and/or the issue itself could increase these spreads because of the liquidity premium.

Currencies

Given its activities in FX and international capital markets, the company is exposed to the two following currency risk elements.

- **Exchange rate risk**

  Exchange rate risk is derived from the net positions of a currency against the euro or of one currency against another. As a result, exchange rate risk is the potential changes of cash exchange rates affecting the value of the positions.

- **Interest-rate margin risk**

  The risk regarding the net interest-rate margin is derived from the difference between the interest rates of two different currencies, and its effect on term positions in foreign currencies.

Both risks are measured by the VaR, incorporating the foreign currency rate curves and exchange rates as risk factors.

Equity

This represents the risk of incurring losses as a result of the variation in share prices.

Volatility risk

Operations on options based on different underlying assets are typically performed in portfolio management.

The most immediate way of measuring the risk of these options is through their Delta, a parameter which approximates the risk of an option as an equivalent position in another simpler (linear) instrument.

However, the non-linear nature of the value of options makes it advisable, particularly in complex options, to perform the additional monitoring of other parameters which affect the value of the option, which are also described below:

- **Delta risk**

  The Delta parameter measures the variation in the value of the option which occurs when the price of the underlying asset varies by one point. Delta risk thus refers to the exposure to unexpected changes in the value of the options portfolio as a result of changes in the prices of the underlying instruments.

- **Gamma risk**

  The Gamma of an option measures the sensitivity of its Delta to a variation of one point in the price of the underlying asset. It represents the risk that the Delta position of an options portfolio might vary as a result of a change in the prices of the underlying instruments.

- **Vega risk**

  Vega is a measurement of the sensitivity of the value of the option as a result of a change of one percentage point in the volatility of the price of the underlying asset.

- **Theta risk**

  The Theta risk is related to a reduction in the value of positions in options as a consequence of the passage of time.

The Delta and Vega risks are measured by means of the parametric VaR while, in order to measure the options risk, the Historical Simulation VaR is used, as this methodology performs complete re-evaluations thereof.

For operations in certain types of exotic and complex options, for which management and measurement of the risk proves overly complex, the general policy is to eliminate this risk from the portfolio by means of the arrangement of back-to-back operations in the marketplace.

Measurement of market risk

The following is a description of the methodology employed for the measurement of market risk.

For the portfolio of financial assets at fair value through changes in other comprehensive income, the VaR is also calculated and tracked in the same way as for the trading book.

Value at risk

As mentioned previously, the VaR is the indicator used to establish the monitoring of limits on the exposure to market risk. It provides one single market risk measurement, integrating the fundamental aspects of the risk:

- Interest rate risk.
- Credit spread risk.
- Exchange rate risk.
- Equities risk.
- Volatility risk (for options).
- Liquidity risk.

VaR by historical simulation

The VaR measurement used for monitoring the aforementioned limits is a VaR by Historical Simulation with the following characteristics:

- Time horizon: 1 day.
- Confidence level: 99%.
- Decay factor of 0.97.

- Depth of series of 255 business days.

Calculation is performed daily, with the base currency being the euro.

In addition to the total VaR for the Trading Room, the measurement is obtained for the various levels and operational units of the Financial Department.

The mean distribution of the Trading Book VaR by desk for 2022 and 2021:

	2022	2021
Funding Desk and DPV	831	654
Forex Desk	275	142
Debt Desk	85	60
Equity Desk	179	231
Derivatives Desk	102	110
Credit Desk	174	157
Banknotes	34	13

Figures in thousands of euros

In addition, an analytical measurement derived from the VaR, known as the market risk Component VaR is calculated and reported daily, serving to establish the contribution to the total risk of each position and market risk factor (risk concentration), approximating the sensitivity of the VaR to variations in the portfolio positions.

The Component VaR can be obtained at a greater level of breakdown and reported by:

- Product.
- Risk level.

Back-testing

Monitoring tests to check the goodness-of-fit of the market risk model are carried out; for this purpose, clean and dirty back-testing studies are performed, which help us demonstrate the suitability of this model in the daily activity.

Parametric VaR

With the aim of increasing the control over the VaR historical simulation model, the parametric VaR is calculated daily to provide a point of comparison for the risk estimate.

This methodology is based on statistical hypotheses of normality in the distribution of probability of changes in the risk factors. Using the historical series of market prices (provided by the Market Data Service), we calculate (in the market risk measurement tool) the volatility and correlation between assets, which together with the hypothesis of the distribution of probability of changes provide an estimate of the potential change of a position.

Expected shortfall

Another more advanced method supplementing market risk measurements is the Expected Shortfall. The aim in this case is to measure the expected loss in the event that the VaR levels were to be exceeded. It therefore quantifies the risk within the loss zone. This is an asymmetric measurement which, unlike the VaR, not only takes into consideration the frequency of losses but also their magnitude in the event that the VaR were exceeded.

Contrast statistics

With the purpose of completing the models in further detail and more effectively and complementing back-testing, stricter goodness-of-fit tests are performed to help identify possible inefficiencies in their calculation.

These tests are an essential tool to manage market risk, especially when a part of it lies on the use of models and systems that stem from a series of hypotheses that require practical confirmation.

The metrics used are carried out on 2 levels:

- General metrics applicable to all methodologies of VaR calculation.
- Specific normality metrics applicable to parametric methodologies.

Management results

On the basis of the risk tools, the management results for the trading books are calculated on a daily basis.

The criterion followed is mark-to-market for positions with directly observable market prices (funds, bills, futures, options on organised markets) and mark-to-model (theoretical valuation) with market inputs for operations without a quoted price (deposits, OTC derivatives, etc.).

Sensitivity measurements

Although the limits are structured with regard to the VaR measurement, which summarises all types of risks and portfolios in a single indicator, there is a series of supplementary measurements for the monitoring of market risk exposure, which are quantified and reported daily. The sensitivity measurements performed are as follows:

- **Total Delta**: Sensitivity of the Net Present Value (NPV) to parallel changes in the yield curve.
- **Curve risk**: Sensitivity of the NPV to changes in the structure of the yield curve terms resulting from changes in the slope or the form of the curve in any section.
- **Spread risk**: Measurement of the specific risk incurred with debt instrument issuers. In addition, liquidity risk is quantified by taking into consideration the nature of the portfolio positions and the situation of the financial markets.
- **Exchange rate risk**: Sensitivity of the NPV of foreign currency positions in the portfolio to changes in exchange rates.
- **Price sensitivity**: Sensitivity of the NPV of equities positions in the portfolio to changes in the prices of the portfolio securities.
- **Volatility sensitivity**: Sensitivity of the NPV of options positions in the portfolio to changes in the volatility of the underlying factors (Vega risk).

Stress testing

The purpose of stress tests is to estimate the effects in terms of losses of an extreme change in the market on the current portfolio. To this end, one or several "worst-case scenarios" are defined for the evolution of prices and rates, based on actual situations that have been observed in the past, or others that may be generated.

The inclusion of the results of the stress tests in reporting systems provides information to operators and persons responsible on the level of losses which could be suffered in positions in extreme cases, and it helps to identify the risk profile of the portfolios in such situations.

The stages to be assessed are approved at the Financial Risk Committee and ratified by the ALCO. The specific risk impact is added to these (via the spread).

Two types of calculations are made to obtain the impacts of stress. This first one employs a static methodology in which the market conditions are altered without considering any type of correlation between the different assets. The second calculation uses a stochastic methodology (Stress-VaR) that applies the correlations and volatilities occurred in a historical period of high volatility in the market.

Limits on market risk

The measurement of market risk for the trading book is performed by means of the VaR, both by the Parametric and Historical Simulation methodology (for the purposes of the consumption of limits, the former is currently used), incorporating criteria of diversification and correlation between risks (diversification benefit).

The general structure of limits is determined by the following guidelines:

- The Board of Directors, within the Risk Tolerance Framework, establishes global limits and, at the proposal of the ALCO, approves implementation plans and management procedures.
- The Assets and Liabilities Committee establishes a general framework of limits for market risk management and the distribution of limits across the desks.
- The Board of Directors approves and reviews, in the ALCO Manual, modifications to these limits at the proposal of the Assets and Liabilities Committee.
- The head of the Financial Department is responsible for consumption of the global limit, along with the delegated limits, with any possible excesses requiring authorisation from the ALCO.
- The Risk Department is responsible for the monitoring of and compliance with the limits and reporting of consumption to the Assets and Liabilities Committee.

There are two limit structures to control market risk in trading activity:

- VaR limits that measure the maximum one-day potential loss authorised in accordance with the size and composition of the portfolio risk exposure at the close of day.
- Stop-loss limits that measure the maximum real loss authorised both for the Trading Room and for its various constituent desks, incorporating the result of intraday operations. There is one monthly and another annual limit, along with a weekly and 22-calendar-day references.

The Stop-Loss limits are reviewed periodically, with this review coinciding with the corresponding process applied to the VaR limits.

In addition, in order to have a greater degree of control, monitoring of a VaR reference in situations already affecting stress has been put in place.

Any excess over the total limit of the Financial Department, both monthly and annually, must be analysed in an extraordinary ALCO, where the actions to be taken are decided.

3. Operational risk

The General Risk Management Framework approved by the Board, implementing the Risk Tolerance Framework, contains the policies regarding the assumption and management of operational risk.

The objective of Cecabank with regard to operational risks is management and control, so as to align the operational risk "profile" of the company with the guidelines established by the governance bodies.

Cecabank adopts the policy of comprehensive management of operational risk, applied in a uniform and systematic manner to all structural units of the organisation, whether they are business or support units, and to the foreign branches. It will also apply to subsidiaries under the principle of proportionality, depending on their relative importance for the company; in any case, the comprehensive management policy will include subsidiaries whose ordinary margins, total assets and number of employees represent a percentage exceeding 5% of the group.

In accordance with Regulation (EU) no. 575/2013, the Operational risk is the risk of suffering losses due to inadequacy or flaws in the processes, people, or internal systems, or due to external events. The operational risk scope covers the management of the different types of operational risk affecting the company as a whole.

Operational risk is managed though the Operational Risk Unit (ORU). ORU is responsible for preparing the company's non-financial risk maps, and planning, organising, and coordinating the implementation of the operational risk management system at the company. It implements operational risk management procedures and verifies that the first line of defence adequately identifies, assesses, measures, controls, manages and communicates all operational risks and applies the approved policies and procedures related to the identification and collection of operational events that have produced losses in the company. It also coordinates the development and implementation of action plans aimed at mitigating operational risk and proposes the establishment of measurement methodologies and indicators.

The Operational Risk Unit carries out its tasks under the principle of functional collaboration with the various areas. Each Corporate Director designates one or more people in charge of managing the operational risk for their department, whose functions are to develop the principles of operational risk management in the terms established by the Compliance and Operational Risk Committee. Specifically, it identifies and reports all the actual or potential risk situations that may arise within processes and events that are subject to operational losses and the causes thereof.

As regards legal risks and the like, the Operational Risk Unit will oversee its functions in coordination with the Regulatory Compliance Function.

Operational Risk Management Policies

As previously stated, the General Risk Management Framework approved by the Board, implementing the Risk Tolerance Framework, contains the policies regarding the assumption and management of operational risk.

Below is an overview of the policies connected with managing this risk.

3.1 Identification of operational risk

All activities, products and services of the company are subjected to a periodic analytical process in order to identify inherent operational risks and control points aimed at their mitigation.

The risk identification processes will be carried out through a permanent working group which, in addition to the risk control units, will feature the participation of Internal Audit, Organisation, and the person responsible for the activity or service to analyse. It will also systematically identify the relevant risks that may arise as a result of external or internal changes, and it will include risk indicators that enable the risk to be assessed, directly reflecting the quality of operational environments and effective control.

A rigorous and systematic record is kept of all events which have generated operational losses at the company. This record is maintained separate from accounting information records and integrated with all other operational risk management procedures.

Any losses due to operational risk shall be classified, according to the categories established in Regulation (EU) no. 575/2013, as internal fraud, external fraud, sales practices, labour relations, damage to physical assets, technological faults and process errors. The events will be stored in a database for losses, identifying their source, occurrence, posting date and recoveries, where applicable, among other aspects.

The development of new activities, products or systems requires the identification and assessment of the inherent risks associated with them.

The risk control units will inform the Compliance and Operational Risk Committee when it is deemed that an excessive inherent risk is incurred, in order for this Committee to issue specific preventive measures to be taken or to advise against the launch of the new activity or product.

3.2 Self-assessment and measurement of operational risk

The Operational Risk Unit will develop an internal model for qualitative assessment. Said model must be well documented and integrated within the established operational risk management processes, and its results will be an integral part of the operational risk profile control and monitoring process of the company.

The risks and mitigation control points shall be subject to systematic assessments in order to obtain the existing residual operational risk in activities, systems, and products, employing quantitative techniques for this purpose. A residual risk is understood to be the part of the risk not covered by means of the internal control structure of the company or insurance arranged with third parties. In other words, the part of the risk which with a certain degree of probability could have a negative impact. The profile obtained is compared against the desired profile, in order to initiate the appropriate corrective actions.

Quantitative assessment will check that the basic internal control factors of the company that have been identified reflect the quality of internal control and contribute to immediately acknowledging improvements and deteriorations observed in the operational risk profile. The assessment process identifies potential increases in risk attributable to internal or external sources.

The assessments will be subject to frequent comparison processes based on the results of the controls conducted by the second and third-level control units.

The results obtained in the assessment are binding. The persons responsible for each activity, product or service will take part in the assessment procedure, and the Area Managers will validate the assessment provided by the headship under their responsibility.

3.3 Monitoring operational risk

In the monitoring phase, all the variables defined for the identification and assessment of risks will be reviewed, with the aim of ensuring and supporting consistency in the assessment/measurement process in the various areas; assessing the quality and appropriateness of the mitigation techniques applied; and guaranteeing that the premises established in the initial identification/assessment model are kept constant.

Parameters will be set for the risk indicators within certain thresholds, generating alerts that warn about changes in the evolution of the risk. These alerts will be analysed by comparing their values during the last three measurement periods to the thresholds established in their configuration. Depending on the result of said analysis, the corresponding Area shall be approached, where applicable, to justify the increased exposure to the risk, and the decision will be reached on whether any additional controls will be required for their mitigation or whether the current situation of the business leads to the conclusion of modifying of the defined thresholds.

The implementation of the Action Plans arising out of the control weaknesses observed in previous assessment processes will be checked, contrasting the resolution of the control incidents observed, and the Operational Risk Unit will ascertain that the improvements performed have been incorporated into the following assessment process.

The Operational Risk Unit must analyse events that have given rise to losses and re-assess the processes affected both positively (reduction in losses) and negatively (increase in losses), and propose any improvements deemed necessary to those in charge of the activities/processes that have produced losses.

In addition, any events that affect the company's reputation shall be reported to the Regulatory Compliance Department so it can adopt any preventive measures it deems appropriate.

3.4 Mitigation of operational risk

The Compliance and Operational Risk Committee will approve the strategies proposed by the Operational Risk Unit in order to mitigate those risk levels deemed unacceptable. These strategies may be of the following kinds:

- Improvement actions, which aim to reduce the potential impact on the company of the risks assumed. These actions may consist in the development of new controls, redesign of processes and development of contingency and continuity plans.
- Actions to transfer the risks to other institutions, for example by means of insurance of any risks which the company may face over a period of time.
- Coverage or insurance of the risks, for example by means of the use of provisions to cover the impacts of the risks or financial hedging at the point of impact.
- Acceptance of the current situation, having deemed that the risk profile is aligned with the situation desired by senior management.

The Control/Mitigation Strategies must be agreed with the supervisors of the areas affected if these processes entail increased allocations of human or technical resources or significant restructuring of the processes.

4. Risk in equity instruments not included in the trading book

The company maintains positions in equity instruments not included in its trading book. These positions are investments in entities that are held, generally, for strategic purposes.

Monitoring of these positions is integrated into ordinary risk management circuits.

Section 6 of this document includes information on these instruments and the capital requirements deriving from them.

5. Interest rate risk in the banking book

The structural interest rate risk in the balance sheet may be defined as the exposure of the financial and economic situation and, thus, changes in interest rates as a result of the differing time frames of maturities and repricing of the overall balance sheet entries. This risk comprises a substantial part of the banking business and could have a major impact on the financial margin and economic value of capital. As a result, interest rate risk management maintaining this at prudent levels is essential for the security and strength of the bank.

Objectives, policies, and processes for the management of interest rate risk in the banking book

The objectives set for the management of balance sheet risks are as follows:

- Establishing appropriate mechanisms in order to prevent unexpected losses through the impact of interest-rate changes, through protection of the financial margin and economic value of capital.
- Adopting investment and hedging strategies which achieve a short-term (financial margin) and long-term (economic value of capital) balance in the financial impact deriving from changes in interest rates.
- Ensuring adequate liquidity levels that facilitate adequate business growth with optimum financing costs, ensuring an adequate level of liquid assets and managing changes in liquidity in the medium/long term through own debt issuances or through any other means.

In order to achieve the aforementioned objectives, a structure of structural balance-sheet risk limits has been devised, guaranteeing that levels of exposure to risk lie within the tolerance level established by senior management.

The Board of Directors defines the general operational framework and approves risk limits in accordance with its risk tolerance level. The management of the banking book interest rate risk is performed for both the short term and the medium and long terms and takes the form of limits which are approved by the Board itself and for which monthly monitoring is performed.

Senior management is actively involved in the risk management through the Assets and Liabilities Committee (ALCO). This committee is responsible for performing the actions required in order to redress any possible balance-sheet risk imbalances.

Ensuring that exposure to interest-rate changes is kept within the levels approved by the Board, along with the measurement, analysis and control of the structural balance-sheet risk incurred by the Financial Division operations, is the responsibility of the Market, Balance Sheet and Liquidity Risk Division.

Measurement of interest rate risk in the banking book

- **Repricing gap analysis**

The purpose of gap analysis is to measure any surplus or shortfall in the volume of sensitive assets with respect to sensitive liabilities, and the volume not matched (and so not hedged), and subject to possible variations in interest rates. Thus, the risk exposure is identified through a study of the concentration of volumes of repricing risk over significant time frames.

It illustrates the exposure to interest rate risk on the basis of the structure of maturities and/or repricing of positions. This analysis enables the distribution of interest risk along different terms, and also aims to ascertain where potential impacts may affect the financial margin and equity.

The interest-rate gap is built up by distributing – into time bands – the positions and balances of the sensitive entries on and off the balance sheet, in the part corresponding to the banking book. In the case of entries with no maturity or repricing date, they are distributed in accordance with a historical performance hypothesis.

- **Simulation of the financial margin**

In order to incorporate a dynamic balance-sheet analysis to address various rate scenarios, financial margin simulations are performed over a time horizon of one year. This enables the analysis of the impact of changes through a movement in interest rates in accordance with the repricing periods of the various balance sheet entries.

The scenarios analysed are not only the implicit market forward rates, but also include other anticipated changes in the stress scenarios and curves.

- **Interest rate sensitivity of the balance sheet**

In order to analyse the interest rate sensitivity of the balance sheet, the impact of using stressed interest rate curves on the Economic Value of Capital, calculated from the zero-coupon curve data, and on eligible own funds is analysed.

In order to supplement the sensitivity measurements, a methodology similar to the market VaR is applied, which enables the calculation of the Economic Value of Capital at Risk over a period of one month, and with a confidence level of 99%, taking into consideration all risk factors affecting the balance sheet.

Interest rate risk limits and monitoring

The Board of Directors, as part of its monitoring function, establishes limits for interest rate risk in terms of sensitivity to variations in market interest rates. These changes are made both to the net interest margin and to the sensitivity of the value of own funds.

6. Liquidity risk

Liquidity risk is defined as:

- The uncertainty of succeeding in financing at a fair price the commitments assumed, at times when recourse to external financing would be problematic for a given period.
- The maintenance or generation of the liquidity levels required to finance the future growth of the business.

In other words, this risk reflects the probability of incurring losses or being required to abandon new businesses or growth of current businesses through an inability to meet maturity commitments on a normal basis, or inability to finance additional needs at market costs. In order to mitigate this risk, the liquidity situation is periodically tracked, along with possible actions to be taken, with measures established in order to be able to re-establish the overall financial balance of the company, in the event of a potential liquidity shortfall.

Objectives, policies, and management processes for liquidity risk

The objective with regard to liquidity risk is to have instruments and processes in place at all times to enable payment commitments to be met in a timely manner, through access to instruments serving to maintain sufficient levels of liquidity in order to meet payments without significantly compromising profit, and the maintenance of mechanisms which, in the event of various eventualities, would serve to fulfil payment commitments.

In general, and traditional terms, various forms of acquiring liquidity are available, including the capture of customer deposits, the availability of various funding facilities through official bodies and the capture of liquidity through the interbank market.

Liquidity Risk Measurement

There follows an overview of the measurements employed by the Market, Balance Sheet and Liquidity Risk Division to measure Liquidity Risk.

- **Liquidity gap**

The liquidity gap measures the maturity and settlement profile by risk line (assets and liabilities classified in accordance with their residual maturity term plus the interest flows derived from these volumes) and reveals the balance mismatch structure in terms of cash flow incomings and outgoings.

It reflects the level of liquidity maintained under normal market conditions and provides information on cash incomings and outgoings, both contractual and non-contractual, in accordance with performance hypotheses for a given period.

This is reported on a monthly basis.

- **Liquidity Inventory**

A list is drawn up in order to monitor available liquid assets so as to identify potential sources available in the event of a liquidity contingency. In addition, the quality of assets within the liquidity inventory and their relationship to liabilities due is monitored.

Liquidity ratios

As part of monitoring the liquidity position, the regulatory ratios are calculated:

- **LCR (Liquidity Coverage Ratio)**: This is the statutory ratio used to measure whether adequate funds are available in terms of unencumbered high-quality liquid assets (HQLA), which can easily and immediately by converted into cash on the markets, in order to cover liquidity requirements in the event of liquidity problems of 30 calendar days.
- **NSFR (Net Stable Funding Ratio)**: This ratio is defined as the amount of available stable funding relative to the amount of required stable funding and aims to ensure the balance sheet is kept balanced and stable funding requirements are financed by stable liabilities. In other words, the aim is for banks to finance their assets in the medium and long term with stable long-term resources (such as equity, stable current accounts, etc.) and reduce the excessive dependence on financing from capital markets.

In addition, other liquidity ratios are used for the purpose of evaluating and measuring liquidity in the balance sheet, monitoring the following on a daily basis:

- **Short Term Liquidity Ratios**: These ratios estimate the potential capacity to generate liquidity within a period of 7, 15 and 30 days in order to meet a liquidity eventuality, and they assess the adequacy of the proportion of sight deposits captured and maintained in liquid assets.

  The short-term liquidity ratio is calculated as follows:

  - Numerator, sum of the following concepts:
    - Collection flows (dynamic, with renewed maturities of temporary asset acquisitions) for the determined period.
    - Total amount of the inventory of liquefiable assets (impact of immediate sale and/or discount of the entire inventory of liquefiable assets).
  - Denominator:
    - Payment flows (dynamic, with renewed maturities of temporary liability disposal) for the determined period (with a normal impact on current accounts).

  This ratio measures Cecabank's capacity to generate sufficient liquidity to meet the committed payments without the need to appeal to the interbank market. The risk level of the proposed limit means that, taking into account the collection and payment structure in the analysis period, with the discount facility in the ECB of eligible assets and the sale of other liquefiable assets, the company has sufficient resources to cover payments in the limit reference period without having to resort to the interbank market or to take periods longer than those used to calculate the ratio.

- **Structural Liquidity Ratio**: The purpose of this ratio is to identify the funding mismatch, indicating the structure of liquidity generation and financing/investment by term.

- Survival ratio: This ratio estimates the term over which liquidity commitments can be met in the event of a lack of access to the interbank market or alternative sources of funding, for a period of 30 days. Various scenarios are combined for non-availability of access to the sources of funding covered by this calculation, along with the immediate withdrawal of customer positions classified as stable.

Stress ratios are also applied, combining different restrictions such as the inaccessibility of capital markets, a mass withdrawal of deposits, the activation of contingent liquidity commitments and other external market conditions.

In addition, daily monitoring is also performed on a series of leading alert and intensity indicators with regard to a liquidity crisis, and a detailed and permanently updated inventory is maintained of the *"liquidation"* capacity of balance sheet assets.

Liquidity risk limits

The Board of Directors, as part of its monitoring function, establishes a framework of limits for liquidity risk, based on the monitoring of the short-term liquidity situation.

Specifically, limits have been established for the LCR (Liquidity Coverage Ratio), the NSFR (Net Stable Funding Ratio) and the short-term liquidity ratio previously defined, and for the 1-month liquidity gap with respect to stable funding, which compares the net refinancing needs at 1 month, together with the capacity to liquidate positions in the portfolio, with respect to stable funding.

Any excess beyond these limits must always be authorised by the Assets and Liabilities Committee whenever deemed necessary and must be reported to the Board of Directors together with the action plan in order to redress the situation.

7. Other risks

7.1 Compliance risk

Compliance risk is defined as the potential impact that failure to comply with legal demands or internal standards could have on the income statement, either directly, as a result of official sanctions or adverse judgments, or indirectly, through a negative impact on the company's reputation.

The Regulatory Compliance Department has devised a comprehensive compliance risk management system comprising three levels:

- **Risk maps**, identifying obligations for which compliance is controlled with an incorporated methodology to assess risks on the basis of objective criteria (possible penalty applied by the supervisory authority, and probability of reputation impact as a result of publication of the penalty).
- **Control map**, setting out the controls to cover the risks identified on the risk map.
- **Design of an information or reporting system**, by means of which the results obtained from the controls are reported to the PMLFT Committee and the Compliance and Operational Risk Committee, in order for appropriate corrective measures to be adopted. The annual reports on compliance activities are also presented to the Audit Committee.

7.2 Reputational risk

At Cecabank, reputational risk is defined as the risk derived from the perception of the various stakeholders with whom Cecabank interacts in the course of its activity (financial, strategic, operational and sustainability), to the extent that certain changes may cause a material adverse impact on results, capital or expectations.

This causes it to have an approach, management model and control that is different from other risks, even if it is integrated in a coordinated manner with respect to other financial and non-financial risks through the Cross-Cutting Coordination and Risks Unit.

This Unit has assessed reputational risk in the following areas:

- The analysis of new customers is ongoing, as is the review of existing customers with Medium/High or High risk, of global custodians and non-EU sub-custodians.

- The overall quantitative vision of the entity has been defined and expanded through Cecabank's quarterly reputational risk scorecard.
- The Compliance and Operational Risk Committee updated and approved the Reputational Risk Assessment Manual and included it in a single document containing the customer and the company analysis. This establishes the methodology for measuring this risk and the monitoring and reporting procedure.

7.3 Criminal risk

The drafting of the Code of Criminal Procedure governed by Organic Law 1/2015 entailed a substantial change in the way in which the criminal liability of legal persons is articulated, as it redefined the requirements that give rise to such liability (Art. 31 bis, section 1, of the Code of Criminal Procedure):

- "The offences committed in their name or on their behalf, and for their direct or indirect benefit, by their legal representatives or those that, acting individually or as members of a legal entity's body, are authorised to make decisions on behalf of the legal person or have the authority to organise and control them".
- "The offences committed, in the exercise of social activities and on behalf of and for the direct or indirect benefit thereof, by those who, being subject to the authority of the natural persons mentioned in the previous paragraph, have been able to carry out the events because they have seriously failed to perform the duties of supervision, surveillance and control of their activity, given the specific circumstances of the case".

In view of the risk of possible criminal conduct, and for its prevention, the company has implemented and maintains a Criminal Risk Organisation and Management System. This system has specific internal regulations, comprising a Criminal Compliance Policy, a Structural Document and a Roles and Responsibilities Document. The System has been certified by AENOR in accordance with the UNE 19601 Standard on criminal compliance.

7.4 Business risk

Business risk is understood as the possibility of suffering losses arising from hypothetical downturns (internal or external) that negatively affect the company's capacity to achieve its objectives and, as a result, negatively affect its profits (income statement) and, thus, its solvency.

The Risk Tolerance Framework approved by the Board of Directors establishes the pursuit of long-term revenue stability as a priority for the management of this risk. This is the principle which must prevail in relationships with customers, including contractual relationships.

The risk assessment does not focus solely on those elements which could result in a particular strategy proving unsuccessful, but rather an analysis of the elements that may affect long-term performance and positioning.

All these risks are taken into account when the Board of Directors sets the company's strategy, focusing on the competition and structural elements of the markets that could influence the competitive position and customer base, affecting the company's value.

The pillars on which this risk is addressed, which are qualitative, which may take time to present itself and for which a quantitative approach is not valid, are as follows:

- A framework of ongoing monitoring for the markets in which the company is exposed, from various perspectives (economic, regulatory, competition, business at risk, etc.).

- Monitoring at various levels of the evolution of businesses and the comparison of these results with the strategic planning suppositions.

- Diversification by business type and by customer.

- Maintenance of a stable and recurrent profit structure. In addition to ensuring that, in terms of individual businesses and for the company as a whole, the profitability of businesses is, over time, predictable, sufficient and in line with the strategic planning budgets.

- Specialisation in businesses where the establishment of stable, long-term relationships with customers is a key element.

- Management of the relationship with customers in a transparent and transversal manner, with dialogue at various levels of the company, in order to reduce "key person" risk.

The monitoring structure established is based on three levels:

- The Units with business responsibilities are given the task of monitoring the objectives set out in the Strategic Plan and reporting on any aspect or contingency which could jeopardise their achievement.
- Senior management oversees the evolution of the business lines, the levels of concentration and distribution of revenue, the assessment of risks which could prevent the achievement of strategic objectives, and the volatility of the income statement.
  It is also responsible for adopting any mitigation measures which might be required, and for identifying those elements and scenarios which could jeopardise the achievement of the specific objectives of each business line.
- The Board, with the support of the Risk Committee, receives information on compliance with of the Strategic Plan, as a cornerstone of establishing the focus of the company's business and the objectives for each of the business lines.

The monitoring performed is focused on early identification of any potential impairment which could result from changes in the competitive environment, and which jeopardises profit and requires a review of the company's strategy. Perception of the brand and the quality of services provided is also assessed, to the extent that these could affect customer decisions.

7.5 Environmental, social and governance risk

In July 2022, the Board of Directors approved the 2022-24 Sustainability Plan with 3 main objectives and the involvement of 100% of the company's areas:

- Consolidate the company's leadership in the market, increasing customer and shareholder confidence through a responsible business model.
- Position the ESG services proposal, anticipating our customers' needs.
- Generate a positive impact on the environment and different stakeholders.

This is to be achieved through 70 actions in 4 different working blocks:

- **People**: Pay gap study against other indicators such as pay equity and diversity target setting, variable remuneration around ESG objectives, Social Action impact measurement and Corporate Volunteering Plan.

- **Planet**: Measurement of exposure to climate risks, creation of two cross-cutting working groups to advance possible regulation (Carbon Footprint of the portfolio and Taxonomy), development and implementation of an Environmental Management System covering all environmental vectors and application of sustainability measures to payment services and their promotion in the value chain.

- **Governance**: Action plan to improve reporting and transparency, harmonise internal ESG reporting, strengthen ESG governance, integrate sustainability into strategic technology objectives, develop a Responsible Investment policy and consider joining the UN-PRI as a service provider in Securities services.

- **Prosperity**: Development of an objective quality measurement system, excellence models for the assessment of the company and identification of points for improvement (through EFQM, Madrid Guarantee, etc.) and formalisation and implementation of the mechanism for the identification and assessment of ESG business opportunities.

To monitor compliance with this plan, a governance model is now in place at both the operational and strategic levels and includes a scorecard with key sustainability progress indicators.

Moreover, the company's Risk Tolerance Framework included, in its September 2022 revision, a first qualitative indicator to ensure that the overall level of ESG risk from suppliers and customers remains at a low medium profile.

ANNEX II: Definitions of Default and "Impaired Positions" and Criteria Applied to establish the amount of Impairment Losses

The financial assets and off-balance-sheet exposures subject to the impairment estimation rule are as follows (Chapter 2 of IFRS 9 and Annex IX of Circular 4/2017):

- Debt instruments recorded at amortised cost.
- Debt instruments recorded at fair value through other comprehensive income (equity).
- Off-balance-sheet exposures involving credit risk (loan commitments, financial guarantees and other commitments given).

For the purposes of estimating hedges in accordance with Annex IX of Circular 4/2017, the amount of risk shall be, for debt instruments, the gross carrying amount and, for off-balance-sheet exposures, the estimate of the amounts expected to be disbursed.

The company will determine and account for impairment for credit risk as the credit loss on its financial assets measured at amortised cost and financial assets at fair value through other comprehensive income.

The standard is based on an expected loss (EL) impairment model, including forecasts of future economic conditions (forward looking).

Financial instruments will be classified, on the basis of credit risk, into one of the categories set out below, according to the criteria established by the standard:

a. **Stage 1 - Normal Risk:** includes transactions for which the credit risk has not increased significantly since initial recognition. The coverage for impairment will be equal to the expected credit losses in twelve months. This level of impairment corresponds to the Normal Risk category of Circular 4/2017.
b. **Stage 2 – Problematic Risk:** includes transactions for which the credit risk has increased significantly since initial recognition, but which are unlikely to result in default. The coverage for impairment will be equal to the expected credit losses in the life of the operation. This level of impairment corresponds to the Normal Risk category under Special Surveillance of Circular 4/2017.
   Stage 1 and Stage 2 make up the mass of performing loans.
c. **Stage 3 – Non-Performing Risk:** includes transactions that are credit-impaired, i.e., default is likely. The coverage will be equal to the expected credit losses in the life of the operation. This is the Non-performing Risk category of Circular 4/2017.
d. **Write-off risk:** this category includes debt instruments, in arrears or not, which, for which after individual analysis it is considered that there is a remote chance of recovery due to a noticeable impairment or unrecoverable impairment of the solvency of the operation or holder. Classification in this category will entail the recording in the results of losses for the amount in gross book value of the operation and the total write-off of the asset.

Loss coverage by credit risk due to insolvency:

a. Coverage for non-performing risk (impaired):
   i. Non-performing risk due to non-performing loans of the holder:
      Institutions will evaluate assets classified as non-performing due to holder default in order to estimate loss coverage for credit risk, taking into account the age of the overdue amounts, the collateral and personal warranties received and the financial situation of the holder and guarantors. Coverage for non-performing operations will be subject to an individual or collective estimate.
      The coverage for the following non-performing operations must be subject to an individual estimate.

      – Coverage for non-performing operations due to default deemed significant by the company.
      – Coverage for non-performing operations that were identified as low credit risk.

- Coverage for non-performing operations that do not belong to a homogeneous risk group and, therefore, for which the company cannot develop internal methodologies to give a collective estimate of credit losses of these operations.

ii. Non-performing risk other than due to non-performing loans of the holder:
Coverage for operations that are non-performing for reasons other than default should be assessed on an individual basis. However, when the classification has been done exclusively by considering automatic factors, coverage for operations classified in this category should be assessed as a group. As an alternative solution to these group coverage estimates, coverage percentages for risk that is non-performing for reasons of default, from the same risk segment, but for younger debts, can be used.

b. Coverage for standard risk (includes special monitoring): Coverage for operations classified as standard risk will be subject to collective estimates and operations classified as standard risk under special monitoring will be subject to an individual estimation or collective estimation. The coverage for the following standard operations under special monitoring must be subject to individualised estimates:
   i. Coverage for standard operations under special monitoring that the company deems significant.
   ii. Coverage for operations classified as standard under special monitoring as a result of an individual analysis of the operation in which a factor other than the automatic factors has had a critical influence.
   iii. Coverage for standard operations under special monitoring that do not belong to a homogeneous risk group and, therefore, for which the company cannot develop internal methodologies to give a collective estimate of the credit losses of these operations.
   iv. Coverage for all operations for which an individual estimate is not required will be subject to a collective estimate. Therefore, the following operations will be subject to a collective estimate:
      - Those classified as non-performing due to default (other than those identified as low credit risk) not considered significant, including those classified as non-performing due to default caused by the accumulation of overdue amounts in other operations with the same account holder.
      - Operations classified as non-performing for reasons other than default (other than those identified as low credit risk) and only automatic classification factors are considered.
      - Those classified as standard operations under special monitoring that the company does not deem significant.
      - Operations classified as standard under special monitoring as a result of an individual analysis of the operation in which only automatic classification factors are considered, or in which no factor other than the automatic factors has had a critical influence. This is the case, among others, for operations classified in this category because the account holder has outstanding amounts over thirty days old.
      - Those classified as standard operations under special monitoring due to belonging to a group of operations with similar credit risk characteristics ("homogeneous risk group"). This is the case, among others, for groups of operations classified in this category due to the account holder belonging to groups, such as geographical areas or economic activity sectors in which weaknesses are observed.
      - Those classified as standard risk.

Credit risk due to country risk

Classification of operations according to credit risk due to country risk: Debt instruments not valued at fair value through profit or loss, as well as off-balance exposures, with non-resident holders, will be analysed to determine credit risk due to country risk. To this effect, country risk comprises risk where holders are resident in a particular country due to circumstances other than usual business risk. Country risk comprises sovereign risk, transfer risk and other risks derived from international financial activity.

Operations will be grouped according to the following:

a. Group 1. This group will include operations where the parties bound reside in:
   i. Countries of the European Economic Area.
   ii. Switzerland, the United States, Canada, Japan, Australia, and New Zealand, aside from in the event of a significant deterioration of the country's country risk profile, in which case they will be classified according to that.
b. Group 2. This group will include operations where the parties bound reside in low-risk countries, in terms of their strong ability and commitment to pay.

c. Group 3. This group will include, at least, operations where the parties bound reside in countries showing significant macroeconomic deterioration, which it is believed could affect the country's payment capacity.
d. Group 4. This group will include, at least, operations where the parties bound reside in countries showing far-reaching macroeconomic deterioration, which it is believed could affect the country's payment capacity. This group will include operations charged to countries in group 3 which are experiencing a worsening of the indicators mentioned in the previous group.
e. Group 5. This group will include, at least, operations where the parties bound reside in countries showing prolonged issues with resolving their debt, with the possibility of repayment considered to be doubtful.
f. Group 6. This group will include operations for which it is considered there is a remote chance the sums will be recovered, due to circumstances attributable to the country. In all cases, this group will include operations where the parties bound reside in countries that have renounced their debts or who have not attended to depreciation and amortisation nor interest payments for a period of four years.

At 31 December 2022, the bank applies the estimation percentages and criteria established in Annex IX of Bank of Spain Circular 4/2017, of 27 November, of the Bank of Spain (which entered into force on 1 January 2018).

ANNEX III: Composition of Cecabank's Committees

There follows a list of the members of each of the Committees mentioned in section 2.2.1. as at 31 December 2022:

- **Members of the Audit Committee**

  Chairperson: Ms. MARÍA DEL MAR SARRO ÁLVAREZ

  Members:

  Mr. SANTIAGO CARBÓ VALVERDE

  Mr. FRANCISCO BOTAS RATERA

  Ms. CARMEN MOTELLÓN GARCÍA

  Mr. VÍCTOR MANUEL IGLESIAS RUIZ

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

- **Members of the Risk Committee**

  Chairperson: Ms. CARMEN MOTELLÓN GARCÍA

  Members:

  Mr. VÍCTOR MANUEL IGLESIAS RUIZ

  Ms. JULIA SALAVERRÍA MONFORT

  Mr. FRANCISCO JAVIER GARCÍA LURUEÑA

  Ms. MARÍA DEL MAR SARRO ÁLVAREZ

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

- **Members of the Appointments Committee**

  Chairperson: Ms. JULIA SALAVERRÍA MONFORT
  Members:

  Mr. FRANCISCO JAVIER GARCÍA LURUEÑA

  Mr. JAVIER PANO RIERA

  Mr. SANTIAGO CARBÓ VALVERDE

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

- **Members of the Remuneration Committee**

  Chairperson: Mr. SANTIAGO CARBÓ VALVERDE

  Members:

  Ms. MARÍA DEL MAR SARRO ÁLVAREZ

  Mr. FRANCISCO BOTAS RATERA

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

ANNEX IV: Disclosure of key indicators and panorama of risk-weighted exposure

Template EU KM1 - Key indicator template			
		a	e
		2022	2021
Available equity (amounts)			
1	Common Equity Tier 1 capital	793,720	743,373
2	Tier 1 capital	793,720	743,373
3	Total capital	793,720	743,373
	Amounts of risk weighted exposures		
4	Total amount of the risk exposure	2,577,524	2,470,839
	Capital ratios (expressed as a percentage of risk-weighted exposure amount)		
5	Common Tier 1 capital ratio (%)	30.79	30.09
6	Tier 1 capital ratio (%)	30.79	30.09
7	Total capital ratio (%)	30.79	30.09
Additional equity requirements to address risks other than excessive leverage risk (as a percentage of the risk-weighted exposure amount)			
EU 7a	Additional equity requirements to address risks other than excessive leverage risk (%)	2.19	1.73
EU 7b	Of which: will be composed of Common Equity Tier 1 capital (percentage points)	56.25	56.25
EU 7c	Of which: will be composed of Tier 1 capital (percentage points)	75	75
EU 7d	Total SREP capital requirements (%)	10.19	9.73
Combined buffer and overall capital requirement (expressed as a percentage of risk-weighted exposure amount)			
8	The capital conservation buffer (%)	2.5	2.5
EU 8a	Conservation buffer due to macroprudential or systemic risk observed in a Member State (%)	-	-
9	Institution-specific countercyclical capital buffer (%)	0.094	0.007
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institutions buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-
11	Combined Buffer Requirement (%)	2.594	2.507
EU 11a	Global capital requirements (%)	12.784	12.237
12	Ordinary Tier 1 capital available after complying with the SREP total capital requirements (%)	20.60	20.36
Leverage ratio			
13	Measurement of total exposure	13,735,017	6,686,054
14	Leverage ratio (%)	5.78	11.12
Additional equity requirements to address risks other than excessive leverage risk (as a percentage of total risk-weighted exposure)			
EU 14a	Additional equity requirements to address excessive leverage risk (%)	-	-
EU 14b	Of which: will be composed of Common Equity Tier 1 capital (percentage points)	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3	3.62
Leverage ratio buffer and global leverage ratio requirement (as a percentage of the total exposure measure)			
EU 14d	Leverage ratio buffer requirements (%)	-	-
EU 14e	Global leverage ratio requirement (%)[9]	3	3.62
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (average weighted value)	9,537,416	9,916,769
EU 16a	Cash outflows — Total weighted value	5,640,256	7,349,836
EU 16b	Cash inflows — Total weighted value	566,214	1,412,257
16	Total net cash outflows (adjusted value)	5,074,041	5,937,579
17	Liquidity coverage ratio (%)	187.96%	167.09%
Net stable funding ratio			
18	Total available stable funding	4,577,365	4,507,692
19	Total required stable funding	1,264,697	1,535,334
20	Net stable funding ratio (%)	361.93%	293.72%

[9] Recalibrated requirement (temporary exclusion of exposures with the Bank of Spain)

Template EU OV1 — Overview of total risk exposure amounts		Total amount of risk exposure (TARE)		Total capital requirements
		a	b	c
		2022	2021	2022
1	Credit risk (excluding credit counterparty risk)	1,101,619	1,022,879	88,130
2	Of which: with the standard method	1,101,619	1,022,879	88,130
3	Of which: with the basic internal ratings based approach (F-IRB)	-	-	-
4	Of which: with the allocation method	-	-	-
EU 4a	Of which: securities with the simple risk weighting method	-	-	-
5	Of which: with the advanced internal rating-based method (A-IRB)	-	-	-
6	Credit counterparty risk (CCR)	401,160	435,720	32,093
7	Of which: with the standard method	401,160	435,720	32,093
8	Of which: with the internal model method (IMM)	-	-	-
EU 8a	Of which: exposures to a central counterparty	-	-	-
EU 8b	Of which: credit valuation adjustment (CVA)	122,268	105,306	9,781
9	Of which: another counterparty risk	-	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures of the investment portfolio (after applying the upper limit)	43,571	51,243	3,486
17	Of which: the SEC-IRBA method	-	-	-
18	Of which: the SEC-ERBA method (including the internal assessment method	43,571	51,243	3,486
19	Of which: the SEC-SA method	-	-	-
EU 19a	Of which: 1 250%/deduction	-	-	-
20	Position, exchange rate and commodities risks (market risk)	448,724	450,072	35,898
21	Of which: with the standard method	448,724	450,072	35,898
22	Of which: with the internal model method (IMM)	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	582,450	510,925	46,596
EU 23a	Of which: with the basic indicator method	-	-	-
EU 23b	Of which: with the standard method	582,450	510,925	46,596
EU 23c	Of which: with the advanced measurement method	-	-	-
24	Amounts below the deduction thresholds (with a 250% risk weighting)	-	-	-
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	**Total**	**2,577,524**	**2,470,839**	**206,202**

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ANNEX V: Disclosure of information on equity

Template EU CC1 – Composition of regulatory own funds			
		a)	b)
		Amounts	Source based on balance sheet reference numbers or letters in the regulatory consolidation group
Common Tier 1 capital instruments and reserves			
1	Equity instruments and the corresponding share premium accounts	727,750	e) plus f)
	Of which: Type 1 instrument	727,750	e) plus f)
	Of which: Type 2 instrument	-	g)
	Of which: Type 3 instrument	-	h) plus i)
2	Retained earnings	443,965	-
3	Other cumulative comprehensive results (and other reserves)	- 47,895	-
EU-3a	Funds for general banking risks.	-	-
4	Amount of the items referred to in Article 484 (3) of the CRR and the corresponding share premium accounts subject to gradual exclusion of Common Equity Tier 1 capital	-	-
5	Minority holdings (amount admitted to the consolidated common equity Tier 1 capital).	-	-
EU-5a	Provisional profits verified independently, net of any possible costs or expected dividend.	51,573	j)
6	Common Equity Tier 1 before regulatory adjustments	1,175,393	sum of e), f), g), h), i) and j)
Common Equity Tier 1 capital regulatory reductions			
7	Additional value adjustments (negative amount).	- 4,012	
8	Intangible assets (net of tax debt) (negative amount).	- 401,117	a)
9	Not applicable.	-	-
10	Deferred tax assets depending on future revenues, excluding those arising from temporary difference (net of the corresponding tax liability where the conditions in CRR Article 38 (3) are met) (negative amount).	-	-
11	Reserves at fair value related to losses or gains on hedge of cash flows of financial instruments not measured at fair value	-	-
12	The negative amounts resulting from calculating expected losses.	-	-
13	Any increase in net worth resulting from securitised assets (negative amount).	-	-
14	Losses or gains on liabilities measured at fair value arising from changes in the credit quality of the asset.	-	-
15	Pension fund assets with defined benefits (negative amount).	- 4,454	b) less c)
16	Direct, indirect and synthetic holdings of Tier 1 capital instruments by an entity (negative amount).	-	-
17	Direct, indirect and synthetic holdings of Tier 1 capital instruments of financial entities when these entities have reciprocal ownership with the entity aimed at artificially increasing the institution's own funds (negative amount).	-	-
18	Direct, indirect and synthetic holdings of Tier 1 capital instruments of financial entities where the institution does not have a significant investment in those entities (more than the 10% threshold and net of eligible short positions) (negative amounts).	-	-
19	Direct, indirect and synthetic holdings of common equity Tier 1 capital instruments of financial sector entities where the institution has a significant investment in those entities (more than the 10% threshold and net of eligible short positions) (negative amount).	-	-
20	Not applicable.	-	-
EU-20a	Amount of the exposure of the following elements, which can receive a risk weighting of 1250%, when the entity opts for deduction.	-	-
EU-20b	Of which: qualifying holdings outside the financial sector (negative amount)	-	-
EU-20c	Of which: securitisation positions (negative amount).	-	-
EU-20d	Of which: incomplete operations (negative amount)	-	-
21	Deferred tax assets arising from temporary difference (amount above the 10% threshold, net of related tax liability where the conditions in CRR Article 38 (3) are met) (negative amount).	-	-
22	Amount that exceeds the threshold of 17.65% (negative amount).	-	-
23	Of which: direct, indirect and synthetic holdings of the common equity Tier 1 capital instruments of financial sector entities where the institution has a significant investment in those entities.	-	-
24	Not applicable.	-	-
25	Of which: deferred tax assets arising from temporary difference	-	-
EU-25a	Losses for the current financial year (negative amount)	-	-
EU-25b	Foreseeable tax charges relating to the elements of common equity Tier 1 capital, except when the entity properly adjusts the amount of common equity Tier 1 capital to the extent that such tax charges reduce the amount to which these elements can be used to cover risks or losses (negative amount).	-	-
26	Not applicable.	-	-
27	Admissible deductions of additional Tier 1 capital that exceeds the company's additional Tier 1 elements (negative amount).	-	-
27a	Other regulatory adjustments.	27,910	

28	Total regulatory adjustments for Common Equity Tier 1	-381,573	
29	Common Equity Tier 1 capital	793,720	
Additional Tier 1 capital instruments			
30	Equity instruments and the corresponding share premium accounts	-	-
31	Of which: classified as capital under applicable accounting regulations	-	-
32	Of which: classified as liabilities under applicable accounting regulations	-	-
33	Amount of the items referred to in Article 484 (4) of the CRR and the corresponding share premium accounts subject to gradual exclusion of the additional Tier 1 capital.	-	-
EU-33a	Amount of the items referred to in Article 494a (i) of the CRR, subject to gradual exclusion of the additional Tier 1 capital.	-	-
EU-33b	Amount of the items referred to in Article 494b (1), of the CRR subject to gradual exclusion of the additional Tier 1 capital.	-	-
34	Admissible Tier 1 capital included in additional consolidated Tier 1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties.	-	-
35	Of which: instruments issued by subsidiaries subject to gradual exclusion.		
36	Additional Tier 1 capital before regulatory adjustments		
Additional Tier 1 capital regulatory adjustments			
37	Direct, indirect and synthetic holdings of additional Tier 1 capital instruments by an entity (negative amount).	-	-
38	Direct, indirect and synthetic holdings of additional Tier 1 capital instruments of financial entities when these entities have reciprocal ownership with the entity aimed at artificially increasing the institution's own funds (negative amount).	-	-
39	Direct, indirect and synthetic holdings of additional Tier 1 capital instruments of financial entities where the institution does not have a significant investment in those entities (more than the 10% threshold and net of eligible short positions) (negative amounts).	-	-
40	Direct, indirect and synthetic holdings of additional Tier 1 capital instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount).	-	-
41	Not applicable.	-	-
42	Deductions admissible of Tier 2 capital that exceed the Tier 2 elements of the company (negative amount)	-	-
42a	Other regulatory adjustments to additional Tier 1 capital	-	-
43	Total regulatory adjustments for Additional Tier 1 capital	-	-
44	Additional Tier 1 Capital	-	-
45	Tier 1 capital (Tier 1 capital = Common Equity Tier 1 + Additional Tier 1 capital)	793,720	
Tier 2 capital: instruments			
46	Equity instruments and the corresponding share premium accounts	-	-
47	Amount of the items referred to in Article 484 (5) of the CRR and the corresponding share premium accounts subject to gradual exclusion of the additional Tier 2 capital, as described in Article 486 (4) of the CRR.	-	-
EU-47a	Amount of the items referred to in Article 494a (2) of the CRR subject to gradual exclusion of the Tier 2 capital.	-	-
EU-47b	Amount of the items referred to in Article 494b (2) of the CRR subject to gradual exclusion of Tier 2 capital.	-	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-
49	Of which: instruments issued by subsidiaries subject to gradual exclusion.	-	-
50	Credit risk adjustments	-	-
51	Tier 2 capital before regulatory adjustments	-	-
Tier 2 capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings of Tier 2 capital instruments by an entity (negative amount).	-	-
53	Direct, indirect and synthetic holdings of Tier 2 capital instruments and subordinated loans of financial entities when these entities have reciprocal ownership with the entity aimed at artificially increasing the institution's own funds (negative amount).	-	-
54	Direct, indirect and synthetic holdings of Tier 2 capital instruments and subordinated loans of financial entities where the institution does not have a significant investment in those entities (more than the 10% threshold and net of eligible short positions) (negative amounts).	-	-
EU-54a	Not applicable.	-	-
55	Direct, indirect and synthetic holdings of Tier 2 capital instruments and subordinated loans of financial sector institution where the company has a significant investment in those institutions (net of eligible short positions) (negative amount).	-	-
56	Not applicable.	-	-
EU-56a	Admissible deductions of liabilities that exceed the entity's liability elements (negative amount).	-	-
EU-56b	Other regulatory adjustments for Tier 2 capital.	-	-
57	Total regulatory adjustments for Tier 2 capital	-	-
58	Tier 2 Capital	-	-
59	Total capital (Total capital = Tier 1 capital + Tier 2 capital)	793,720	
60	Total amount of risk exposure.	2,577,524	
Capital ratios and requirements, including buffers			
61	Common Equity Tier 1 capital	30.79%	
62	Tier 1 capital	30.79%	
63	Total capital	30.79%	

64	General requirements for the institution's common equity Tier 1 capital.	8.32%	
65	Of which: capital conservation buffer requirement.	2.50%	
66	Of which: countercyclical capital buffer requirement.	0.09%	
67	Of which: systemic risk buffer requirement.	-	-
EU-67a	Of which: Global systemically important institution (G-SII) or other systemically important institution (O-SII) buffer requirement.	-	-
EU-67b	Of which: additional equity requirements to address risks other than excessive leverage risk (%).	1.23%	
68	Common equity Tier 1 capital (by percentage of the amount of exposure to risk) available once minimum capital requirements have been met.	25.06%	
National minimums (if they differ from Basel III)			
69	Not applicable	-	-
70	Not applicable	-	-
71	Not applicable	-	-
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of own capital and admissible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions).	37,488	
73	Direct and indirect holdings of common equity Tier 1 capital instruments of financial sector entities where the institution has a significant investment in those entities (less than the 17.65% threshold and net of eligible short positions).	-	-
74	Not applicable.		
75	Deferred tax assets arising from temporary difference (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) of the CRR are met).	72,979	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in the Tier 2 capital with respect to exposures subject to the Standardised Approach (before the application of the cap).	-	-
77	Cap on inclusion of credit risk adjustments in T2 under the Standardised Approach.	-	-
78	Credit risk adjustments included in the Tier 2 capital with respect to exposures subject to the ratings-based method (before the application of the cap).	-	-
79	Cap on inclusion of credit risk adjustments in T2 under the internal ratings based method.	-	-
Capital instruments subject to phase-out provisions (only applicable between 1 January 2014 and 1 January 2022)			
80	Current limit for Common Equity Tier 1 instruments subject to gradual exclusion provisions.	-	-
81	Amount excluded from Common Equity Tier 1 due to the limit (excess over the limit after repayments and maturities).	-	-
82	Current limit for additional Tier 1 capital instruments subject to gradual exclusion provisions.	-	-
83	Amount excluded from the additional Tier 1 capital due to the limit (excess over the limit after repayments and maturities).	-	-
84	Current limit for Tier 2 capital instruments subject to gradual exclusion provisions.	-	-
85	Amount excluded from Tier 2 capital due to the limit (excess over the limit after repayments and maturities).	-	-

Template EU CC2 - Conciliation of regulatory own funds with the balance sheet of the audited financial statements				
		a	b	c
		Balance as per the financial statements published	In the regulatory area of consolidation [10]	Reference
		At period end	At period end	
Assets - *Breakdown by asset class according to the balance sheet of the financial statements published*				
1	Intangible assets	401,117	-	a) Note 13.1 of the Cecabank Individual Report "Intangible assets"
2	Pension fund assets with defined benefits	6,363	-	b) Note 14.1 of the Cecabank Individual Report "Other assets"
	Total assets	407,480	-	
Liabilities - *Breakdown by liability class according to the balance sheet of the published financial statements*				
1	Deferred tax liabilities linked to pension fund assets with defined benefits	1,909	-	c) Individual Public Balance Sheet - Net Equity PI.1.2 under "Deferred tax liabilities"
	Total liabilities	1,909	-	
Equity				
1	Paid-up capital	112,257	-	e) Individual Public Balance Sheet - Equity PI.1.3.a under "Paid-Up Capital"
2	Share premium	615,493	-	f) Individual Public Balance Sheet - Equity PI.1.3a. under "Share Premium"
3	Retained earnings from previous years	443,965	-	g) Individual Public Balance Sheet-Equity PI.1.3a. under "Retained Earnings"
4	Other reserves	14,894	-	h) Individual Public Balance Sheet - Equity PI.1.3.a under "Other reserves"
5	Other accumulated overall result	- 62,789	-	i) Individual Public Balance Sheet - Equity PI.1.3.a under "Accumulated other comprehensive income"
6	Profit/loss for period - voluntary reserve	51,573	-	j) Note 3 of the Cecabank Individual Report
	Total capital	1,175,393	-	

[10] The company excludes its subsidiaries from Pillar 3 consolidation according to article 19 1 of the CRR and as a result it does not prepare consolidated Pillar 3 statements (communication to the BoS of 03/04/2018).

ANNEX VI: Scope of application of disclosure requirements

Quantitative information on the liquidity coverage ratio		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending (DD Month YYYY)	31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2022	30/09/2022	30/06/2022	31/03/2022
EU 1b	Number of data points used to calculate averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high quality liquid assets (HQLAs)					9,795,917	8,970,140	8,940,354	9,308,699
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	100,000	99,755	98,736	96,976	6,695	6,682	6,564	6,489
3	*Stable deposits*	66,100	65,870	66,184	64,173	3,305	3,294	3,309	3,209
4	*Less stable deposits*	33,900	33,885	32,552	32,803	3,390	3,388	3,255	3,280
5	Unsecured wholesale funding	12,040,742	11,041,901	11,062,433	11,677,350	5,719,884	4,718,269	4,747,211	5,408,857
6	*Operational deposits (all counterparties) and deposits in cooperative bank networks*	8,248,001	8,298,474	8,274,712	8,193,762	2,062,000	2,074,619	2,068,678	2,048,441
7	*Non-operational deposits (all counterparties)*	3,792,741	2,743,427	2,787,721	3,483,588	3,657,884	2,643,651	2,678,533	3,360,416
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	721,627	692,428	703,709	743,620	281,315	262,156	266,888	265,866
11	*Outflows related to exposure to derivatives and other collateral requirements*	232,392	214,348	218,352	212,782	232,392	214,348	218,352	212,782
12	*Outflows related to loss of funds on debt products*	232,392	214,348	218,352	212,782	232,392	214,348	218,352	212,782
13	*Lines of credit and liquidity*	-	-	-	-	-	-	-	-
14	Other contractual funding obligations	2,001,850	1,987,172	2,416,532	2,178,422	1,991,684	1,977,005	2,406,365	1,769,943
15	Other contingent funding obligations	37,158	37,078	40,620	42,488	37,158	37,078	40,620	42,488
16	TOTAL CASH OUTFLOWS					8,036,736	7,001,190	6,620,850	7,497,031
CASH INFLOWS									
17	Secured loans (e.g., reverse repurchase agreements)	3,584,365	3,234,528	3,580,811	3,595,430	2,416,705	2,195,228	2,503,271	2,417,203
18	Fully performed exposure entries	1,322,527	828,217	1,172,596	1,265,145	343,399	150,965	95,057	86,918
19	Other cash inflows	2,261,838	2,044,263	2,408,215	2,330,285	2,261,838	2,044,263	2,408,215	2,330,285
EU 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU 19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	7,168,730	6,107,008	7,161,621	7,190,860	5,021,941	4,390,457	5,006,542	4,834,406
EU 20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU 20c	*Inflows subject to 75% cap*	4,159,237	3,732,075	3,924,488	4,481,775	2,605,354	2,197,122	2,505,485	2,425,172
TOTAL ADJUSTED VALUE									

EU 21	LIQUIDITY BUFFER		9,795,917	8,970,140	8,940,354	9,308,699
22	TOTAL NET CASH OUTFLOWS		5,436,696	4,804,387	4,962,164	5,466,783
23	LIQUIDITY COVERAGE RATIO		180.45%	186.97%	180.47%	170.33%

Net stable funding ratio (December 2022)						
	a	b		c	d	e
(amount in foreign currency)	Unweighted value by residual maturity					Weighted amount
	Not matured	< 6 months		6 months to < 1 year	One year or more	
Available stable funding						
1	Equity elements and instruments	-	-	-	793,720	793,720
2	Own funds	-	-	-	793,720	793,720
3	Other equity instruments	-	-	-	-	-
4	Retail deposits	-	21,153	8,643	73,419	101,202
5	Stable deposits	-	13,731	5,611	47,661	66,036
6	Less stable deposits	-	7,421	3,032	25,758	35,166
7	Wholesale financing:	-	6,627,339	-	-	3,313,669
8	Operational deposits	-	6,627,339	-	-	3,313,669
9	Other wholesale funding	-	-	-	-	-
10	Interdependent liabilities	-	-	-	-	-
11	Other liabilities:	-	1,285	-	9,613	9,644
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	1,285	-	9,613	9,644
14	Total available stable funding	-	-	-	-	4,577,365
Required stable funding						
15	Total high quality liquid assets (HQLAs)	9,674,936	-	-	-	166,007
EU-15a	Assets encumbered for more than 12 months in cover pool	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	1,155,617	226,422	567,502	709,522
18	Performing securities financing transactions with financial customers guaranteed by HQLA at level 1 subject to a 0% valuation haircut	-	-	-	-	-
19	Performing securities financing transactions with financial customers secured by other assets and loans and advances to financial institutions	-	1,065,476	212,829	-	212,962
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs, of which:	-	-	-	-	-
21	With a risk weighting of 35% or less under the Basel II standard method for credit risk	-	82,965	77,632	342,298	302,792
22	Performing residential mortgages, of which:	-	1,567	1,593	42,474	-
23	With a risk weighting of 35% or less under the Basel II standard method for credit risk	-	-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and on-balance sheet trade finance products	-	88,574	12,000	525,028	496,560
25	Interdependent assets	-	-	-	-	-
26	Other assets	-	-	-	-	-
27	Physical traded commodities	-	-	-	-	-
28	Assets contributed as initial spread for derivative contracts and contributions to the funds for non-payments of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	Derivative liabilities as calculated according to NSFR before deducting variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	-	-	-
32	Off-balance sheet items	-	491,486	-	-	24,574
33	Total required stable funding	-	-	-	-	1,264,697
34	Net stable funding ratio (%)	-	-	-	-	361.93%

ANNEX VII: Disclosure of information on remuneration policy

Template EU REM1 - Remuneration awarded for the financial year			a	b	c	d
			Supervisory function of the management body	Function of the Management Committee	Other members of senior management	Other identified staff
1	Fixed remuneration	Number of members of the identified staff	9	1	7	57
2		Total fixed remuneration	**360,001**	**554,318**	**1,230,051**	**5,512,780**
3		Of which: in cash	360,001	422,759	1,052,682	5,247,817
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: equivalent shares or ownership interests	-	-	-	-
5		Of which: instruments linked to shares or equivalent non-pecuniary instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other modalities	-	131,559	177,369	264,963
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of members of the identified staff	9	1	7	57
10		Total variable remuneration	-	**150,285**	**506,457**	**2,910,965**
11		Of which: in cash	-	39,255	189,484	1,321,613
12		Of which: deferred	-	55,440	79,258	419,926
EU-13a		Of which: equivalent shares or ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: instruments linked to shares or equivalent non-pecuniary instruments	-	34,054	126,677	581,331
EU-14b		Of which: deferred	-	21,536	111,039	588,094
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other modalities	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		**360,001**	**704,603**	**1,736,507**	**8,423,745**

Template EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)		a	b	c	d
		Supervisory function of the management body	Function of the Management Committee	Other members of senior management	Other identified staff
Guaranteed variable remuneration awarded					
1	Guaranteed variable remuneration granted — Number of staff members identified	-	-	-	-
2	Guaranteed variable remuneration awarded — Total amount	-	-	-	-
3	Of which: guaranteed variable remuneration awarded and paid during the year, which is not included in the limit on bonuses	-	-	-	-
Severance pay awarded in prior years and paid during the financial year					
4	Severance pay granted to staff in prior years and paid during the financial year — Number of identified staff	-	-	1	2
5	Severance pay awarded in prior years and paid during the financial year — Total amount	-	-	47,844	23,693
Redundancy indemnities awarded during the financial year					
6	Severance pay granted to personnel from the identified staff during the financial year — Number of identified staff	-	-	-	-
7	Severance pay awarded during the financial year — Total amount	-	-	-	-
8	Of which: paid during the year	-	-	-	-
9	Of which: deferred	-	-	-	-
10	Of which: severance pay paid during the year which is not taken into account in the limitation of bonuses	-	-	-	-
11	Of which: highest indemnity granted to a single person	-	-	-	-

Template EU REM3 - Deferred remuneration									
		a	b	c	d	e	f	EU-g	EU-h
	Deferred and withheld remuneration	Total amount of deferred remuneration granted in respect of previous earnings periods	Of which: that is consolidated in the fiscal year	Of which: that will be consolidated in subsequent years	Amount of the adjustment for results applied in the year to deferred compensation to be consolidated in the year	Amount of the performance adjustment applied in the year to the deferred compensation to be consolidated in future periods	Total amount of the adjustment during the financial year due to implicit *ex-post* adjustments (i.e. changes in the value of deferred remuneration due to changes in the prices of the instruments)	Total amount of deferred remuneration granted before the financial year and actually paid in the financial year	Total amount of deferred remuneration granted in respect of previous earnings periods that has been consolidated but is subject to withholding periods
1	Supervisory function of the management body								
2	In cash	-	-	-	-	-	-	-	-
3	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
4	Instruments linked to shares or equivalent non-pecuniary instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other modalities	-	-	-	-	-	-	-	-
7	Function of the Management Committee								
8	In cash	151,282	-	151,282	-	-	-	55,440	-
9	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
10	Instruments linked to shares or equivalent non-pecuniary instruments	316,646	-	316,646	-	-	-	55,590	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other modalities	-	-	-	-	-	-	-	-
13	Other members of senior management	-	-	-	-	-	-	-	-
14	In cash	284,344	-	284,344	-	-	-	79,258	-
15	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
16	Instruments linked to shares or equivalent non-pecuniary instruments	670,801	-	670,801	-	-	-	237,715	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other modalities	-	-	-	-	-	-	-	-
19	Other identified staff								
20	In cash	1,189,186	-	1,189,186	-	-	-	419,926	-
21	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-

22	Instruments linked to shares or equivalent non-pecuniary instruments	2,431,780	-	2,431,780	-	-	-	1,169,425	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other modalities	-	-	-	-	-	-	-	-
25	**Total amount**	**5,044,039**	-	**5,044,039**	-	-	-	**2,017,354**	-

Template EU REM4 - Remuneration of 1 million EUR or more per year

	EUR	Staff identified as highly paid under Article 450 (i) of the CRR
1	From 1 000 000 to less than 1 500 000	-

Template EU REM2 - Information on special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Remuneration of the Management Committee			Business areas						
		Supervisory function of the management body	Function of the Management Committee	Total management committee	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**	9	8	17	31	-	-	8	9	9	74
2	Of which: members of the Management Committee	9	1	10	-	-	-	-	-	-	10
3	Of which: other members of senior management	-	7	7	-	-	-	-	-	-	7
4	Of which: other identified staff	-	-	-	31	-	-	8	9	9	57
5	**Total remuneration of identified staff**	**360,001**	**2,441,111**	**2,801,112**	**5,000,575**	-	-	**1,226,787**	**1,233,405**	**962,978**	**11,224,857**
6	Of which: variable remuneration	-	656,742	656,742	2,104,051	-	-	297,581	303,964	205,368	3,567,707
7	Of which: fixed remuneration	360,001	1,784,369	2,144,370	2,896,524	-	-	929,205	929,441	757,610	7,657,150

ANNEX VIII: General Control Framework

Risk and Compliance Department

General Control Framework

Steering Committee

March 2023

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Contents

1. Introduction

The Board of Directors of Cecabank is ultimately responsible for the company's internal control systems, ensuring that the organisational and operational structure is adequate and transparent and that it promotes and attests to the prudent and effective management of the company. It also ensures that internal control functions are independent of the business lines they control and provides for appropriate segregation of duties.

Cecabank has implemented systems, procedures and mechanisms to ensure that a comprehensive internal governance and control framework is in place, covering the entire organisation and including independent risk control, compliance and audit functions, with sufficient authority, status and resources for employees to perform their duties properly.

The purpose of this General Control Framework is to describe and document the internal control system, the communication channels and the assignment of responsibilities in a clear and coherent manner.

2. Characteristics of the internal control system

The organisational structure and internal control mechanisms developed by Senior Management are aligned with the nature of Cecabank's strategy and business model, with well-defined, transparent and coherent lines of responsibility, and are aimed at guaranteeing:

- Efficient and effective operations;
- Prudent business management;
- Adequate identification, measurement and mitigation of risks;
- Reliable internal and external published financial and non-financial information;
- Solid administrative and accounting procedures; and
- Compliance with laws, regulations, supervisory requirements and the company's internal policies, processes, rules and decisions.

It is characterised mainly by:

- The three lines of defence model:
  - **First line of defence:** Composed of Business and Support Units that have primary responsibility for the management and control of the risks affecting the company in the ongoing exercise of its activity. The controls are established and carried out in the departments themselves.
  - **Second line of defence:** Formed by the Risk and Compliance Area. It is responsible for supervising the activity of the front line, ensuring the existence of risk management and control policies and procedures and their alignment with the level of risk appetite defined by the Board.
  - **Third line of defence:** Formed by the Internal Audit function. This function independently verifies and objectively ensures that all activities and units of the bank, including outsourced activities, comply with internal policies and procedures and with the legal and contractual regulations and obligations applicable to the bank.
- Guaranteed independence of the units performing control functions with respect to the areas, units or functions over which they perform their verification.
- Comprehensive and specialised management. There are specific management and control units for the different risks located in the first and second lines of defence.

- Sound coordination in the control of the various risks and their comprehensive vision, thus complying with the risk strategy defined by the Board of Directors.

3. Internal control organisational chart

The organisational structure of internal control is made up of specialised units with direct responsibilities for management and control, as well as a committee structure that supports the reporting system by ensuring that management bodies, business lines and internal units can carry out their functions.[1]:

A. The Board of Directors and its delegated committees:
   - Audit Committee.
   - Risk Committee.
   - Remuneration Committee.
   - Appointments Committee.

B. Steering Committee:
   - Pricing Committee.
   - Resources Committee.

C. Committees with direct responsibilities over risks:
   - Assets and liabilities Committee
   - Compliance and Operational Risk Committee

D. Department responsible for the third line of defence:
   - Internal Audit.

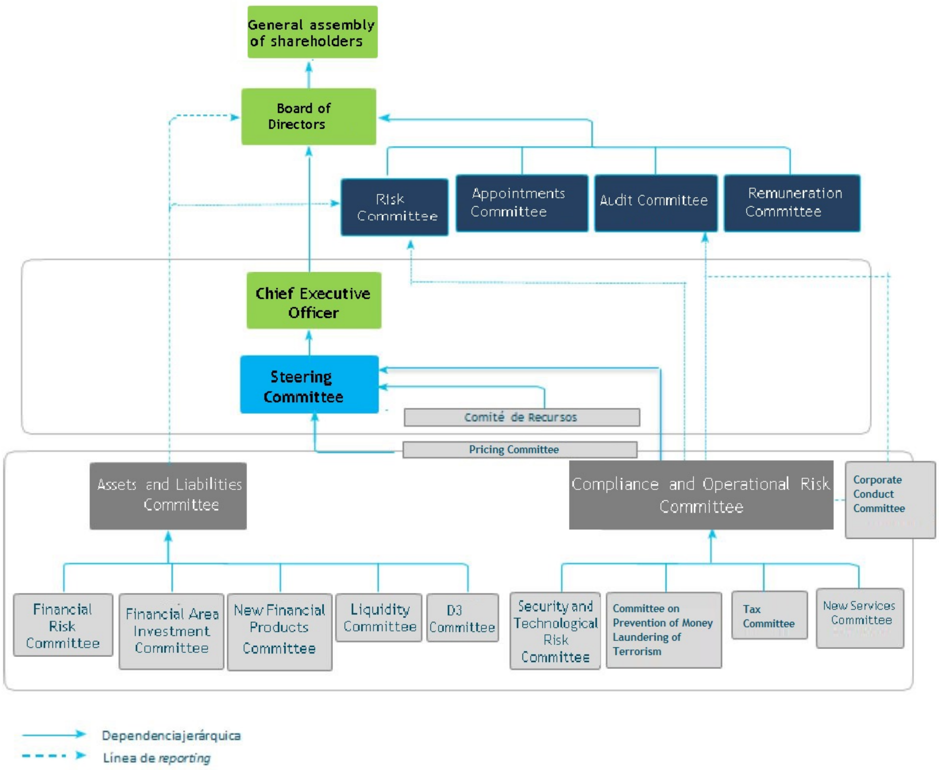
E. Departments or Divisions responsible for the second line of defence that, in turn, comprise the Risk and Compliance Area:
   - Non-financial Risk and Compliance Division, which also encompasses:
     - Regulatory Compliance.
     - Internal Control and Operational Risk.
     - Information Security and Technological Risks.
   - Financial Risk Division, which includes:
     - Market, Balance and Liquidity Risk.
     - Credit and Counterparty Risk.
   - Cross-Cutting Risks and Coordination Unit.

F. Departments or divisions that, although they are not second line of defence, perform functions linked to the control of different risks, especially those related to Occupational Safety and Risk Prevention.

G. Departments or Divisions responsible for the third line of defence:
   - Risk and Control Admission Division.
   - Business and support units.

[1] Further information on the procedures in place for the identification, measurement, management and control of risks can be found in Cecabank's Pillar 3 Disclosures (https://www.cecabank.es/).

3.1. Governing bodies and structure of committees



Board of Directors

As the highest decision-making body, the Board of Directors is responsible for determining the company's general risk policies. This includes defining the nature and levels of risk tolerance and setting policies for the assumption, monitoring and control of the various risks incurred, ensuring that the level of risk tolerance is adequately matched to existing capital.

Likewise, the Board is the prime proponent of the corporate risk culture, aimed at ensuring efficient internal control systems and comprehensive management and measurement processes and underpinned by a framework of integrity and ethical values of the highest level. These principles are set out in Cecabank's Code of Corporate Conduct, guaranteeing the integrity of accounting and financial information systems, including financial and operational control and compliance with applicable legislation.

The internal functioning of the Board, its principles of action and basic rules of organisation and operation are detailed in the Board Regulations, which are published on the company's corporate website, in the corporate information section.

Audit Committee

Supervises and assesses the effectiveness of the company's internal control, internal audit and risk management systems; it also oversees the process for preparing and submitting regulated financial information. Within this framework, it is empowered to supervise the functioning of the complaints channel, compliance with the codes of conduct and internal governance rules, inserting the appropriate suggestions for improvement.

It is also responsible for assessing and approving the internal audit functions and action plans on an annual basis, supervising their compliance, the operation of the audit function and the performance of the supervisor. The functional dependence of the Internal Audit Committee safeguards the independence of the third level control function.
The internal functioning of this Committee, its principles of action and basic rules of organisation and operation, as well as the rules of conduct of its members, are set out in the Audit Committee Regulations, published on the Company's corporate website, in the corporate information section.

Risk Committee

As a delegated committee of the Board of Directors, the Risk Committee, among other functions, advises the Board of Directors on the company's overall propensity to risk, both current and future, and its strategy in this field, and assists it in monitoring the application of that strategy. Likewise, it must have an awareness of and periodically analyse the company's status with regard to solvency, liquidity and, in general, risk. In particular, it is responsible for analysing the capital and liquidity self-assessment report and Pillar 3 disclosures before they are submitted to the Board.

The internal functioning of this Committee, its principles of action and basic rules of organisation and operation, as well as the rules of conduct of its members, are set out in the Risk Committee Regulations, published on the Company's corporate website, in the corporate information section.

Remuneration Committee

This committee advises the Board with regard to the company's remuneration policies and the alignment thereof with the maintenance of risk tolerance levels. Likewise, it must report information on the Remuneration Policy of senior executives, employees that assume risk, employees performing control functions and any employee that receives an overall remuneration that includes them in the same remuneration scale as senior executives and risk-assuming employees whose professional activities have a significant impact on their risk profile, directly supervising the remuneration of senior executives in charge of risk management and with compliance functions in the company.

The internal functioning of this Committee, its principles of action and basic rules of organisation and operation, as well as the rules of conduct of its members, are set out in the Remuneration Committee Regulations, published on the Company's corporate website, in the corporate information section.

Appointments Committee

This Committee is responsible for, among other duties, selecting and recommending candidates for positions on the Board; regularly assessing the Board's structure, composition, size, and activities; regularly assessing the suitability of the Board and its members as a whole; and regularly assessing the Board's policies with regard to selection criteria and the appointment of senior management.

The internal functioning of this Committee, its principles of action and basic rules of organisation and operation, as well as the rules of conduct of its members, are set out in the Appointments Committee Regulations, published on the Company's corporate website, in the corporate information section.

Steering Committee

The Steering Committee is responsible for fostering the development of internal control systems and procedures that ensure correct management of corporate risks, based on the control framework defined by the Board of Directors.

The functioning, as well as its responsibilities, are set out in the Steering Committee Regulations.

Specialised committees

Resources Committee

This Committee aims to promote the transformation of the company through an appropriate strategy for Cecabank's human and technological resources in such a way as to respond to the requirements, needs and strategies of the rest of the company's units, in accordance with the challenges and principles set out in the strategic plans in force and the rules and regulations in force at any given time.

In the technological sphere, it is responsible for defining the general technological governance of the company to keep it aligned with its technological strategy and its business strategy. It may request the Security and Technological Risks Committee to provide detailed analysis of technological risk aspects that go beyond the preliminary analysis carried out by the Resources Committee.

This Committee reports periodically to the Steering Committee, which is used as support in aspects such as strategy and investment in technology and human resources. Its functions are detailed in its Regulations.

This Committee will submit the four-monthly report on digitisation and technology to the Board of Directors, via the Steering Committee.

Pricing Committee

It aims to identify and analyse any commercial, managerial and procedural aspects that may be hindering the company's ability to maximise its revenues. Its functions, as detailed in its Regulations, include analysing and establishing the prices of new products and services, taking into account the specific characteristics and market characteristics, in line with the company's strategy.

Assets and Liabilities Committee (ALCO)

The ALCO is tasked with approval, reporting, monitoring and primary control of financial risks, within the management framework defined by the Board in the Risk Tolerance Framework and the General Risk Management Framework. It is the governing body through which Senior Management participates in the primary monitoring and control of financial risks and in developing and implementing risk policies that ensure the risk profile established by the company is upheld.

In order to perform the functions entrusted to it, it utilises different committees as support units: Financial Risk Committee; Financial Area Investment Committee; New Financial Products Committee; Disruption, Diversification and Dynamization Committee (D3 Committee); and Liquidity Committee.

The functioning, objectives and responsibilities of the ALCO and its supporting committees are set out in the ALCO Handbook.

Compliance and Operational Risk Committee (CORC)

The mission of the Compliance and Operational Risk Committee is to approve, inform, monitor and control non-financial risks, including operational, reputational, legal, compliance and technological risks.

In order to perform the functions entrusted to it, it utilises the following committees as support units:

- Committee on Prevention of Money Laundering and Financing of Terrorism: This is the internal control body responsible for applying Cecabank's policies and procedures on PMLFT.
- Tax Committee: collaborates in the analysis and interpretation of tax rules that are applicable to Cecabank's activity, to the monitoring of compliance with formal obligations and to the investigation, evaluation, and monitoring of possible tax risks.
- Security and Technological Risk Committee: establishes the initiatives considered appropriate for the proper management of technological risks (logical and physical security risk, outsourcing risk, change risk, data integrity risk and continuity and contingency risk). This Committee aims to monitor all the company projects used to improve the technological service in business processes, or support already existing process, or to provide coverage for new lines of activity.
- New Services Committee: analyses and, where applicable, approves the new services to be provided by the company.

Similarly, it directly monitors criminal risk.

The functioning, objectives and responsibilities of the Compliance and Operational Risk Committee are set out in its Regulations.

Corporate Conduct Committee

Its function is to ensure the proper functioning of the communication channel established in matters related to the Corporate Code of Conduct[2]. This Committee reports to the Compliance and Operational Risk Committee when it is determined from the analysis and resolution of the complaints that an operational risk loss event has occurred, as well as on the functioning of the complaints channel from the point of view of criminal risk, its processing status and the final result of the actions taken.

The Chairman of the Corporate Conduct Committee reports regularly, at least annually, to the company's Audit Committee on the operation and use of the Channel or any other monitoring and application initiative of the Code.

Health and Safety Committee

The Health and Safety Committee is an autonomous body representing the company and the workers, whose purpose is to participate in the preparation, implementation and evaluation of the company's risk prevention plans and programmes and to promote initiatives on methods and

[2] The Code of Conduct is published on the company's corporate website, in the corporate information section (standards of conduct).

procedures for the effective prevention of risks, suggesting how the company can improve conditions or correct existing deficiencies.

3.2. Internal organisational structure

First line of defence

A. Business and support areas

The different areas where the company's business lines are integrated, as well as those that support them, assume the risks in the exercise of their activity, taking into account the risk appetite authorised by the Board, the authorised risk limits and the existing policies and procedures.

They are responsible for developing and implementing control processes and mechanisms to ensure that the main risks arising from their activities are identified, managed, measured, controlled, mitigated and reported.

The process of identifying non-financial risks is carried out through the CIRO working group, a permanent working group whose main responsibility is the detection of non-financial risks inherent to the company's processes, products and systems. Its aim is to obtain an inventory of these risks, as well as to select the risk and management indicators for the proper monitoring of these risks.

It is made up as follows:

- Permanent representatives of the following units: Internal Audit, Organisation, Internal Control, Operational Risk and Security and Technological Risks.
- On a transitory basis and while the process of identifying the risks of the unit under analysis is being processed by the management of the corresponding department.

B. Technology Resources Division

In general, the first line of defence works to implement and monitor the primary operational control mechanisms needed to mitigate the identified risks. In the case of technological risks, this function is performed by the Technology Resources Division. Its functions consist of implementing the control measures that are in turn supervised under the second line by Information Security and Technological Risks, as well as monitoring and providing prompt attention to the company's technological risk events.

C. Risk and control admission division

This division covers the analysis needs of credit risk analysis of counterparties and businesses associated with the admission and monitoring processes. Regardless of the placement of this group within the financial area, it provides cross-cutting support to the credit risk analysis needs of all operational areas. The above implies, among other aspects:

- Analysing and monitoring counterparty and business credit risk.
- Participating in investment decision-making processes, from the point of view of the analysis of the risks incurred.

- Supporting the process of defining the investment policy by analysing the alignment with the provisions of the Risk Tolerance Framework.
- Defining and proposing the credit risk methodologies used by the company to monitor credit risk.
- Participating in the development of risk management processes and methodologies and making improvement proposals in the field of risk management and control.
- Implementing the procedures and techniques for accepting and monitoring credit risk adopted.
- Advising the different business units on risks.
- Detecting new risks linked to the growing business areas and preparation of proposals for mitigation.

Second line of defence

It brings together the risk management and compliance functions established in the EBA's Internal Governance Guidelines, assuming, among others, the following functions:

- Participating in the preparation of the company's risk strategy, ensuring that it has implemented effective risk management procedures.
- Providing relevant information on risks that allows the Board of Directors to establish the company's risk appetite.
- Proposing specific risk limits to ensure alignment of the activity with the defined risk appetite.
- Assessing the impact of exceptional transactions or significant changes in the company's global risk.
- Regularly monitoring the company's risk profile in its different financial and non-financial dimensions and compliance and reporting on its progress to the governing bodies.
- Analysing trends and identifying new or emerging risks.
- Ensuring that internal policies and standards allow compliance with applicable regulatory requirements, supervising their respect for the organisation and proposing any necessary improvements.
- Ensuring that, prior to the launch of new products or services, the risks and measures to mitigate them have been identified and that the rules applicable to them are complied with.

It is made up of the specialised control units, which are integrated into the Risk and Compliance Area.

A. Financial Risk Division

This Division is composed of the following departments:

- **Credit and Counterparty Risk Control**: responsible for controlling the second level credit risk associated with the activities of the various business units.

- **Market Balance and Liquidity Risk**: is responsible for the management and control of market risk and structural balance sheet risk, and also for the monitoring of the management results of the trading activities.

B. Non-financial Risk and Compliance Division

This Division is composed of the following departments:

- ### Internal Control and Operational Risk:

  The Operational Risk Unit plans, organises and implements the operational risk management system in the company in accordance with the approved policies and procedures and ensures that the first line of defence identifies, evaluates, measures, controls, manages and communicates all operational risks as needed.

  It is also the unit responsible for analysing the risk of outsourcing and for registering any material outsourcings with the Bank of Spain in accordance with the outsourcing and contracting of services and functions policy approved by the Board of Directors.

  The internal Control Unit performs activities that allow for a comparison and verification of the degree of effectiveness of the primary operational and accounting controls previously established by each department, in order to ensure that the controls have been complied with, the transactions are accounted for and reflected in an appropriate manner and the financial information provided is correct. It also checks compliance with internal operating standards and contractual standards.

- ### Regulatory Compliance:

  Its main objective is to ensure efficient compliance risk management by developing controls to verify that internal rules and policies are applied by the front line.

  Its main spheres of action are the prevention of money laundering, standards of conduct on the Securities Market (RIC and MiFID), personal data protection, corporate governance and criminal risk.

- ### Information Security and Technological Risks:

  This is the secondary control unit in the field of information and communications technology (ICT) risks. Ensuring compliance with the guidelines of the European Banking Authority[3] (EBA), the unit specifically accounts for security, continuity and data integrity risks, change risk and outsourcing risk, although the latter is analysed jointly with the Operational Risk Unit, following the guidelines set out in the company's Policy on Outsourcing and Contracting of Services and Functions.

C. Cross-Cutting Coordination and Risks Unit

This is the unit responsible for the management and control of transversal risks affecting the company as a whole, namely reputational risk, climate and environmental risks, model risk and other emerging risks.

Elsewhere, it is responsible for coordinating the preparation of legally required documents before regulators and market (IACL, IRP, Recovery Plan), as well as the documentation

[3] EBA/GL/2017/05, under the name "Guidelines on ICT Risk Assessment under the Supervisory Review and Evaluation Process (SREP)"

requested by the regulator for resolution purposes. It is also responsible for coordinating the preparation of Handbooks and Policies within the Department.

There are other specific risk categories in the field of non-financial operational risks that have differentiated monitoring and management mechanisms outside the Risk and Compliance Area:

- Risks linked to physical security and labour relations: The Security Department, integrated in the Talent, Culture and General Services Division, is foreseen in the Private Security Law as a legal obligation whose purpose is to implement the regulations relating to Private Security in coordination with the State Security Forces and Bodies. Its main function is to permanently assess and control the physical security of the facilities.

- The Occupational Risk Prevention Service, also part of the Talent, Culture and General Services Division, is responsible for promoting the integration of risk prevention in the company, through its own Occupational Risk Prevention Service, and is in charge of implementing the legally established measures for the prevention of occupational risks in all phases of the company's activity, with the aim of avoiding or reducing the risks derived from work (health and safety).

  The Health and Safety Committee is the joint and collegiate participatory body for regular and periodic consultation on the company's actions in risk prevention.

Third line of defence: Internal Audit

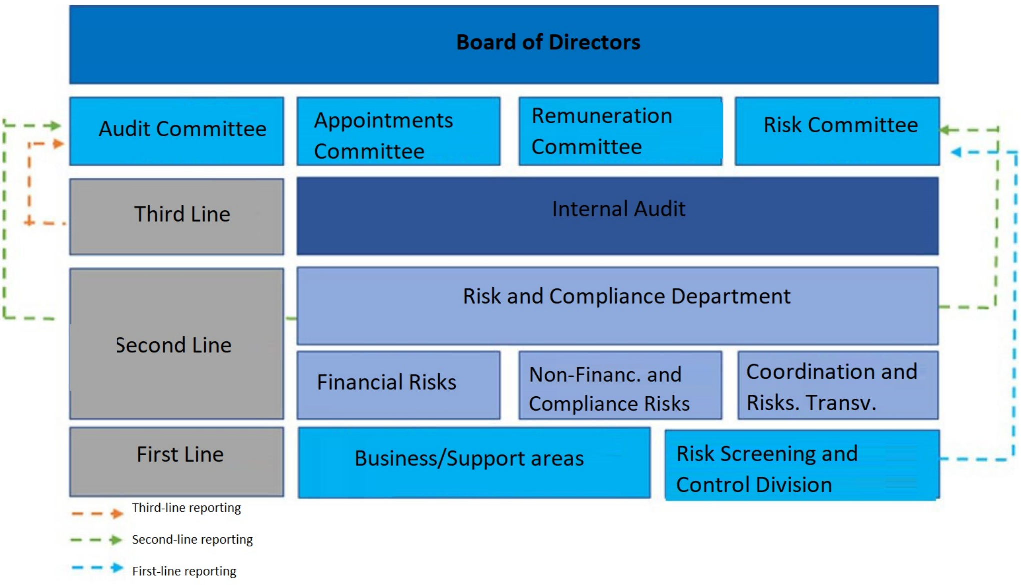
Internal Audit is an independent and objective division whose work consists of supervising the secondary and primary control functions conducted within the framework of management and control of the risks affecting activity, thus assessing the company's internal control framework.

Its functions include verifying compliance with internal and external regulations by all the Company's activities and units, including its branches and, where applicable, its investees. In addition, Internal Audit reviews the capital and liquidity assessment processes (ACL), the Pillar III Disclosures and the financial information that the company makes public.

In order to safeguard its independence with respect to the functions it audits, it reports functionally to the Audit Committee and organisationally to the Chief Executive Officer in the manner determined by the latter.

Furthermore, certain processes and activities are subject to external review (external audits) by independent third parties. Its results and conclusions are reported to the company's Internal Audit for its knowledge and, where appropriate, monitoring of the proposed recommendations.

Its functions are established and regulated in the Internal Audit Statute.



4. Review and, if applicable, modification of the General Control Framework

The General Control Framework is reviewed and, if necessary, updated by the Steering Committee and published on the corporate website (in the Internal Control and Risk Management section), in accordance with Bank of Spain Circular 2/2016.

It is attached as appendix to the annual Capital and Liquidity Self-Assessment Report (CLAR) and the Pillar 3 Disclosures Report, which are analysed and approved by the Board of Directors at the proposal of the Risk Committee.

Annex 1. Administrative and accounting procedures

Cecabank has a decentralised accounting structure, so that the business departments account for the transactions associated with their activities, as do the support departments for their invoices issued and received, although the latter are settled by the administration.

The company has the necessary mechanisms in place to provide reasonable security in terms of the reliability of its financial information. To do this, it ensures that:

- Transactions exist and have been recorded at the appropriate time (existence and occurrence).
- The information reflects all transactions (integrity).
- Transactions are recorded and valued in accordance with applicable regulations (valuation).
- The rights and obligations are reflected, at the relevant date, through the corresponding assets and liabilities, in accordance with the applicable regulations (rights and obligations).

The main purpose of the secondary control activities carried out by Internal Control is to ensure financial accounting information, compliance with internal and external procedures and regulations in the operational area and the safeguarding of assets. These actions are performed daily on all accounting entries recorded by the departments, which involves a systematisation of the analysis, consultation, where necessary, and forwarding of any incidents detected for correction in the next accounting process.

To conduct these controls, the accrual principles are applied (checking that expenses and revenues are recorded at the time when the trade takes place or a particular service is performed); consistency (checking that once Cecabank has adopted a criterion or valuation method for preparing the financial statements, within the permitted framework, it does not change it unless the conditions under which it was accepted at the time change and that it applies it in the same way to all processes and events); prudence (checking that assets and liabilities and results are valued prudently but reflect a true and fair view); non-offsetting (checking that accounts are not offset against each other, i.e., that an asset item is not offset against a liability item in the balance sheet, or expenses against income in the profit and loss account) and materiality (the application of some accounting rules may be omitted for events that are not material to Cecabank).

The Planning Area is responsible for the preparation, presentation and integrity of the financial information and for defining the accounting guidelines to be followed, in accordance with the Accounting Policies Handbook and the regulations in force, in order to guarantee accuracy and security in the recording and accounting of transactions. It also defines the accounting circuits for each new operation while coordinating and centralising the preparation of the company's budgets and the accounting and payment of all invoices for services, investments and supplies.

Annex 2: Main policies and other rules or procedures relating to the control area

Document name	Purpose
RISK TOLERANCE FRAMEWORK	It determines the risks that the Board of Directors has defined as material to the company, as well as the level of risk that the company is willing and able to assume in the course of its business.
GENERAL RISK MANAGEMENT FRAMEWORK	Document that underpins the Risk Tolerance Framework in terms of its risk appetite and the company's risk monitoring and control framework.
GENERAL CONTROL FRAMEWORK	Document describing the internal control system, the company's control mechanisms, as well as the communication channels and the allocation of responsibilities among its participants. It defines the structure of control in the company and the relationship systems between its stakeholders.
ALCO HANDBOOK	Its purpose is to describe the policies, methods, procedures and systems for the management and primary control of the risks to which the company is exposed as a result of the financial activity it carries out through its various operating units, as delegated by the Board of Directors in the ALCO (credit risk, market risk and structural balance sheet risks).
FINANCIAL RISK MANAGEMENT HANDBOOK	It establishes general policies on financial risk taking aimed at ensuring effective internal control systems and risk management and measurement processes.
TECHNOLOGICAL RISK CONTROL FRAMEWORK	It establishes a set of organisational structures, policies, standards and procedures aimed at controlling the risks to information and communications technologies.
SECURITY POLICY	It establishes and communicates the guidelines that must be followed within the organisation to manage security and comply with the company's regulatory and customer requirements.
GLOBAL CONTINUITY POLICY	It aims to provide a safe environment in which Cecabank can provide its services, minimising the impact of contingency situations; protecting assets, equipment and business activities permanently in the face of risks; and, above all, ensuring the safety of people and compliance with related regulations while preserving the good reputation and sustainability of the company.

OPERATIONAL RISK MANAGEMENT PROCEDURE	It contains the procedures and practices that guide the Operational Risk Unit and the rest of the organisation in the proper management of operational risk, as well as in compliance with the policies for the identification, assessment, monitoring and control/mitigation of operational risk.
POLICY ON OUTSOURCING AND CONTRACTING OF SERVICES AND FUNCTIONS	It establishes the principles, rules and procedures to be complied with during the different phases of the outsourcing process: proposal and decision-making; supplier's examination; contractual arrangement and determination of service level agreements; implementation, supervision and management of outsourcing agreements.
POLICY ON CUSTODY CHAIN MONITORING	It establishes the principles, rules and procedures to be followed in the selection of third-party custodians to safeguard customer assets and minimise the risk of loss and misuse. It also sets forth a rigorous and documented due diligence procedure for the ongoing supervision of the third party to whom custody functions are delegated, as required by current regulations.
GENERAL FRAMEWORK FOR THE CONTROL OF OPERATIONAL RISK IN THE DEPOSITARY BUSINESS	Specific principles and implementation measures in relation to operational risk for the depository business.
COMPLIANCE POLICY AND COMPLIANCE FUNCTION STATUTE	It delimits the competences of the Compliance function, distributes responsibilities among the various levels of the organisation, preserves its independence and sets its powers and required levels of qualification.
GENERAL REMUNERATION POLICY	Its purpose is to set the remuneration basis for the company in order to establish a remuneration system that is compatible with Cecabank's business strategy, objectives, values and long-term interests, without losing its status as an element of motivation for effort. The purpose of this policy is to clearly and concisely define and control the company's remuneration practices in order to prevent them from encouraging excessive risk-taking behaviour, all in accordance with the provisions of current legislation.
COMPLIANCE RISK MANAGEMENT FRAMEWORK	It designs a system of documentation, evaluation and control of compliance risks in the areas of prevention of money laundering, rules of conduct in the securities markets, personal data protection and criminal law.

POLICY ON THE PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM	It establishes the guidelines defining the model for the prevention of money laundering and financing of terrorism.
HANDBOOK FOR THE PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM	It establishes the policies and procedures set forth by the Bank to efficiently fight against money laundering and the financing of terrorism. To this end, it is approved in compliance with the provisions of article 26.3 of Law 10/2010, of 28 April, on the prevention of money laundering and the financing of terrorism.
HANDBOOK OF INTERNAL PROCEDURES FOR GDPR COMPLIANCE	Includes the internal procedures necessary to ensure that the obligations set forth in the General Data Protection Regulation (GDPR) are complied with correctly.
INTERNAL CODE OF CONDUCT ON THE SECURITIES MARKET	It aligns the actions of Cecabank, its management bodies, employees and representatives with the rules of conduct in the exercise of activities related to the securities market, with the aim of promoting transparency in the markets and preserving the legitimate interests of investors at all times.
POLICY ON INVESTMENT SERVICES PROVISION	It compiles the principles, criteria, guidelines and procedures to be applied in the company in application of MiFID regulations with regard to organisational requirements and operating conditions of investment firms, as well as the terms defined for the purposes of this directive.
POLICY ON TRANSPARENCY IN MARKETS	The company's framework for complying with the transparency requirements set out in MiFID II/MiFIR.
HANDBOOK FOR THE EXECUTION AND CONTROL OF THE ICC	It establishes the procedures for action in relation to persons subject to the Internal Code of Conduct.
CORPORATE CODE OF CONDUCT	It sets out a series of principles and rules of conduct that should guide the conduct of the members of the governing bodies and all employees in their professional performance.
CRIMINAL COMPLIANCE POLICY	It develops the provisions of Cecabank's Corporate Code of Conduct, defining a framework of principles in Criminal Compliance.

FRAMEWORK DOCUMENT FOR THE CRIMINAL RISK ORGANISATION AND MANAGEMENT SYSTEM	It establishes Cecabank's model for the organisation, prevention, management and control of criminal risks.
TAX RISK POLICY	It develops and implements the guiding principles on tax matters, detailing the principles and good practices on the basis of which the company will develop the tax processes related to the tax function, being of mandatory application to members of senior management and all Cecabank employees, especially all those directly or indirectly involved in the exercise of tax processes related to the tax function.
TRANSPARENCY POLICY	It regulates decision-making and control procedures with regard to the information to be published.
ACCOUNTING POLICIES HANDBOOK	It includes the accounting policies used by Cecabank in the framework of the current regulations for the preparation of its financial statements.
FRAMEWORK OF INTERNAL CONTRACTING AND EMPOWERMENT PROCEDURE	It establishes the general criteria, procedures and limits that define the formalisation and acquisition of resources by the company.
SUSTAINABILITY POLICY	It identifies Cecabank's areas of action that contribute to building lasting relationships with our stakeholder groups in order to maximise value creation.
DATA GOVERNANCE POLICY	It establishes the requirements that information repositories must have, insofar as this information must be validated and reconciled with accounting information (in the event that accounting criteria are applied to the data), with quality rules, the maximum level of granularity and sufficient historical depth for its analysis and coherence with other axes or visions of information that may exist.

ANNEX IX: Climate report

cecabank

Risk and Compliance Area / Sustainability and Stakeholder Relations Department

Climate Report

April 2023

Contents

1. Introduction

Climate change has become one of the greatest challenges facing society today, with major social and economic implications. IT is high on the Spanish and European regulatory agendas, where the ultimate goal is to achieve climate neutrality as a continent no later than 2050.

During the COP21 meeting held in December 2015, approximately 200 countries agreed to bolster the global response to climate change. EU states commit to achieving climate neutrality in 2050 by fulfilling the commitments assumed under the Paris Agreement[1]. Among other overall objectives, this agreement seeks to keep the increase in global average temperature below 2 ºC with respect to pre-industrial levels or, if possible, below 1.5 ºC, as well as to ensure coherent financial flows with the new development model. Meanwhile, the conclusion reached at COP26 in Glasgow at the end of 2021 determined that it would be difficult to achieve the goals set out in the Paris Agreement without immediate and drastic action.

The implementation of the necessary measures to move towards this low-carbon economy, as well as the physical risks arising from climate change and environmental events, is producing new risk factors for financial institutions, which are being addressed. The financial sector is key to decarbonising the economy, channelling capital flows into activities that support this decarbonisation process.

There are many recommendations, expectations and regulatory initiatives on climate and environmental risks, improved reporting and transparency on their management. Spanish law on Climate Change and Energy Transition[2], includes, inter alia, the obligation for credit institutions to develop and publish an annual report assessing the financial impact on society of the risks associated with climate change generated by the exposure of their activity to climate change.

Meanwhile, the Financial Stability Board (FSB) supported the creation of the "Task Force for Climate-Related Financial Disclosures" (TFCD)[3], which establishes the recommendations for establishing a common reporting framework for climate-related aspects. This framework breaks down the information to be reported by financial institutions into 4 blocks:

- Governance model: disseminate the corporate governance policy on climate risks.
- Strategy: describe the real and potential impact of climate risks on the business model.
- Risk management: disclosure of how the company identifies and quantifies climate-related risks.
- Metrics and targets: communicate the metrics and targets to assess compliance with climate commitments.

This report on climate change, based on these TFCD recommendations, is part of Cecabank's commitment to transparency and disclosure on environmental, social and governance aspects (ESG). It includes information on the bank's global strategy, governance of climate-related risks and opportunities, as well as the metrics used to assess our compliance with climate commitments.

[1] 21st Conference of the Parties to the United Nations Framework Convention on Climate Change.
[2] Law 7/2021, of 20 May, on Climate Change and Energy Transition.
[3] The "Task Force for Climate-Related Financial Disclosures" is an initiative that covers reporting and monitoring of climate risks. It was established by the FSB (Financial Stability Board) to develop recommendations regarding corporate risk management in relation to climate risk exposure. The ultimate goal is to provide information that allows companies to incorporate the risks and opportunities related to climate change in their strategic planning and risk management processes.

2. Sustainability management at Cecabank

Cecabank is committed to the transition to a sustainable economy and conducts its activity in line with ESG factors.

These aspects apply to all levels of the organisation, including:

- **Corporate culture:** sustainability is incorporated into the company's values.
- **Strategy:** by setting non-financial targets and incorporating the ESG growth vector to identify business opportunities.
- **Risk management model:** environmental and climate risks are incorporated into the risk tolerance framework.

Cecabank's sustainability management model is structured around four key aspects, which set out the commitments, procedures and tools needed to make further progress on ESG in line with best practices:

2.1 Governance Model

Cecabank has established an organisational and governance structure incorporating ESG aspects that places sustainability at the highest level of the organisation. This structure falls under the responsibility of the Board of Directors, which in turn delegates the function of supervising compliance with the approved Sustainability Policy to the Audit Committee.

As this is a cross-cutting issue for the entire organisation, responsibilities have been set in all governing bodies, as detailed below:

At the operational level:

Sustainability Committee: Made up of representatives from all support and business areas. This Committee is responsible for, inter alia, fulfilling the principles and commitments assumed in the company's Sustainability Policy and coordinating the activities that are carried out across the organisation.

The Sustainability Committee reports to the Strategy Committee (in the case of opportunities) and to the rest of the Board's Committees and Delegated Committees. During 2022, it met on 3 occasions and discussed matters related to:

- Design and approval of the Sustainability Plan and its monitoring.
- New business proposal: Vector of ESG growth.
- Corporate reporting.
- Review of aspects related to climate risk.
- Monitoring of new regulatory developments.
- Aspects related to social impact, partnerships and social participation.

Compliance and Operational Risk Committee: Its mission is to approve, inform, manage, monitor and control the company's non-financial risks, operational risk and its subcategories, reputational risk and ESG risk. It acts with regard to risks within the Risk Tolerance Framework, approved by the Board, at the proposal of the Risk Committee and within the General Control Framework.

New Products Committee and New Services Committee: These incorporate and evaluate ESG analysis within the assessment of new products and services.

In addition, within the Association Services and Resources Area, the company has a **Sustainability Department**, which is responsible for stimulating, coordinating and executing ESG actions at the company, providing cross-cutting support throughout the organisation.

Meanwhile, the Risk and Compliance Area is working on incorporating ESG risks into the company's risk model and monitoring their progress. Both areas work in coordination to ensure that these aspects are incorporated into the company's risk models and policies, the development of indicators, reporting and governance.

2.2 Strategy

In 2021, the company's Board of Directors approved a new **2022-2024 Strategic Plan**, which includes a clear commitment to transformation and **places sustainability as a corporate value and a vector of growth for the company.**

In 2021, linked to this Strategic Plan and coinciding with the completion of the 2018-2021 Sustainability Plan, the company began work on the definition of the new Sustainability Plan. To this end, it conducted a **materiality study** involving both governance and management bodies, which identified 15 relevant aspects, including climate change and the management and reduction of the environmental footprint. In relation to these issues, this year, Cecabank took part in two sectoral projects to advance both in the calculation of the carbon footprint of the portfolio for target setting and in the measurement of portfolio alignment and eligibility according to EU Taxonomy.

The new **2022-2024 Sustainability Plan** includes actions to identify climate-related risks and opportunities and their management, establishing a total of 70 actions structured into 10 lines of action and 4 blocks of work. To facilitate the monitoring and supervision of these aspects, the company has set up a **ESG indicator scorecard** which complements the essential scorecard of non-financial indicators established in the Strategic Plan. This scorecard monitors the company's progress in all the lines of action found in the Sustainability Plan.

2.2.1 Risk Identification

Cecabank has identified the main physical and transition risks that may impact the company's traditional risks.

Financial Risks	Credit risk	Probability of default and loss given default on exposures in sectors vulnerable to physical risk. Lower valuations of collateral.	Adaptation costs can affect the profitability of customers, increasing the likelihood of default and reducing the value of collateral. Change in credit rating.
	Market Risk	Physical risks can lead to changes in market expectations, resulting in sudden price changes, increased volatility and loss of asset value.	Abrupt price changes in financial instruments if they are issued by companies that are perceived as environmentally unsustainable or there are changes in the perceived degree of risk of the issuer. This includes sovereign debt.
	Liquidity risk	Cash withdrawal to cover physical damage.	Loss of value of high-quality liquid assets, affecting liquidity buffers.
Operational Risk		Physical damage that may affect the normal performance of the company's activities. Interruption of subcontracted services.	Increased legal and regulatory risks and ICT and security risks or risks affecting the depositary chain of custody.
Reputational risk		The probability of discontinuity in the activity of the service due to own or third-party causes may affect the normal development of the company's business, leading to possible penalties by the supervisor or loss of customers.	Increased reputational risk of the company due to non-compliance linked to environmental risks or due to association of the company with adverse environmental practices or lack of transparency.
Business risk		The occurrence of these risks may make it necessary to revise business plans to adapt to new circumstances.	The feasibility of some business lines without adequate adaptation or diversification.

In 2023, the company continues to improve these processes to adapt this analysis to best practices and to adapt the methodologies and recommendations to the particularities of our business model.

In this respect, it is important to highlight the specific characteristics of company's business as a wholesale bank. The company, which has no retail business, has an investment portfolio with a high degree of concentration in mainly European government bonds, currently pending regulatory valuation, and little exposure to carbon-intensive sectors. The company's first risk materiality analysis classified its exposure to climate and environmental risks as low.

2.2.2 Identification of opportunities

The company's 2022-2024 Strategic Plan includes ESG aspects as a **vector of growth**, with the aim of working with customers to identify and incorporate this ESG vision not only in traditional businesses, but also in new business lines.

The following are noteworthy in the area of Securities Services:

- **Proxy voting service:** Cecabank has different options for proxy voting services, which include communication, execution of voting, traceability of the operation and assistance proxy-advisory agreement (voting advisers) if necessary. It is a flexible, bespoke service: the final model is designed according to the preferences of each customer and the possible agreements that they may have with proxy-advisory suppliers.

  The proxy voting service has enabled more than 3,200 boards in 73 countries across five continents and more than 11,000 voting instructions to be successfully communicated in 2022.

- **SRI verification of funds:** As a depositary, Cecabank verifies that financial vehicles, which are SRI and are under its supervision, meet the corresponding levels of socially responsible investment, giving the end customer the certainty that he/she is really accessing an SRI product. To pursue this due diligence, Cecabank has created an ecosystem together with leading suppliers of financial information which specialise in the area and SRI monitoring criteria.

In the Technology Area, the company incorporates ESG aspects to improve customer services:

- The company has an electronic invoicing solution that **eliminates paper invoices** and brings significant efficiencies both for the company itself and for the customers of this solution.

- The **digital signature** solution makes it possible to bring legal certainty to digital signatures of contracts in the office by replacing paper with a solution whereby the customer signs on a tablet that digitises the process. The solution has been rolled out in more than 50% of the financial system's branches in Spain and approximately 15% of the insurance sector.

- Cecabank has recently launched a project to **digitalise card slips** at one of Spain's largest retailers. The solution has now passed the pilot phase and is being rolled out nationwide.

Lastly, in the Financial Area, the company incorporates ESG criteria in its operations:

- Cecabank became a member of the European debt market maker network (Primary Dealer Network) in 2021. The first EU issues in which it participated were the macro debt issues that will finance the Next Generation EU Recovery Fund, the €750,000 million aid package for Europe's economic, green and digital transformation.

- In order to formalise its commitment to sustainable finance, the company will work on its responsible investment policy throughout 2023, as established by the Sustainability Plan.

Commitments and partnerships

Cecabank is firmly committed to the United Nations Sustainable Development Goals (SDGs) and has aligned its Sustainability Plan with them.

Thus, in response to SDG 17 (Partnerships to achieve the goals) has built **a network of alliances** in which it seeks to contribute to the collective debate, participate in the issues of the financial agenda in sustainability (both national and international) and promote platforms for exchange and dialogue.

In 2022, the company was committed to the following initiatives:

- Cecabank joined the Statement of Business Leaders for Renewed Global Cooperation at the invitation of Sanda Ojiambo, who in June 2020 was appointed by the UN Secretary General as the new Executive Director of the Global Compact.

- In December 2019, during the COP25 event held in Madrid, Cecabank joined the 'Collective Commitment to Climate Action' promoted by the UNEP FI, committing to reduce the carbon footprint in its balance sheets in line with the goals of the Paris Agreement.

- In 2020, Cecabank joined the Green Recovery Alliance, an initiative promoted by Pascal Canfin, Chairperson of the European Parliament's Environment Committee, which pursues a major global agreement to end the pandemic and foster sustainable economic recovery.

3. Risk management

Cecabank's risk management philosophy is based on rigorous prudent criteria, consistent with the business strategy, in line with the principles set out by its Board of Directors in its Risk Appetite Framework. This allows the company to maintain a highly prudent risk profile with high levels of solvency and a comfortable liquidity position.

This company's wholesale approach focuses on the service to professional clients whose high degree of sophistication demands long-lasting relationships and mutual trust. This requires risk management and control of both financial and non-financial aspects.

In addition, in accordance with the Bank of Spain's supervisory expectations, the company works to integrate climate and environmental risks within its risk management model (identification, assessment and monitoring) and its organisational structure, in accordance with the three lines of defence model:

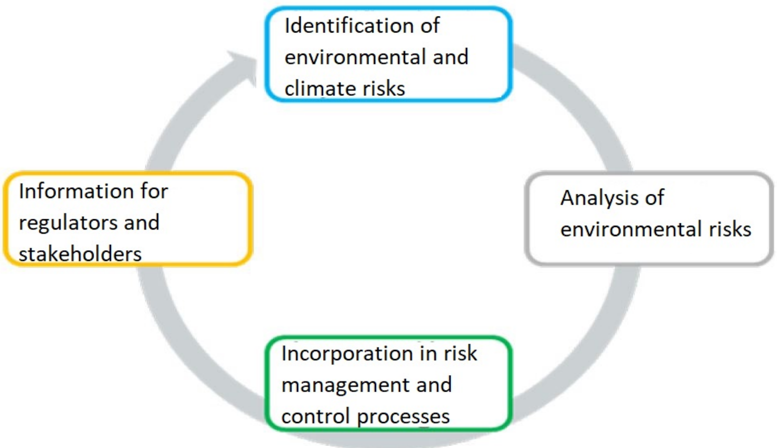
- Area with direct responsibility for sustainability at the bank.

- Second line of control within the Risk and Compliance Department.

- Internal audit

Since December 2020, and in order to ensure the correct integration of these risks within the company and to deepen its understanding of their nature, the company has been working to develop a **roadmap for climate and environmental risks**.

This roadmap distinguishes several phases and integrates different areas, all in accordance with the characteristics and business strategy of the company and its risk appetite.



- **Identification of climate and environmental risks and their link to the company's traditional risks:** The company began work on the integration of climate risks by performing an inventory of these risks in order to identify those that could have an impact on the entity, taking into account the characteristics of its business and the business environment in which it operates. To this end, the Task Force on Climate Related Financial Disclosures (TCFD) categorisation of climate risks was followed. In this mapping, the transmission channels of both physical and transitional risks were considered.

  A second step in this identification process involved assessing climate risks as drivers that materialise in other existing risk categories, which are included in their Risk Tolerance Framework.

- **Assessment of climate and environmental risks:** The company conducted a qualitative assessment to determine the materiality of these risks. For this purpose, their probability and impact were assessed, taking into account the idiosyncrasies of the activities carried out and any existing mitigating measures.

- **Incorporation in risk management and control processes:** As set out in the EBA Report on the management and supervision of environmental, social and governance risks (EBA/REP/2021/18), as well as the Bank of Spain's supervisory expectations on risks arising from climate change and environmental degradation published in October 2020, ESG risks were incorporated into the catalogue of risks included in the Risk Tolerance Framework approved by the Board of Directors.

  Similarly, ESG risks were incorporated into the Risk Management Framework and the General Control Framework, identifying the different areas that are responsible for them in each of the company's lines of defence.

  On the other hand, procedures have been developed for their incorporation into the processes of credit admission and monitoring, portfolio valuation, analysis of client and company reputational risk, as well as approval of suppliers and analysis of services, validating that they share Cecabank's ethical, social and environmental values. To this end, among other actions, scoring tools have been acquired to enable a qualitative assessment of ESG risks within the company's portfolios (ESG rating).

  Thus, the company analyses its portfolio to monitor the percentage of green positions out of the company's total investment, the percentage of ESG-rated counterparties as well as its average ESG score. This measurement, currently on the private fixed-income portfolio, will be extended to cover all the company's portfolios.

- **Information for regulators and other stakeholders:** work is underway to incorporate climate change risks and environmental risks in the processes of assessing the adequacy of internal capital and liquidity, as well as in the company's Pillar 3 Disclosures Report.

- **Classification and monitoring:** a scorecard has been developed for ESG indicators with a focus on factors linked to environmental and climate risks, identification of exposure to carbon-intensive sectors and measurement of the carbon footprint indicator. Similarly, it has been incorporated into the reporting process for both management and the governing bodies.

- **Review of policies and procedures:** work has underway on the creation and implementation of a Responsible Investment Policy that takes into account Climate Change and Environmental aspects.

As reflected in our risk appetite framework, the company manages its risks in line with good banking practices and an ethical, responsible, sustainable, fair and legally compliant way of doing business. As such, it seeks to **contribute to a more sustainable and responsible economic and financial activity** by promoting environmental protection and conservation, the pursuit of social concerns and human rights and the fight against corruption and bribery.

As stated, the company is therefore focusing a large part of its investment in sovereign debt positions. Although to date there is no clear regulation on the treatment to be given to this type of exposure, it cannot be overlooked that these are investments that contribute to guaranteeing the economic, social and political stability of countries while enabling them to face challenges such as climate change, the transition towards a decarbonised economy or the fight against social inequality.

In the specific case of Cecabank, it is also important to note that this is debt from countries (mainly Spain and other EU countries) with a high sensitivity to ESG risks, where regulated climate frameworks and policies are in place and where issues related not only to carbon footprint but also to social and governance issues are key, all of which are closely linked to sustainable development objectives.

4. Metrics and Targets

4.1 Carbon Footprint:

Cecabank has been **calculating and managing its carbon footprint since 2017**. On an annual basis, the company prepares its greenhouse gas emissions inventory taking into account scopes 1, 2 and 3. This inventory is audited by an independent third party (Aenor), which issues its emissions report pursuant to the ISO 14064 reference standard.

Thus, in 2022 the company has worked on adapting the calculation to the requirements of the **new standard ISO 14064-1:2018** (official version, in Spanish, of the European Standard EN ISO 14064-1:2019), which proposes a new way to categorise indirect emissions and a materiality study to identify the categories of emissions that are significant for the company.

The estimate of the results of the 2022 emissions calculation for categories 1 and 2 is shown below. This calculation is made based on the information available at the date of presentation of this report. However, the company will complete a calculation of its footprint in the coming months and will publish its verified emissions report throughout the year.

Emissions (tCO_2eq)[1]	2020	2021	2022
Scope 1	75.20	42.41	103.42
Scope 2	0.0	0.0	0.0
Scope 3	112.49	144.42	-(2)

[1] Cecabank calculates its carbon footprint based on the three scopes, updating the emission factors and verifying its carbon footprint according to ISO 14064-1:2018 (official version, in Spanish, of the European Standard EN ISO 14064-1:2019). This calculation has been verified by AENOR.
[2] During the calculation process

Since the bank began calculating this indicator in 2017, **the volume of emissions has decreased dramatically** (1,274 tCO_2eq in 2017 at 103.42 tCO_2eq in the 2022 estimate, for scope 1+2). This is due to several factors, including:

- **Measures to reduce consumption implemented during the year**. The organisation has an energy management system certified in accordance with ISO 50001:2018, through which emissions reduction plans are managed. In 2021 the company renewed its certification until 2024, and September 2022 the first follow-up audit was performed by Aenor, the result of which was favourable. This means the company will maintain the certification.

- **Sourcing green electricity with a certificate of renewable origin.** As a sign of its commitment to reducing emissions, Cecabank procures all its electricity with a Certificate of Origin (renewable) for both data processing centres and corporate buildings.

- **Promoting good habits** in the workforce through training actions.

- **Reducing the environmental impact** through waste collection processes, separating paper and cardboard, glass and hazardous waste, among others, which are collected by authorised external professionals and taken to specialised plants.

- **Energy policy** through which it provides a framework for setting and reviewing the energy savings and efficiency objectives and targets that the company undertakes. This document is put forward and championed by senior management and concerns all those, employees or not, who perform their activities within the organisation's premises.

- **Energy management system** implemented in the company is based on the principle of continuous improvement.

- **Carbon footprint management** by the bank accredited by obtaining the "calculo, reduzco y compenso (I calculate, reduce and offset)" seal awarded by the Spanish Office for Climate Change of the Ministry for Ecological Transition and the Demographic Challenge (awarded for the years 2017 to 2021).

- **Offsetting actions.**

Since 2020, Cecabank has participated in offsetting projects with different companies. Cecabank offset its 2021 emissions through two projects:
- Scope 1 and 2 emissions, with a total of 43 tCO_2eq, have been offset at national level, through a reforestation project in the Sierra de Gredos (Ávila), specifically in the Iruelas project for reforestation of burnt areas.

- The remaining emissions, equivalent to Scope 3 (145 tCO_2), have been offset internationally, through an Amazon Conservation project in Madre de Dios in Peru.

These actions strengthen Cecabank's commitment to the SDG[4] 13 (Climate action) and 15 (Life of terrestrial ecosystems).

In 2022, the company set up an internal working group comprising the Finance, Risk, Planning and Sustainability areas to respond to the Collective Commitment to Climate Action and make progress in measuring and calculating emissions. This work is carried out on the basis of the PCAF methodology, a standard of reference in the financial sector, which focuses its efforts on calculating emissions associated with the credit portfolio.

[4] In 2015, UN member states, together with NGOs and citizens from around the world, generated a proposal to develop 17 Sustainable Development Goals (SDGs) which aim to achieve three dimensions of sustainable development in a balanced approach: economic, social and environmental spheres.

4.2 ESG metrics in Cecabank's businesses

With regard to the funds deposited with the bank.	
Assets of deposited funds that promote socio-environmental considerations or aim at sustainable investments.	€70,000 M
Weight of total assets of vehicles deposited with Cecabank according to Article 8 under SFDR: Promote social and environmental initiatives alongside traditional performance targets.	33%
Weight of total assets of vehicles deposited with Cecabank according to Article 9 under SFDR: Investment products with explicit sustainability objectives.	1%
With regard to exposure in Private Fixed-Income during the financial year	
Number of positions in ESG Bonds	18
Average amount in ESG bond positions	€150 M
Annual evolution of amount in ESG bond positions	33%
Average percentage of green investment over total investment	18%
Average percentage of issuers with ESG portfolio rating	46%
Average ESG scoring of portfolio	59/100
With regard to our customers and suppliers	
Percentage of new suppliers evaluated in 2022 according to ESG criteria	100%
Percentage of active customers approved with an average ESG score with Low/Medium-low Risk	73.5%
Percentage of active suppliers approved with an average ESG score with Low/Medium-low Risk	87.1%
Average customer score weighted by billing	63/100
Average supplier score weighted by amount billed	77/100

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