cecabank

# 2024
# Pillar 3 Disclosures

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# 1. Introduction

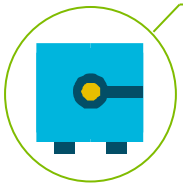
## 1.1 Executive Summary

Cecabank S.A. (hereafter referred to as the 'bank' or the 'organisation') is a financial institution established on 17 October 2012. It serves as the parent company of the Cecabank Group and is part of the CECA Group, led by the Spanish Confederation of Savings Banks. This Spanish wholesale bank provides innovative financial solutions, assisting clients in achieving their business goals through tailored support.

Cecabank is present in Portugal, the United Kingdom and Germany through its branch in Lisbon and its representation branches in London and Frankfurt.[1].

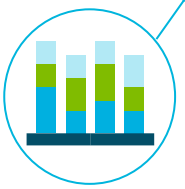
Its products and services are organised into **three key business lines:**

### Securities Services



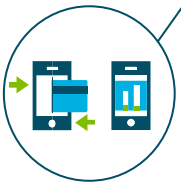
Securities custody and depositary services, alongside value-added offerings in the post-trading chain for securities and currencies. The service line offers our customers, managers of CIIs and pension funds, venture capital firms and voluntary contribution pension schemes, the experience of the leading depositary services provider in Spain and Portugal.
The bank currently manages over €350 billion in assets under custody and more than €255 billion in deposits, spread across nearly 1,000 investment vehicles overseen by over 40 management companies.

### Treasury Management



Operations on the main national and international (public and private) equity and bond, currency, and derivatives markets. Operations are always carried out according to our guidelines which guarantee a high degree of both liquidity and solvency.
The business stands out for its work as a Spanish Treasury Market Maker, participating actively in tender processes and providing the liquidity of the secondary market. In 2021, the European Union designated Cecabank as a member of the European Primary Dealer Network, tasked with placing debt for the Next Generation EU Recovery Fund.

### Payments and Technological Platforms



Payments, encompassing comprehensive card payment processing, clearing house and payment scheme processing, digital payment solutions (including payment gateways, customer authentication, and DCC solutions), and digital and FX platforms. This includes an international payment service with currency exchange, delivering significant value to clients.
Technological platforms, covering digital banking solutions, treasury management services, risk and reporting tools, and technological outsourcing. Here, Cecabank offers infrastructure outsourcing services to financial institutions, insurance firms, and fintech companies, compliant with banking regulations.

Additionally, Cecabank provides associative services to ensure the smooth operation of the CECA banking association, promoting and representing the interests of its members.

Further details about the bank and its offerings are available on its corporate website: www.cecabank.es.

[1] Since January 2025, the bank has operated a branch in Luxembourg.

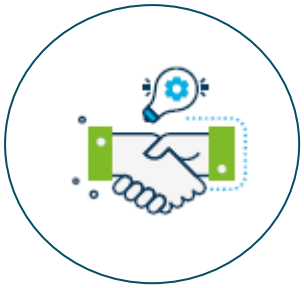
## > MISSION AND VALUES OF THE ENTITY

In line with the 2022-2024 Strategic Plan, endorsed by the Board of Directors, the organisation places high importance on its corporate values and culture, which shape interactions with customers, employees, and other stakeholders and are embedded in its internal policies.

In November 2024, the Board approved the 2025-2027 Strategic Plan, reinforcing the continuity of the corporate values and organisational culture outlined in the prior plan:

### Mission

To strengthen its role as a top-tier custodian bank and essential infrastructure provider, while delivering specialised solutions for a wide range of financial institutions and corporations, both domestically and globally.



### Vision

To support clients' business growth by fostering enduring relationships built on mutual trust, ensuring every decision reflects this foundation.

### Values

**Specialization:** leveraging financial, technological, and business expertise to provide clients with high-value solutions tailored to their needs.

**Solvency:** The capital ratio of Cecabank remains among the highest in the market.

**Commitment** to clients, shareholders, employees, and all stakeholders.

**Sustainability:** Through a responsible business model, dedication to sustainable finance, and care for the environment.

## > LINKING THE STRATEGY TO THE ENTITY'S RISK APPETITE

Within the entity, the Risk Appetite Framework serves as the cornerstone, facilitating alignment and coordination between risk management and the entity's core strategic tools and processes. As such, the strategic plans and annual budgets—reflecting business objectives and desired profitability—incorporate the Framework's goals and limits, steering clear of activities that could jeopardise them. The formulation and implementation of the organisation's strategy and business model, including its competitive positioning (mission, vision, corporate and business strategy), key activity areas, and primary quantitative and qualitative management goals, must align with the established risk management system, enhancing the ability to identify and mitigate risks. This connection between strategy and risk seeks to:

- Foster a resilient strategy tied to risk management, positioning it as a critical driver of long-term sustainable value creation.

- Minimise the likelihood and severity of risk impacts, bolstering the organisation's ability to manage, adapt to, or offset risk events if they arise.

## > SITUATION OF THE ENTITY AT THE END OF 2024

| Total Asset | Total Equity | Result for the period | CET1 |
|---|---|---|---|
| 14,621,283 thousands of euros | 1,372,943 thousands of euros | 86,771 thousands of euros | 42.78% |

| Most relevant Balance Sheet headings (thousands of euros) | 2024 |
|---|---|
| Total assets | 14,621,283 |
| Cash and cash balances at central banks and other demand deposits | 4,289,025 |
| Financial assets held for trading | 1,595,479 |
| Financial assets at fair value through other comprehensive income | 4,395,433 |
| Financial assets at amortised cost | 3,833,070 |
| Financial liabilities held for trading | 633,987 |
| Financial liabilities at amortised cost | 12,350,806 |
| Total equity | 1,372,943 |

| Most relevant Income Statement headings (thousands of euros) | 2024 |
|---|---|
| Financial Margin | 143,171 |
| Gross margin | 395,365 |
| Pre-Tax Result | 120,332 |
| Profit for the year | 86,771 |

| Solvency and liquidity | 2024 |
|---|---|
| CET1 ratio | 42.78% |
| Common Equity Tier 1 capital | 1,087,614 |
| Leverage Ratio | 7.50% |
| LCR | 220% |

| Cecabank Rating | 2024 | | |
|---|---|---|---|
| | Short-Term | Long-Term | Outlook |
| Moody's | P-2 | Baa1 | Stable |
| Fitch | F-3 | BBB | Stable |
| Standard & Poor's | A-2 | BBB+ | Stable |

## > RISK PROFILE

Per the directives of the Board of Directors under the Risk Appetite Framework, Cecabank upholds a conservative risk profile, maintaining Medium-Low risk levels. This ensures that potential losses from risk materialisation, even under stress scenarios, remain manageable within regular business operations, without permanently impacting capital and liquidity targets.

Cecabank boasts a robust and efficient internal control framework. This system ensures prudent business management, effective identification, measurement, and mitigation of risks, and adherence to applicable laws as well as the entity's internal policies, processes, standards, and decisions.

The Board of Directors is committed to sustaining a conservative risk profile. It has also determined that business operations and management should prioritise a structure of stable, recurring results, focused on safeguarding the economic value of equity. This approach supports the entity's orderly long-term growth and maintains a strong financial position.

This 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.

From a regulatory standpoint (Pillar 1), credit risk—including counterparty risk—stands out as the most significant risk for the organisation, inherent to its banking activities. To manage this risk, the organisation is guided by a prudent and diversified investment policy, taking into account sources of concentration risk, in particular for large exposures. The factors it will take into account will include the counterparty's credit risk (including country risk for entities based abroad), the nature of the operations and the extent of any hedging, the return on the capital and funds invested and individual and sector concentration risk.

Regarding market risk, Cecabank's investment policy, especially for its trading book, aims to keep exposure and risk at low levels, ensuring solvency goals remain intact. Consequently, the organisation's investments target assets with low risk profiles and high liquidity, traded in broad, deep markets without exit restrictions.

The organisation diligently oversees structural risks on its balance sheet. Specifically, for interest rate risk, management focuses on preserving the economic value of equity and stabilising the interest margin to support sustainable long-term growth.

On liquidity, Cecabank ensures it always has ample resources to meet payment obligations with ease. This involves maintaining market access, diversifying funding sources, and holding a buffer of liquid assets to navigate stress scenarios effectively.

Cecabank adopts a 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. This risk encompasses various subcategories, including technological risk, outsourcing risk, and regulatory compliance risk.

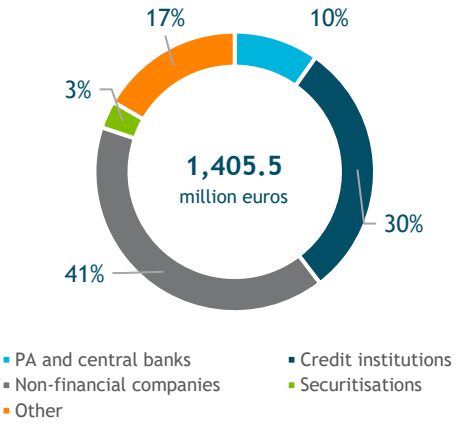
At the close of the 2024 financial year, Cecabank's financial and risk metrics demonstrate compliance with the risk profile objectives set by the Board of Directors.

The entity's capital management ensures levels significantly above regulatory minimums, achieving solvency appropriate for its wholesale business and aligning with its Strategic Plan. As of 31 December 2024, Cecabank meets all minimum requirements for own funds and eligible liabilities (MREL) for 2025.

Overall, in 2024, from both financial and non-financial risk perspectives, the organisation's risk profile has seen no major shifts, and its activities have proceeded consistently with prior years.

## /TOTAL RWAs - Distribution by risk type %

## /RWAs PER CREDIT RISK - Distribution by sector %




## /SOLVENCY

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| CET1 | 30.8% | 35.32% | 42.78% |
| MREL TREA | 36.30% | 39.28% | 47.77% |
| MREL LRE | 6.81% | 7.41% | 8.37% |
| Leverage Ratio | 5.80% | 6.67% | 7.50% |

## /LIQUIDITY

| | 2022 | 2023 | 2024 |
|---|---|---|---|
| Liquidity coverage ratio (LCR) | 188% | 186% | 220% |
| Net Stable Funding Ratio (NSFR) | 330% | 295% | 299% |

## /KM1 - KEY INDICATOR TEMPLATE

| | | 2024 | 2023 |
|---|---|---|---|
| **Available own funds (amounts)** | | | |
| 1 | Common Equity Tier 1 capital | 1,087,614 | 944,684 |
| 2 | Tier 1 capital | 1,087,614 | 944,684 |
| 3 | Total capital | 1,087,614 | 944,684 |
| **Risk-weighted exposure amounts** | | | |
| 4 | Total risk exposure amount | 2.542.492 | 2,674,764 |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | |
| 5 | Common Equity Tier 1 capital ratio (%) | 42.78 | 35.32 |
| 5a | Not applicable | - | - |
| 5b | Common Equity Tier 1 capital ratio taking into account the total risk exposure amount without the minimum limit ('floor') (%) | 42.78 | 35.32 |
| 6 | Tier 1 capital ratio (%) | 42.78 | 35.32 |
| 6a | Not applicable | - | - |
| 6b | Tier 1 capital ratio taking into account the total risk exposure amount without the minimum limit ('floor') (%) | 42.78 | 35.32 |
| 7 | Total capital ratio (%) | 42.78 | 35.32 |
| 7a | Not applicable | - | - |
| 7b | Total capital ratio taking into account the total risk exposure amount without the minimum limit ('floor') (%) | 42.78 | 35.32 |
| **Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)** | | | |
| EU 7d | Additional equity requirements to address risks other than excessive leverage risk (%) | 2.90 | 2.27 |
| EU 7e | Of which: will be composed of Common Equity Tier 1 capital (percentage points) | 56.25 | 56.25 |
| EU 7f | Of which: will be composed of tier 1 capital (percentage points) | 75 | 75 |
| EU 7g | Total SREP capital requirements (%) | 10.90 | 10.27 |
| **Combined buffer and overall capital requirement (expressed as a percentage of risk-weighted exposure amount)** | | | |
| 8 | The capital conservation buffer (%) | 2.50 | 2.50 |
| EU 8a | Conservation buffer due to macroprudential or systemic risk observed in a Member State (%) | - | - |
| 9 | Institution-specific countercyclical capital buffer (%) | 0.401 | 0.287 |
| EU 9a | Systemic risk buffer (%) | - | - |
| 10 | Global Systemically Important Institutions buffer (%) | - | - |
| EU 10a | Other Systemically Important Institution buffer (%) | - | - |
| 11 | Combined Buffer Requirement (%) | 2.901 | 2.787 |
| EU 11a | Global capital requirements (%) | 13.801 | 13.057 |
| 12 | Common Equity Tier 1 capital available after complying with the SREP total capital requirements (%) | 31.88 | 25.05 |
| **Leverage ratio** | | | |
| 13 | Total exposure measure (TEM) | 14,503,863 | 14,171,395 |
| 14 | Leverage ratio (%) | 7.50 | 6.67 |
| **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 |
| **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 (%)[2] | 3 | 3 |
| **Liquidity Coverage Ratio** | | | |
| 15 | Total high-quality liquid assets (HQLA) (average weighted value) | 9.649.113 | 9,711,107 |
| EU 16a | Cash outflows – Total weighted value | 5,009,575 | 5,915,346 |
| EU 16b | Cash inflows – Total weighted value | 630,091 | 692,513 |
| 16 | Total net cash outflows (adjusted value) | 4,379,483 | 5,222,833 |
| 17 | Liquidity coverage ratio (%) | 220.33 | 185.94 |
| **Net stable funding ratio** | | | |
| 18 | Total available stable funding | 5,657,513 | 5,077,868 |
| 19 | Total required stable funding | 1,867,351 | 1,732,573 |
| 20 | Net stable funding ratio (%) | 302.97 | 293.08 |

*Figures in thousands of euros*

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

## 1.2 General Aspects Pillar 3 Cecabank

The purpose of the Pillar 3 disclosures report is to provide information for the market regarding all aspects connected with the financial situation and activity of Cecabank 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 (CRR), 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. When displaying this information, Cecabank has followed 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 on 20 February 2017 which compiles the various internal policies on the external disclosure of the information required by the supervisor in different 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 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 is 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, at the proposal of the Risk Committee, on 25 March 2025, the Cecabank Board of Directors approved the document with the Pillar 3 disclosures for the 2024 financial year and certifies that:

- Cecabank's Pillar 3 Report has been drawn up 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 to the publication of information considered confidential.
- The risk management systems implemented by the company are considered suitable 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 2024," with the conclusion that the information provided is adequate and sufficient.

Certain information required by the regulations in force that must be included in this report is set out, in accordance with this regulation, referring to the 2024 individual financial statements of Cecabank. Along with the annual accounts, the "Pillar 3 Disclosures" can be found at Cecabank's website, (www.cecabank.es).

With regard to information on intragroup 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,[3]therefore, Trionis (at 31/12/2024, the only subsidiary of the group) is excluded from the scope of application.

[3] 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.

## 1.3 Applicable Regulatory Framework

On 2 February 2016, the Bank of Spain published Circular 2/2016, addressing supervision and solvency for credit institutions. This circular adapts Spanish law to Directive 2013/36/EU and Regulation (EU) No. 575/2013, applicable to the Bank, and was later amended by Bank of Spain Circular 5/2021 on 22 December.

The referenced EU Regulation (EU) No. 575/2013 sets out uniform rules for credit institutions, covering:

1) regulatory capital requirements related to credit risk, market risk, operational risk, and settlement risk;
2) limits on large exposures;
3) liquidity risk coverage for fully quantifiable, uniform, and standardised elements, once specified by a Commission delegated act;
4) the establishment of the leverage ratio, and
5) reporting and public disclosure obligations.

This Regulation also redefined the concept and components of regulatory capital requirements for institutions. These consist of two categories: Tier 1 capital and Tier 2 capital. In turn, Tier 1 capital comprises Common Equity Tier 1 capital plus Additional Tier 1 capital. Essentially, Tier 1 capital includes instruments that absorb losses while the entity remains operational, whereas Tier 2 capital absorbs losses primarily when the entity's viability is in question.

Entities are generally required to meet the following capital thresholds:

- A Common Equity Tier 1 (CET 1) ratio of 4.5%.
- A Tier 1 capital ratio (common plus additional) of 6%.
- A total capital ratio of 8%.

Beyond these, Law 10/2014 on the organisation, supervision, and solvency of credit institutions mandates the Bank to fulfil additional capital requirements:

- Maintaining a capital conservation buffer of 2.5% of Common Equity Tier 1 capital.
- Maintaining a countercyclical capital buffer of up to 2.5% of Common Equity Tier 1 capital. The level that this buffer must reach has been set on a quarterly basis since 2016 by the national authorities based on macroeconomic variables, when excessive credit growth is observed that could be a source of systemic risk.

It also outlines the authority of the Bank of Spain to mandate entities to hold own funds exceeding the levels specified above.

In this context, on 17 December 2024, the Bank of Spain notified Cecabank, S.A. that it met the stipulations of Article 92.1 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, concerning prudential requirements for credit institutions and investment firms. This set a requirement for the entity to maintain an individual total capital ratio of at least 10.857% (TSCR ratio) effective from 1 January 2025 (compared to 10.90% in its 2024 financial year notice). The entity is also subject to overall capital requirements (OCR) as outlined in EBA Guidelines/GL/2022/03, which encompass the TSCR ratio plus combined buffer requirements, as defined in Article 43 et seq. of Law 10/2014 and its implementing regulations.

As of 31 December 2024, and throughout the 2024 financial year, the entity's consolidated and individual capital levels exceeded the requirement for that year.

The supervisor deems it unnecessary to impose a capital requirement beyond the 3% leverage ratio threshold.

On 27 June 2019, Directive (EU) 2019/878, known as CRD V, took effect and was incorporated into Spanish law via Royal Decree-Law 7/2021 of 27 April. This amended Law 10/2014 of 26 June on the organisation, supervision, and solvency of credit institutions, along with other financial regulations such as Royal Decree 970/2021 and Circular 3/2022. CRD V brought notable updates to the European regulatory framework, including provisions related to Pillar 2 Guidance (P2G), which provides supervisory recommendations on additional capital needs.

Accordingly, per the Bank of Spain's communication on 17 December 2024, the Pillar 2 Guidance (P2G) of 2.00% required for the 2024 financial year remains consistent.

## 1.3.1 Regulatory developments

On 19 July 2024, the Banking Package (CRR3/CRD6) was published in the Official Journal of the European Union, revising the Capital Requirements Regulation and Directive to finalise Basel III implementation in the EU and incorporate elements related to supervision, sustainability, and crypto-assets. The Regulation has been effective since 1 January 2025 (with some exceptions), and Member States have until 10 January 2026 to transpose the Directive. The primary changes to the regulation impacting Cecabank's business are outlined below:

- A new standardised approach for calculating operational risk capital requirements is introduced, based on the business indicator component (BIC), derived from the business indicator (BI). Obligations are set for entities with a BI of €750 million or more, including annual operational risk loss calculations, loss data collection, exclusion of certain exceptional operational risk events no longer relevant to the institution's risk profile, and regulation of the operational risk management framework (e.g., maintaining an operational risk assessment and management system, an independent operational risk management function separate from operational and business units, a reporting system to senior management, etc.), along with disclosure requirements.
- In credit risk, key updates include (i) revised treatment of exposures to entities; (ii) updated treatment of exposures to companies; and (iii) changes to the treatment of equity exposures.
- Regarding market risk framework changes, the introduction of FRTB standards stands out as the most significant and impactful element, though its application has been postponed to 2026 to align with other jurisdictions. Additionally, details and conditions are provided for the three methods entities may use to calculate market risk capital requirements.
- For CVA risk, its treatment aligns with 2020 Basel Committee standards through a new definition and updated methods for calculating capital requirements: the standardised approach, basic approach, and simplified approach.
- Another notable addition in the banking package pertains to ESG risks, introducing requirements for disclosure, risk management, supervision (SREP), and the management body's knowledge and training.
- Lastly, concerning crypto-assets, pending a legislative proposal from the Commission, a temporary prudential treatment is established for these exposures (based on the risk of the referenced asset), with total exposure limits set at 1% of Tier 1 capital.
  Entities are also required to perform an ex ante assessment of any crypto-asset exposures they plan to take on and adapt existing processes and procedures to manage counterparty, market, concentration, and operational risks. Furthermore, disclosure obligations apply to both crypto-asset exposures and related activities, such as providing crypto-asset services.

Throughout 2024, the legislative package aimed at preventing money laundering and terrorist financing (AML/CFT package) was published, seeking to enhance the framework for combating money laundering and terrorist financing at both EU and international levels. It comprises a Regulation (AMLR) and a Directive (ALMD6) that define the AML/CFT framework, alongside a Regulation establishing the Anti-Money Laundering and Counter-Terrorist Financing Authority (AMLAR).

- The AMLR Regulation adds new obliged entities, such as crypto-asset service providers (CASP), crowdfunding service providers, and mortgage or consumer credit intermediaries, along with new duties for obliged entities. These duties include (i) evaluating risks of non-compliance and evasion of financial sanctions, (ii) appointing a management body member in a managerial capacity as chief compliance officer, (iii) maintaining a chief compliance officer, and (iv) allowing outsourcing of certain tasks and cross-border operations.

  Additionally, it introduces new scenarios for applying customer due diligence measures, transparency measures concerning beneficial ownership of legal entities (those holding an ownership stake or controlling the entity via an interest), and steps to mitigate risks from anonymous instruments. The Regulation will take effect on 10 July 2027.

- The 6th AML Directive (AMLD6), meanwhile, addresses (i) licensing or registration requirements for currency exchange offices, cheque cashing entities, and trust or fiduciary service providers, (ii) central beneficial ownership registers accessible immediately, directly, and freely by certain authorities, as well as by any natural or legal person proving a legitimate interest in specific beneficial owner data, (iii) the roles of financial intelligence units (FIUs) with respect to obliged entities (e.g., transaction monitoring, issuing alerts for customer due diligence), and (iv) AML/CFT supervision, mandating that Member States designate one or more supervisors. Member States have until 10 July 2027 to incorporate the directive into national law.

- Finally, the Regulation creating the Anti-Money Laundering and Counter-Terrorist Financing Authority (AMLA) outlines the Authority's legal status and its responsibilities regarding ML/TF risks, selected obliged entities, financial and non-

financial supervisors, and FIUs. The AMLA will directly oversee entities classified as selected obliged entities—those operating in at least six Member States with a high residual risk profile—while indirectly supervising non-selected obliged entities through peer reviews, guidelines, recommendations, and similar measures. It will apply from 1 July 2025.

In October 2024, the Bank of Spain endorsed a new framework for determining the countercyclical capital buffer (CCB) required for banks' exposures in Spain, setting it at 0.5% for the fourth quarter of 2024, reflecting cyclical systemic risks at a standard level (between high and low). This percentage will be enforceable from 1 October 2025. Subsequently, and in the case where cyclical systemic risks remain at this level, the CCB is projected to increase to 1% from the fourth quarter of 2025, applicable from 1 October 2026.

In December 2022, the Regulation on Digital Operational Resilience for the Financial Sector (DORA Regulation) was published, establishing a unified regulatory framework to prevent and mitigate technological and cybersecurity risks faced by financial entities in Europe. Effective from January 2023, the regulation becomes mandatory in January 2025, requiring entities to maintain robust capabilities for effective ICT risk management, as well as specific mechanisms and policies to handle and report significant ICT-related incidents.

The DORA Regulation aims to:

- Establish a framework for managing risks related to information and communication technology (ICT).
- Define criteria for classifying, managing, and reporting ICT-related incidents.
- Mandate regular comprehensive testing of ICT systems.
- Set requirements for managing and overseeing risks stemming from reliance on ICT service providers in the financial sector.

Since its publication, and in line with the RTS/ITS implementing standards, the organisation has been adapting to ensure full compliance by the designated application date.

Regarding sustainability, the EBA's efforts on ESG risk management are noteworthy, with draft guidelines released for consultation early in the year. These guidelines develop CRD6 to outline requirements for internal processes and agreements to manage these risks in institutions. Broadly, they focus on identifying, measuring, managing, and monitoring ESG risks, proposing methodologies that cover (i) assessing the materiality of traditional financial risks over short, medium, and long terms, (ii) specifying data to be used, (iii) defining ESG risk management principles, (iv) incorporating ESG risks into entities' strategies, business models, and risk appetite, (v) evaluating the impact of ESG risks on traditional risks, and (vi) integrating ESG risks into the internal control framework, ICAAP/ILAAP, and lending activities. Training requirements for boards of directors and staff are also included. Additionally, entities must develop plans to monitor and mitigate financial risks arising from ESG factors.

The transposition of the Corporate Sustainability Reporting Directive (CSRD[4]) mandates that large companies, listed SMEs, insurance companies, and credit institutions classified as public-interest entities include a dedicated sustainability information section in their management reports. This will follow EFRAG's reporting requirements (cross-sectoral and sector-specific) and require external verification by an independent expert. The new sustainability reporting applies to financial years starting on or after 1 January 2024 (published in 2025), with a phased implementation schedule until 1 January 2026 based on company size.

Furthermore, in 2024, the Organic Law on equal representation of women and men in decision-making bodies was published, transposing Directive (EU) 2022/2381 to improve gender balance among directors of listed companies. To do so, it amends regulations such as the Capital Companies Act and LMVSI to set minimum thresholds for the under-represented sex on boards of directors and in senior management. These thresholds will apply progressively from 30 June 2026 to 30 June 2029, depending on the company type.

[4] Directive on the presentation of sustainability information by companies (DIR 2022/2464/EU) (Corporate Sustainability Reporting Directive).

# 2. Global Risk Overview

## 2.1 Corporate Governance principles and practices

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 establishes the general policies with regard to the assumption of risks. Similarly, the Board of Directors 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.

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 assigned to the business units.

Applying this philosophy results in a highly prudent risk profile with high levels of solvency and a comfortable liquidity position.

In order to achieve its business objectives the Board of Directors assumes that Cecabank maintains a prudent risk profile at all times; losses produced by 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.

The **principles** set by the Board of Directors regarding risk appetite and the risk management model are:

01. Business and management will focus on achieving **stable and recurring results**, prioritising the preservation of the economic value of equity to ensure the entity's orderly long-term growth and maintain a **Medium-Low risk profile**.

02. The 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.

03. **Sustainability** must be embedded in the organisation's culture, serving as a corporate value communicated to employees and other stakeholders.

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

05. **Internal governance standards** will be implemented that exceed regulatory requirements, fostering **trust** among an informed and discerning clientele while upholding a reputation for adhering to best professional practices and applicable regulations.

06. The organisation will adopt a **remuneration policy** that encourages **effective risk management**, avoids incentives for taking risks beyond the limits set by the Board of Directors, and supports the long-term sustainability of the business.

07. **Capital levels** will be kept significantly **above regulatory minimums**, ensuring solvency levels—both in quantity and quality—appropriate for the wholesale business, consistent with the entity's Strategic Plan.

08. **Information protection and cybersecurity** are fundamental to the organisation, which will strive to uphold the highest standards of technological risk management to ensure operational continuity and safeguard business activities.

09. Cecabank will ensure **compliance with transparency and disclosure obligations**, maintaining robust policies and procedures that address, among other aspects, the content, frequency, medium, and location of published information, as well as its verification.

10. The organisation will adopt **forward-looking management** to assess potential breaches of risk limits, proactively addressing situations that could threaten business continuity, minimising losses during significant disruptions, and implementing necessary corrective measures as needed.

## 2.2 Governance and organisation

The corporate governance system of the organisation, as outlined by the Board of Directors, consists of a collection of policies, rules, and principles that govern the composition, structure, and operations of its governing bodies. These are regularly updated to reflect industry best practices and comply with regulatory standards.

The General Shareholders' Meeting, the Board of Directors, the legally mandated Committees (Audit Committee, Appointments Committee, Remuneration Committee, and Risk Committee), and any delegated bodies appointed by the Board of Directors form the entity's governing structure.

From the standpoint of establishing risk appetite, overseeing management policy implementation, and tracking the risk profile, Cecabank maintains a solid organisational framework and a reporting system that ensures effective supervision and control.

### 2.2.1 Board of Directors

Cecabank's Board of Directors is ultimately responsible for the risks assumed by the organisation in the course of its activities and determines the levels of risk tolerance and appetite and the general policies regarding risk-taking.

The Board of Directors receives regular information as to the maintenance of the risk profile, and reviews the risk management policies implemented at the bank. 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.

The Board of Directors ensures that the organisation is within the conservative risk profile and, therefore, within the accepted levels defined within the Risk Appetite Framework, and that the systems, processes, policies and means used in risk management are adequate, with no adverse elements anticipated that could modify this situation in the future.

Similarly, it ensures the organisation has adequate resources to maintain liquidity, supported by a robust liquidity risk control and management framework aligned with the Risk Appetite Framework and the organisation's strategy. The company's liquidity risk is within a low profile, marked by 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.

As of 31 December 2024, the Board of Directors comprises 11 members: 6 proprietary Directors, 4 independent Directors, and one executive Director, with the latter role filled by the organisation's Executive Director. The position of Executive Director is held by the company's CEO.

**/CURRENT COMPOSITION OF THE BOARD**

For further information, see the "Corporate Information" area on the Cecabank website (https://www.cecabank.es/eng/informacion-corporativa/).

### 2.2.1.1 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[5]which considers different diversity criteria and, in particular, has a representation target established for the least represented sex on the Board of Directors.

Proprietary Directors

6

Independent Directors

4

Executive Directors

1

The company has a Policy for the Selection and Suitability Assessment of members of the Board of Directors, the Chief Executive Officer or similar members.

Under this Policy, Cecabank's Board of Directors must be made up of persons whose appointment favours or promotes the good governance of the bank and who, in any case, meet the suitability requirements established by the applicable regulations at any given time as regards the performance of their duties. These requirements relating to 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 of Directors' Suitability Policy regarding gender diversity, Cecabank ensures that the selection and assessment processes comply with the principle of non-discrimination and equal treatment, that they are not subject to implicit biases that hinder the selection of women and that measures are adopted to include women with the required professional profiles among the potential candidates.

The bank has established the target of at least 50% female Independent Directors on the Cecabank Board of Directors. Notwithstanding the changes to the Board of Directors with the addition of a proprietary director, the proportion of women on the Board remains unchanged, accounting for 75% of the independent directors. At the close of the 2024 financial year, the least represented sex on the Board constitutes 27.3% of the total Board of Directors.

| Governing Body | 2020 | 2022 | 2024 |
|---|---|---|---|
| Board of Directors | 25% | 30% | 27,3% |
| Appointments Committee | 25% | 25% | 25% |
| Audit Committee | 40% | 40% | 40% |
| Risk Committee | 60% | 60% | 60% |
| Remuneration Committee | 33,3% | 33,3% | 33,3% |

Furthermore, the representation of women on the Board of Directors will be subject to an upward trend, with the ultimate objective being to reach equal representation and an equal balance of men and women on the Board. This target will be achieved by 30 June 2026, the deadline for public interest entities to meet the quotas set forth in Organic Law 2/2024, of 1 August, on equal representation and balanced presence of women and men.

Regarding the suitability of members of the Management Committee, those responsible for internal control functions and other key positions, Cecabank also has a Suitability Policy for specific Executives.

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

## 2.2.2 Committees of the Board of Directors

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 six meetings in 2024.

- **Appointments Committee**. This Committee advises the Board of Directors 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 five meetings in 2024.

- **Remuneration Committee**. This body advises the Board of Directors with regard to the company's remuneration policies and the alignment thereof with the maintenance of risk appetite levels. The Remuneration Committee met on four occasions in 2024.

- **Risk Committee**. This Committee advises the Board of Directors as to the establishment and monitoring of the risk appetite of the bank, and evaluates the application of this strategy by senior management and the results thereof. The Risk Committee held five meetings in 2024.

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 of Directors abreast, directly and through its supporting bodies, of compliance with the appetite 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.

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

## 2.2.3 Governing bodies

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

- **Management Committee:** The Management Committee is tasked with advancing the development of internal control systems and procedures to ensure effective management of corporate risks, in line with the control framework established by the Board of Directors. Chaired by the CEO, this Committee comprises the Corporate Directors from all organisational areas—business, support, and control—ensuring seamless coordination in all decision-making processes.

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

  Cecabank has a Management Committee that is responsible for deciding on matters submitted directly to it by the Board of Directors, or those matters submitted by the CEO prior to their approval by the Board of Directors, as well as approving the rules of conduct and internal regulations of the Bank which the Board of Directors is not responsible for approving.

- **Assets and Liabilities Committee (ALCO):** The Assets and Liabilities Committee (ALCO), chaired by the CEO, serves as the body through which senior management participates in the management and oversight of financial risks.

By delegation from Cecabank's Board of Directors, the ALCO is responsible for approving, reporting, managing, monitoring, and providing primary control over the entity's financial risks, as well as allocating the financial risk limits outlined in the risk appetite statement across various operating units.

- **Compliance and Operational Risk Committee (CORC):** The Compliance and Operational Risk Committee (CORC) is the organisational body that oversees senior management's involvement in managing and controlling non-financial risks. Its responsibilities include approving, reporting, managing, monitoring, and controlling the organisation's non-financial risks, encompassing operational risk and its subcategories (legal, compliance, technology, and outsourcing risk), criminal risk, reputational risk, model risk, and ESG risks. Additionally, it drives the development and execution of risk policies to uphold the approved risk profile.

## > RISK GOVERNANCE STRUCTURE

### Key priorities

#### Qualitative insights

- Conservative risk approach, targeting medium-low risk levels.
- Business and leadership emphasise stable, consistent outcomes and a strong financial foundation.
- Risks will be handled cautiously with a thorough and proactive strategy.
- Sustainability is embedded in the organisation's culture, serving as a corporate value communicated to all stakeholders.

#### Financial Risks

- Credit risk
- Market risk
- Structural balance sheet risk
- Leverage risk

#### Non-Financial Risk

- Operational risk
  - Technological risk
  - Outsourcing risk
  - Compliance risk
  - Risk of prevention of money laundering and the financing of terrorism

#### Cross-Cutting Risk

- ESG risk
- Reputational risk
- Model risk
- Business risk

### Governing Bodies

#### Board of Directors

- Development of a risk strategy aligned with risk appetite and the risk management framework.
- Creation of an information system for ongoing monitoring.
- Regular evaluation of the risk strategy.
- Maintaining alignment and consistency with other processes and documentation.
- Fostering a robust risk-aware culture.

#### Risk Committee

Guiding and assisting the Board in shaping the risk strategy and risk appetite.

#### Appointments Committee

Assessing the Board's composition, performance, and the suitability of its members.

#### Audit Committee

Overseeing and evaluating the effectiveness of internal control, internal audit, and risk management systems.

#### Remuneration Committee

Providing counsel to the Board on remuneration policies and their alignment with risk appetite levels.

### Management Bodies

#### Management Committee

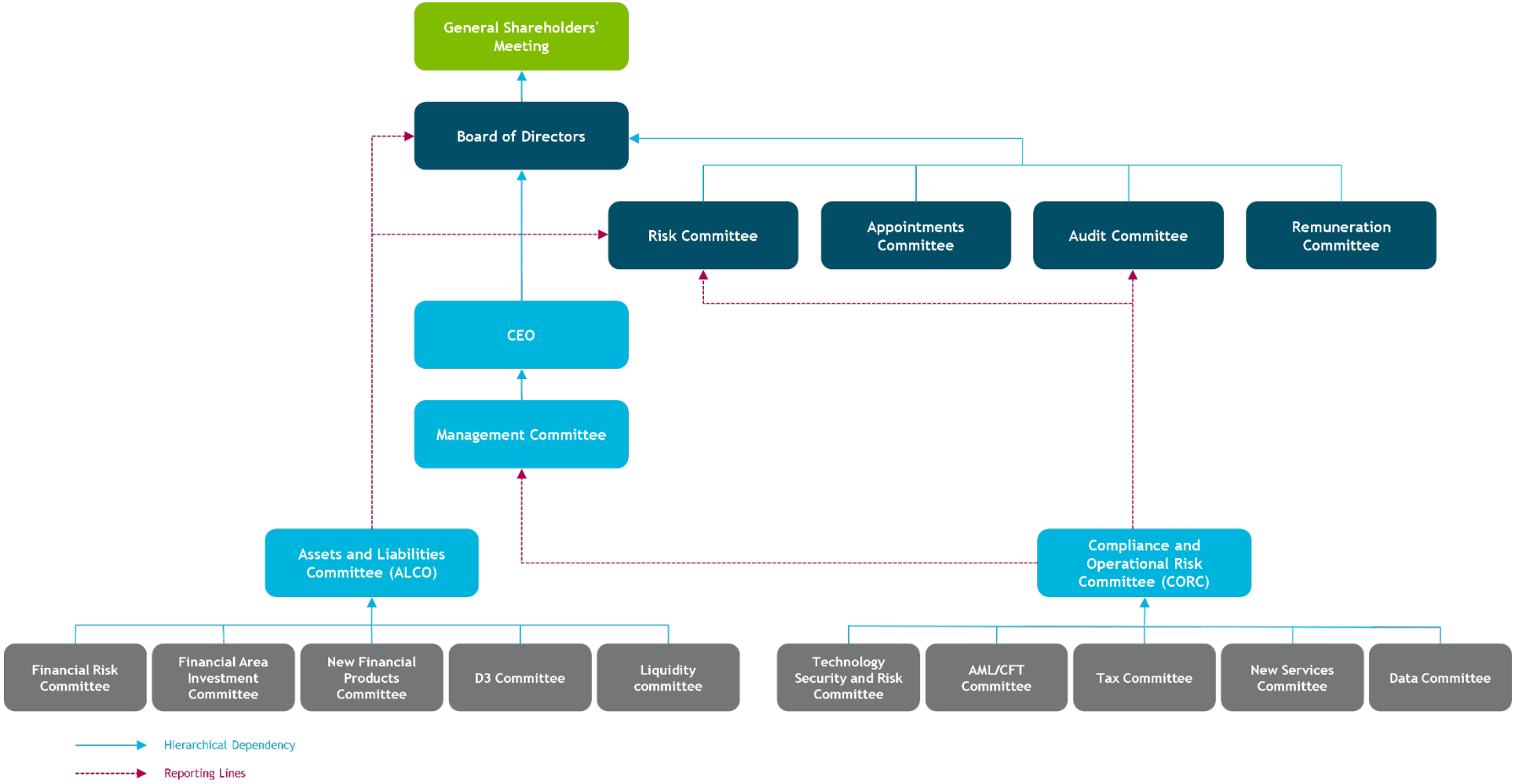
Encourages the establishment of internal control systems and procedures to effectively manage non-financial risks as outlined by the Board's control framework.

#### ALCO

Oversees the approval, reporting, monitoring, and primary control of financial risks.

#### CORC

Manages the approval, reporting, monitoring, and primary control of both financial and cross-cutting risks.


General Shareholders' Meeting
Board of Directors
Risk Committee
Appointments Committee
Audit Committee
Remuneration Committee
CEO
Management Committee
Assets and Liabilities Committee (ALCO)
Compliance and Operational Risk Committee (CORC)
Financial Risk Committee
Financial Area Investment Committee
New Financial Products Committee
D3 Committee
Liquidity committee
Technology Security and Risk Committee
AML/CFT Committee
Tax Committee
New Services Committee
Data Committee
Hierarchical Dependency
Reporting Lines

## 2.3 Internal control framework

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.

Accordingly, the organisation employs an internal control model guided by the following principles:

- **Transparent structure.** Cecabank is dedicated to establishing a clear and transparent organisational and operational framework that avoids undue complexity.

- **Constant adaptation.** Cecabank adheres to the highest governance standards, emphasising top-tier compliance and agile, ongoing updates to ensure that the necessary control mechanisms mandated by circumstances or regulations are always in place.

- **Independence of control functions.** The model relies on independent control functions, including a risk management function, a compliance function, and an audit function. It also features a clear delineation of responsibilities among key function holders, enabling the risk strategy and its management and control model to permeate the entire entity, including its branches and representative offices.

- **Global risk management**. The organisation maintains a comprehensive risk management model that addresses all significant risks—both financial and non-financial—across all business lines and internal units, including control functions, facilitating informed risk-taking decisions. Policies are in place for approving new products and services, ensuring alignment with the organisation's risk strategy and appetite.

  Thus, before launching new products or services, a preliminary analysis evaluates the risk impact of each initiative to determine if it alters the organisation's risk appetite. This is followed by a detailed assessment during the launch process, primarily through the New Services Committee, which identifies inherent risks, applicable mitigation measures, and residual risk outcomes.

- **Adequate policies and sufficient resources to ensure their execution**. The organisation maintains a suite of policies outlining key objectives for each area. To implement these, it is equipped with human resources, as well as tools, procedures, and metrics for identifying, measuring, monitoring, reporting, and mitigating risks.

- **Clear objectives**. The organisation operates under a Risk Appetite Framework, adopted and periodically reviewed by the Board of Directors, which includes a taxonomy of relevant risks the organisation faces. This framework provides a qualitative statement of risk appetite, with oversight executed by monitoring adherence to set risk limits.

The application of the outlined principles ensures the achievement of the goals set by the control model:

- 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;
- Compliance with laws, regulations, supervisory requirements and the company's internal policies, processes, rules and decisions.

### > RISK CULTURE

The risk culture serves as a cornerstone of Cecabank's internal control framework, playing a vital role in enabling effective risk management across the organisation. This fosters an environment where business decisions are made thoughtfully and within a controlled setting.

Cecabank cultivates a robust risk culture grounded in the following principles:

**01.** **Senior Management Commitment**: Cecabank's Board of Directors takes a leading role in advancing the risk culture, emphasising the value of deliberate and accountable risk management. Leadership establishes policies and guidelines that underscore the need for proactive risk identification and oversight.

**02.** **Individual Responsibility and Engagement**: Every Cecabank employee is accountable for recognising and addressing risks tied to their duties. The organisation promotes active involvement in spotting and reporting risks, urging staff to voice concerns and contribute to enhancing the internal control framework.

**03.** **Transparency and Open Communication**: Cecabank has set up formal channels to ensure that any risks identified are promptly and appropriately relayed to those tasked with managing them.

**04.** **Continuous Training**: Building a strong risk culture requires all employees to have a solid understanding of the risks the organisation faces. Cecabank provides ongoing training programs covering areas like risk identification, regulatory compliance, and internal control policies.

**05.** **Integration of Risk Management in Decision Making**: The risk culture at Cecabank encourages embedding risk management into decision-making processes. This includes evaluating how risks affect strategic and operational goals while aligning with the organisation's defined risk appetite.

**06.** **Evaluation and Continuous Improvement**: Cecabank regularly assesses its risk culture to pinpoint areas for enhancement and promote behaviours that support effective risk management. These reviews enable the organisation to adjust its policies and practices to evolving conditions, maintaining a dynamic and ever-improving risk culture.

This emphasis on risk culture enables Cecabank to create a robust organisation where all members recognise their responsibilities in risk management and are dedicated to adhering to established policies and regulations. The risk culture not only enhances alignment with the internal control framework but also bolsters the entity's capacity to navigate the challenges and opportunities within today's financial landscape.

## > CORPORATE VALUES AND CODE OF CONDUCT

A core principle at Cecabank is upholding the highest standards of conduct. The foundational elements of its business philosophy include adherence to current laws, promotion of equal opportunities and non-discrimination, ethical handling of potential conflicts of interest, respect for human dignity and the individual and collective rights tied to it, and a commitment to sustainability across all operations.

Within the organisation, the Board of Directors serves as the primary advocate for maintaining and fostering strict ethical and professional standards, tailored to the unique needs and nature of its business, while ensuring these standards are effectively implemented.

To this end, the organisation maintains:

- A Corporate Code of Conduct that ensures ethical behaviour within the company and in its interactions with various stakeholders and its surroundings.
- An Internal Code of Conduct (ICC) that outlines specific rules to prevent market abuse. It regulates the personal operations carried out by the corresponding people, measures to prevent market abuse, policies to manage conflicts of interest and the monitoring and compliance structure.
- A Conflict of Interest Management Policy for investment services, which identifies potential conflicts, establishes procedures and steps for their resolution, and promotes transparency on these matters.
- A Criminal Compliance Policy that expands on the Corporate Code of Conduct, reinforcing the organisation's commitment to upholding conduct that respects both regulations and the values enshrined in the Code.

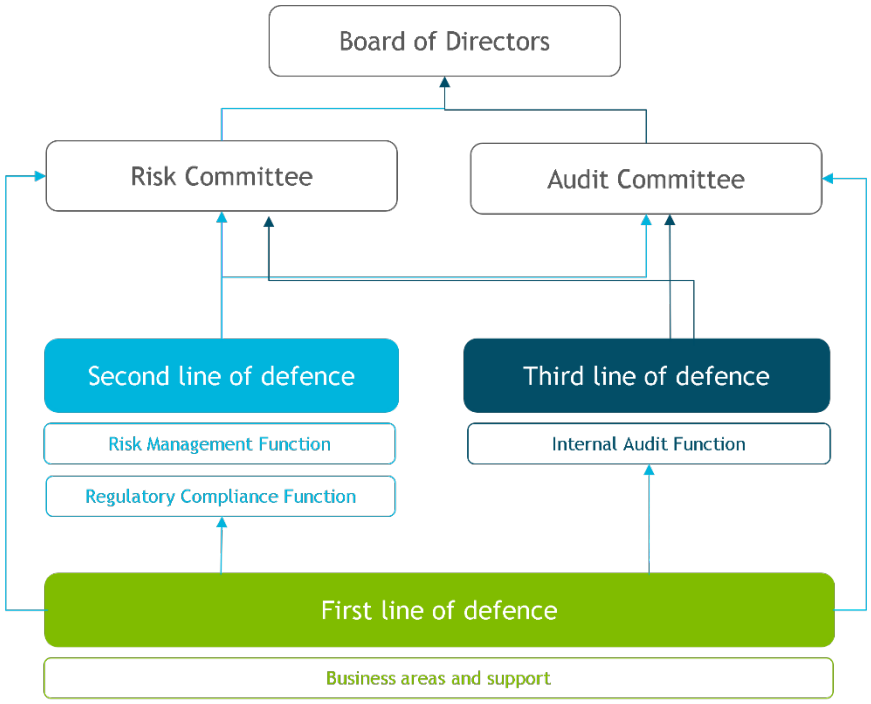
- A Corporate Conduct Channel that meets legal requirements, providing a mechanism for reporting and addressing concerns.

## > MODEL OF 3 LINES OF DEFENCE

The bank's internal control framework relies on the three-line defence model, which allocates control duties and strengthens thorough risk management across the organisation.

This approach organises responsibilities into three distinct yet complementary tiers, ensuring robust oversight, independent checks, and alignment with strategic and regulatory goals.

This structure enables the organisation to address risks comprehensively and effectively, with each line of defence fulfilling a unique role within the internal control system. The three lines are interconnected, serving as successive layers of protection for identifying, mitigating, and monitoring risks throughout the organisation.



- **First line of defence:** The first line consists of the business and support units, tasked with managing risks emerging from their routine operations. These units apply specific controls to meet internal and regulatory standards, suggesting improvements as needed to adapt continuously to identified risks.

  As the initial layer, it is accountable for identifying, assessing, controlling, mitigating, and reporting various risk types, ensuring that its activities align with the entity's defined risk appetite and embedding control as a core part of daily operations.

- **Second line of defence:** The second line encompasses the risk management and compliance functions, which independently oversee and evaluate the effectiveness of the first line's controls and their alignment with the entity's risk appetite.

  These functions ensure that risk management and control policies and procedures are in place, monitor their implementation, detect potential shortcomings, track the execution of corrective action plans, and assess the overall control environment.

  At the organisational level, the Corporate Risk and Compliance Department integrates the risk management and compliance roles, offering the Board of Directors a comprehensive view of the risks confronting the organisation.

  - **Risk management function:**

    Ensures that the organisation identifies, measures, evaluates, and manages both financial and non-financial risks, maintaining the intended risk profile as outlined in the Risk Appetite Framework approved by the Board of Directors. Additionally, it guarantees that the Board of Directors, either directly or via the Risk Committee, receives a suitable assessment of risk levels, aligned with the risk strategy and appetite.

    The risk management function operates independently from the business lines and units it oversees, while retaining access to all business areas, other risk-generating units, as well as the organisation's subsidiary, branches, and representative offices. It also drives enhancements in risk management practices and proposes corrective actions for potential violations of procedures or limits.

    Within its defined scope, it contributes to shaping the entity's risk strategy and participates in all significant risk management decisions. It ensures the presence of effective, resilient, and sustainable risk management and control processes, while supplying the information required for risk-related decision-making at every level.

    Moreover, it develops methodologies for measuring all risks, assists in integrating them into control tools, and supports their validation to ensure they remain current and suited to the complexity and scale of the risks undertaken. These activities are performed in collaboration with the various risk-generating business areas.

  - **Regulatory compliance function:**

    Its purpose is to effectively oversee and manage the entity's compliance risk (encompassing the prevention of money laundering, adherence to securities market conduct rules, personal data protection, and corporate governance), alongside criminal risk. It ensures that the potential effects of changes in the legal or regulatory landscape on the organisation's operations and compliance framework are thoroughly evaluated, while overseeing adherence to relevant regulations across all organisational units. Additionally, it enables the assessment of the organisation's vulnerability to being exploited for money laundering or terrorist financing, implementing measures to reduce this risk when needed.

    This function remains independent from the business lines and internal units it monitors, though mechanisms are in place to facilitate a sufficient flow of essential information between these units and the compliance function.

- **Third line of defence:** 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 representation 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.

Similarly, a particularly important function is to verify the adequacy and sufficiency of existing controls in the area of technological risks and cybersecurity.

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.

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.

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

- Present and execute the Strategic Audit Plan and the Annual Audit Plan to the Audit Committee for its approval, taking into account the most relevant risks affecting the organisation, as well as the regulations in force at any given time.
- Communicate and keep the Audit Committee, as well as the management concerned, informed of the results of all audit activities.
- Assess and report on the adequacy of the company's corporate governance system, particularly on the occasion of the issuance of the Capital and Liquidity Self-Assessment Report.
- Assess the adequacy of the internal control and compliance systems and procedures put in place in the company.
- Verify the keeping of risk levels within those approved by the company, including reviewing the Capital and Liquidity Self-Assessment Report.
- Analyse the accuracy and validity of the different risk assessment models established in the company (credit, market, operational, etc.).
- Verify the proper safeguarding of the bank's assets.
- Assist in the coordination of external audits, when Internal Audit deems it necessary, and supervise the information to be provided during such audits, along with other services related to internal auditing and whose subcontracting is agreed in the entity.
- Review the Internal Audit risk map, updating it in accordance with the organisation's strategic plan, any new activities it may initiate and any emerging risks identified by both Internal Audit and the first and second lines of defence.

## 2.4 Risk Appetite Framework

At Cecabank, the Board of Directors of Cecabank establishes the corporate objectives of the Bank, and holds ultimate responsibility for the risks incurred by the bank and performance of its activities. These goals are defined in terms of solvency, liquidity and funding, profitability, and consistency of results. They are reassessed at least yearly and are synchronised with the entity's strategic plans and budgets.

The Board of Directors also establishes overarching policies on risk-taking and serves as the primary advocate for the corporate risk culture, which is designed to ensure effective internal control systems and thorough, robust risk management and measurement processes.

Through the Risk Appetite Framework, the Board of Directors defines the types and levels of risk the organisation is prepared to accept in its business activities. This is formalised via qualitative statements, limits, and quantitative measures that gauge the organisation's risk profile. These encompass all significant risks identified, as per the internally established risk taxonomy, ensuring holistic management of both financial and non-financial risks arising from its operations. The risk appetite metrics also incorporate capital and liquidity objectives, as well as outcomes from stress tests detailed in the Capital and Liquidity Self-Assessment Report.

It aligns with the bank's strategy, acting as an additional component that supports the realisation of strategic objectives. Consequently, the strategic planning and budgeting processes include an evaluation of the potential effects of decisions made, with adjustments applied as needed to maintain continuous and complete alignment between the two.

The Risk Appetite Framework addresses all risks the organisation faces, categorised according to the following taxonomy:

## /CORPORATE RISK CATALOGUE

| | | |
|---|---|---|
| **Financial Risks** | Credit risk | This refers to the potential for losses arising from customers and counterparties not meeting their payment commitments as agreed in terms of timing and manner, including value losses due to declining credit quality. It accounts for concentration risk. |
| | Market risk | The chance of incurring losses from unfavourable shifts in the prices of bonds, securities, currencies, or indices within the entity's trading portfolio. It is primarily linked to market making, trading, and position-taking activities across various financial products in wholesale markets. |
| | Structural balance sheet risk | Risks impacting the balance sheet's composition:<br>• Interest rate risk: The present or future risk to an organisation's earnings and economic value stemming from adverse interest rate changes.<br>• Liquidity risk: The risk that the organisation might fail to meet short-term payment obligations due to insufficient liquidity. This means it cannot access cash or liquid assets without significant losses. |
| | Leverage risk: | The risk of taking on an excessive amount of debt. |
| **Non-financial risk** | Operational risk | Operational risk refers to the potential for loss stemming from flawed or ineffective internal processes, personnel, systems, or external events, encompassing legal risk. It includes technological risk, outsourcing risk, and compliance risk. |
| | Technological risk | Risks emerging from the reliance on information and communication technologies and technological systems. These can impair the organisation's capacity to function efficiently and securely, involving issues like cybersecurity, system outages, service disruptions, and challenges to data integrity, confidentiality, and availability. |
| | Outsourcing risk | This is a risk arising from not adequately assessing the supplier and the criticality of the service before integrating them into our supply chain or while providing the abovementioned services to Cecabank, as well as the risk of not having adequately planned the process for monitoring the outsourced service and for its replacement, where appropriate. |
| | Compliance risk | The potential impact that failure to comply with legal demands or internal standards could have on the income statement of the company, either directly, as a result of official sanctions or adverse judgments, or indirectly, through a negative impact on the company's reputation. |
| | Risk of prevention of money laundering and the financing of terrorism | Risks arising from third parties exploiting the organisation's services for money laundering or terrorist financing. This category also covers the risk of failing to comply with international financial sanctions set by relevant authorities against specific individuals or entities. |
| | Criminal risk | Risks linked to criminal acts within the organisation. This aims to shield the organisation and its staff from legal repercussions and reputational harm caused by crimes, fostering a secure and lawful workplace. |
| **Cross-cutting risk** | 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. |
| | Reputational risk | The risk of financial loss or reduced revenue due to incidents that adversely impact how stakeholders perceive the entity in its business dealings. |
| | Model risk | The range of negative outcomes for the organisation resulting from decisions based on models, influenced by quality risk (data availability and quality, model design, or misuse), governance risk, and/or weaknesses in the control environment. |
| | ESG risks | Risks that could undermine the organisation's financial stability due to factors tied to sustainability. |

## 2.5 Recovery and Resolution Plans

Recovery and resolution plans are vital components of the regulatory framework for financial institutions, crafted to ensure stability and operational continuity during crises, supporting effective risk management and adherence to existing regulations.

From a prudential perspective, these plans are crucial for robust risk management. The recovery plan offers a structured guide for the entity to respond swiftly and systematically if its financial health declines, lowering the chances of an internal issue escalating into a severe crisis. Meanwhile, the resolution plan reduces systemic risk, ensuring that, in case of insolvency, the broader financial system and economy experience minimal adverse effects.

Both plans foster a stronger risk management culture by requiring entities to regularly test their resilience and recovery capabilities. This enhances their ability to withstand adverse conditions and contributes to the stability of the financial system.

### > THE RECOVERY PLAN

The primary goal of the recovery plan is to outline specific strategies and actions to restore the organisation's financial health during extreme stress scenarios, preventing a slide into insolvency. Such scenarios might involve liquidity pressures, substantial capital losses, or critical incidents disrupting the organisation's operations.

Consistent with EBA Directives, the plan includes pre-emptive measures to stop the entity from reaching a breaking point. This reinforces a proactive stance on risk management.

Additionally, developing the plan involves conducting stress tests and simulating crisis scenarios, as mandated by Delegated Regulation (EU) 2016/1075, which sharpens the risk area's capacity to pinpoint weaknesses and handle extreme risks more efficiently.

The recovery plan is seamlessly woven into the organisation's management processes and aligned with the internal capital adequacy and liquidity assessment (ICLAR) framework. It also ties into the Risk Appetite Framework via recovery indicators, monitored through the scorecard outlined in that framework. Breaching these thresholds triggers an established procedure, escalating to higher responsibility levels to determine necessary actions.

Per Article 6 of Law 11/2015, dated 18 June, on the recovery and resolution of credit institutions and investment firms, the entity updated its recovery plan for 2023, which, after Board of Directors' approval, was submitted to the Bank of Spain.

### > RESOLUTION PLAN

The objective of the resolution plan is to ensure the structured wind-down of the institution if it is deemed non-viable. It seeks to reduce the impact on the financial system, depositors, and the broader economy, while striving to avoid reliance on public funds for a bailout whenever feasible.

This plan is developed in line with Directive 2014/59/EU (BRRD) and Regulation (EU) 806/2014, which sets out the Single Resolution Mechanism.

The resolution authorities are tasked with creating the resolution plan, working alongside the entity to secure the availability and delivery of necessary information during resolution, and to ensure and enhance the application of the resolution tool selected by the authorities. These steps safeguard the continuity of essential functions and the protection of depositors, while limiting disturbances in the financial markets.

## 2.6 Sustainability

Climate change ranks among the most pressing challenges for modern society, carrying substantial social and economic consequences. It occupies a central place on the regulatory agendas of Spain and Europe, with the overarching goal of achieving climate neutrality across the continent by 2050.

At COP21, convened in December 2015 with nearly 200 countries involved, a commitment was made to strengthen the global fight against climate change. The EU (European Union) member states have pledged to reach climate neutrality by 2050, fulfilling the obligations set forth in the Paris Agreement. The primary aim of this agreement is to limit the rise in global average temperature to below 2ºC above pre-industrial levels, ideally below 1.5ºC, while ensuring financial flows align with this new development paradigm. Following COP26 in Glasgow at the close of 2021, it was underscored that meeting the Paris Agreement's targets would be challenging without urgent and substantial action.

The steps needed to transition to a low-carbon economy, alongside the physical risks posed by climate change and environmental incidents, are generating new risk factors that affect financial institutions and are being tackled. The financial sector is pivotal in decarbonising the economy, channelling capital toward activities that support this emission-reduction process.

The Financial Stability Board (FSB) initiated the establishment of the Task Force for Climate-Related Financial Disclosures (TFCD), which provides recommendations for a unified framework for climate-related reporting. This framework organises the information entities must disclose into four categories:

- 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.

The Spanish Law on Climate Change and Energy Transition mandates, among other provisions, that credit institutions compile and publish an annual report. This report must evaluate the financial implications for the company of climate change-related risks stemming from the exposure of its operations to this issue.

Cecabank has opted voluntarily to meet the obligations of Article 32 of this Law through this report, noting that much of the required information aligns with the climate disclosure expectations set by the European Central Bank and other regulatory bodies, as well as with the key elements of the TCFD.

Cecabank is deeply dedicated to the United Nations Sustainable Development Goals (SDGs). In accordance with SDG 17 (Partnerships for the Goals), the organisation has established a network of partnerships to contribute to collective discussions, engaging in sustainability-related financial matters at national and international levels and fostering platforms for exchange and dialogue.

In 2024, the bank participated in the following initiatives:

- Global Compact, facilitated through the Spanish Global Compact Network: the bank upholds unwavering commitment to the Global Compact and its 10 principles. Throughout 2024, Cecabank remained steadfast in its efforts to promote awareness and support for the 17 United Nations Sustainable Development Goals (SDGs).
- Spainsif: It is a non-profit organisation that promotes Socially Responsible Investment (SRI), encouraging corporate responsibility and the integration of environmental, social and good corporate governance criteria through dialogue between different groups.
- Forética: an association of companies and professionals in Spain and Latin America in CSR and sustainability. Its mission is to promote the integration of social, environmental and good governance aspects in the strategy and management of companies and organisations.
- Seres Foundation: Seres promotes companies' commitment to improving society, with responsible activities aligned with the strategy of each company and generating value for everyone.
- Finresp: Through its affiliation with the CECA association, Cecabank participates in Finresp, which in 2024 has been led by the bank's CEO. This association, comprising all financial sector employers' organisations, seeks to raise awareness among economic actors and Spanish society about the challenges and opportunities presented by sustainable development.

## > SUSTAINABILITY MANAGEMENT AT CECABANK

As a member of the financial sector, the organisation is aware of its highly relevant role in the transformation towards a sustainable, low-carbon economy. We actively support initiatives that foster this transition and strive to contribute to the development of an inclusive economy characterised by minimal environmental footprint and positive social impact.

Thus, Cecabank has established a sustainability management model that enables us to integrate social, environmental, and governance considerations into our operations. This management model is structured around four aspects:

**Sustainability Plan**, which governs the actions to be taken in terms of sustainability to consolidate our growth.

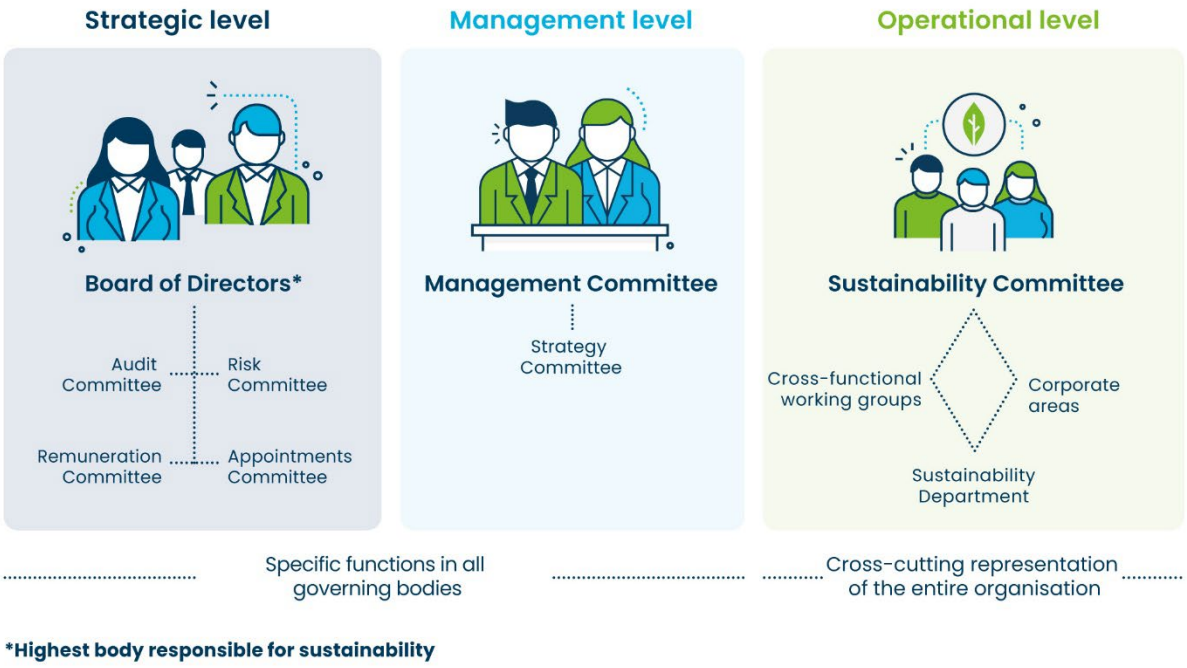
**Partnerships and commitments** to the SDGs and compliance with the principles of the Global Compact.

**Sustainability Policy**, which establishes the principles and lines of action that contribute to building lasting relationships with stakeholders.

A solid **governance model** with responsibility in all the organisation's governing bodies.

## > ESG GOVERNANCE MODEL

Sustainability is integral to Cecabank's operations, governed by a robust framework structured across three tiers:



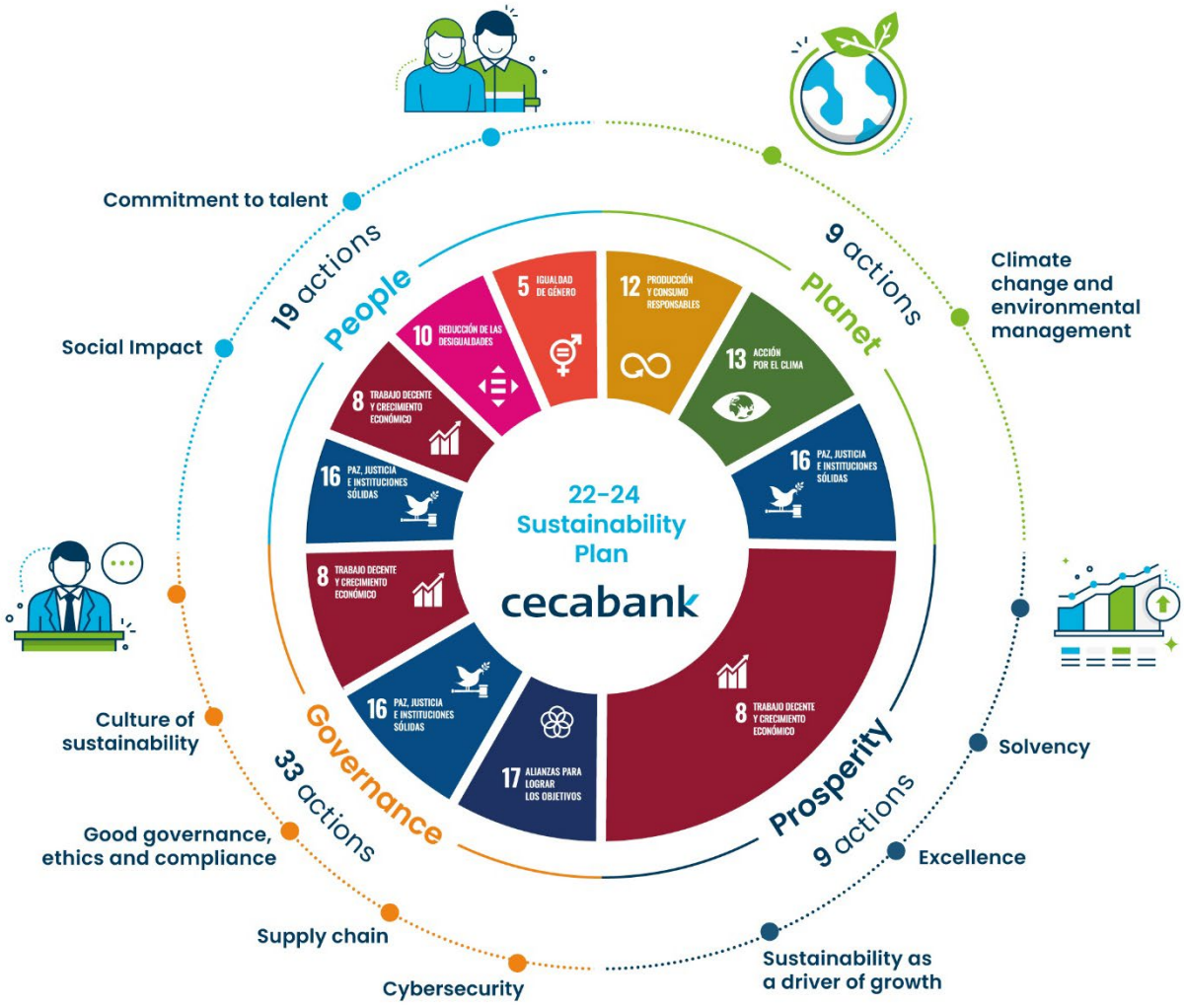

| | |
|---|---|
| **Board of Directors** | Tasked with overseeing internal and external sustainability obligations. |
| **Audit Committee** | Ensures adherence to the entity's internal and external commitments. |
| **Risk Committee** | Monitors all matters tied to ESG risks, placing particular emphasis on environmental and climate-related risks. |
| **Appointments Committee and Remuneration Committee** | Tracks ESG elements within their scope of responsibility. |
| **Management Committee** | First-line supervisor of the ESG aspects transferred by the Sustainability Committee. |
| **Sustainability Committee** | Organises all sustainability-related efforts. It sets ESG initiatives, tracks the Sustainability Plan, and manages cross-functional activities within the organisation. |

## > 2022-2024 SUSTAINABILITY PLAN

In 2022, the organisation approved the 2022-2024 Sustainability Plan, which outlines the sustainability actions to be implemented within this strategic period, guided by three primary objectives and 70 initiatives that align with Cecabank's Strategic Plan.

| | |
|---|---|
| **01.** | Consolidate our leadership in the market, increasing customer and shareholder confidence through a responsible business model. |
| **02.** | Position our ESG services proposal, anticipating our customers' needs. |
| **03.** | Generate a positive impact on our environment and on stakeholders. |

The initiatives are organised into four key work areas:




By the end of 2024, 97% of the actions and milestones in the Plan had been achieved, reflecting notable advancements across all sustainability domains.

The organisation has begun developing a new Strategic Sustainability Plan. To support this, it has advanced a dual materiality study, pinpointing the main aspects (Impacts, Risks, and Opportunities) for Cecabank, which will serve as the foundation for future actions.

## > ESG POLICIES

On 30 April 2024, the Board of Directors approved three policies directly tied to sustainability, all sharing the goal of embedding environmental, social, and governance (ESG) criteria into its decision-making, consistent with its corporate values and commitments to sustainability and long-term growth.

- **Sustainability Policy:**

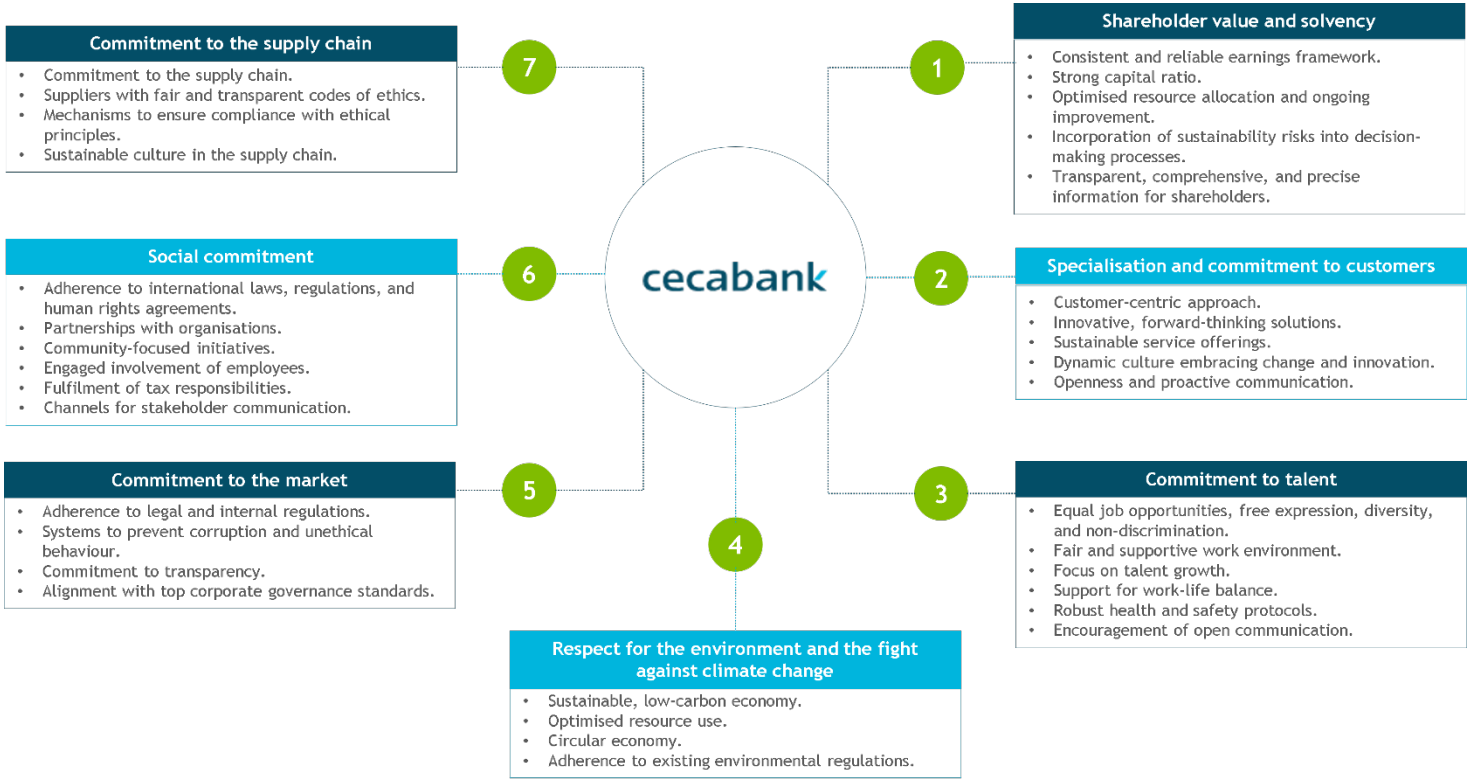
  Cecabank views sustainability as the collection of efforts that foster enduring, mutually beneficial relationships of trust with stakeholders. This policy sets out the organisation's principles and commitments to its stakeholders, forming the cornerstone of its corporate culture, objectives, and strategic planning.

- **Environmental Policy:**

  Defines the organisation's core commitments and guiding principles for environmental action.

- **Sustainable and Responsible Investment Policy:**

  Outlines the organisation's approach to incorporating ESG considerations into its investment strategy, in alignment with the Risk Appetite Framework. It specifies how environmental, social, and governance factors are integrated into investment decisions.



## > CARBON FOOTPRINT AND ENVIRONMENTAL IMPACT

**Carbon-neutral own operations**

**Offset 202 tCO2**
**in 2023**

**99%**
**emissions reduction since 2017***
*Scopes 1+2

**ISO 50001:2018**
**Certification**

In terms of climate change, the company calculates and manages its carbon emissions, having achieved significant reductions in emissions in recent periods through efficiency measures.

Since 2020, the bank has been offsetting Scope 1+2 emissions and part of its Scope 3 emissions, collaborating through other organisations in national and international projects.

Between 2017 and 2024, Cecabank achieved a 99% reduction in emissions by adopting efficiency measures and best practices. In 2024, the organisation continues to see a decline in carbon emissions linked to energy use at its facilities and the procurement of electricity backed by renewable origin certificates. Furthermore, the 2024 reduction is also attributed to the addition of an electric vehicle to the entity's fleet.

### EMISSIONS ($tCO_2eq$)

| SCOPE 1 | | SCOPE 2[3] | | SCOPE 3 | |
|---|---|---|---|---|---|
| 2023[1] | 2024 | 2023[1] | 2024 | 2023[1] | 2024 |
| 26.19 | 22.85[2] | 0.0 | 0.0 | 171.28[4] | -[5] |

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).
2. Emissions linked to the usage of generators have been excluded from the year's calculation, as their contribution to the entity's Carbon Footprint falls below the established materiality threshold of 5%.
3. Market approach.
4. Employee commuting, waste electrical and electronic equipment (WEEE), as well as electrical energy in data centres, which has been obtained from renewable sources.
5. Being calculated.

For additional details, refer to the Statement of Non-Financial Information available on the entity's website under the Corporate Information section (Annual Reports):

https://www.cecabank.es/eng/informacion-corporativa/informes-financieros/

# 3. Capital

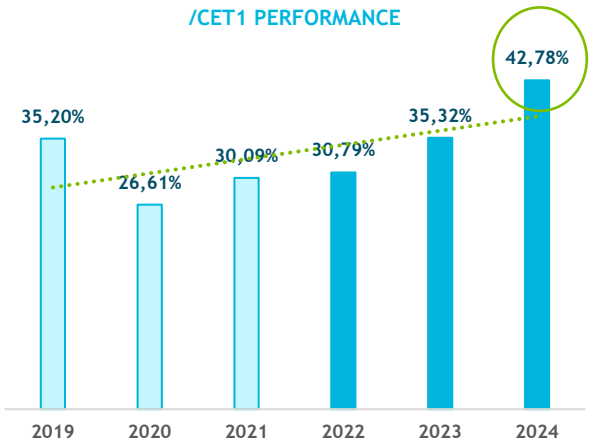
| 42.78% CET1 | €1,087.6 million Total capital | 47.77% MREL TREA |
|---|---|---|

The organisation maintains capital levels above the regulatory minimums to ensure adequate solvency for the wholesale business and in line with the Strategic Plan. Capital planning will cover current and future needs derived from its strategic planning and budgets, maintaining a safety margin as defined by the Board of Directors.

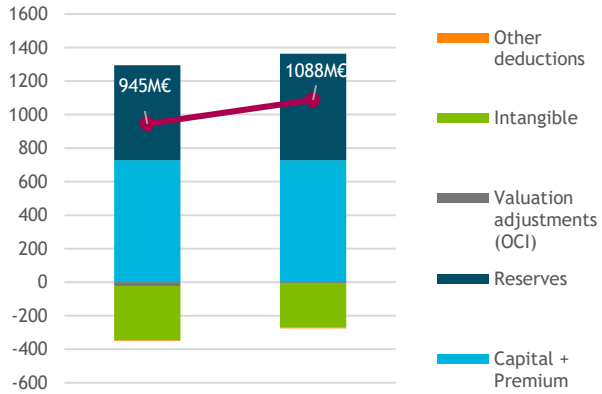
At the close of 2024, the solvency ratio[6] of Cecabank was 42.78%, fully comprising Common Equity Tier 1 capital (CET1 solvency ratio). The main factor that has affected the evolution of these ratios has been the amortisation of the intangible asset resulting from the acquisition of new businesses related 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.

/CET1 PERFORMANCE




/PERFORMANCE OF CET1 COMPOSITION



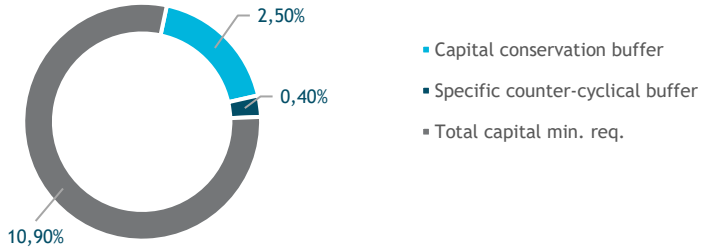

This comfortable solvency situation allows Cecabank to cover current and future capital requirements, and those deriving from additional risks considered when self-assessing capital, which are not included in Basel Pillar 1 requirements.

Conversely, on 11 December 2023, the Bank of Spain notified Cecabank, S.A. that, following its supervisory review and evaluation process, and pursuant to Article 68.2.a) of Law 10/2014, it mandated Cecabank to maintain, starting January 2024, a total capital ratio (or total capital requirement ratio of the SREP, as outlined in the EBA Guidelines, hereinafter TSCR) at an individual level of at least 10.90% of the total risk exposure amount. At the end of the financial year, the own funds classified as CET1 covered this requirement with an excess of 292%.

Cecabank is also subject to a “capital conservation buffer” of 2.5% of CET1. At the close of 2024, the exposures held by the bank entail an additional requirement for the 'Bank-specific countercyclical capital buffer' of 0.40% of total exposure.

[6] As in 2023, 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 €68 million.

/MINIMUM REQUIREMENTS




For 2025, per the Bank of Spain's letter dated 17 December 2024, Cecabank must uphold a total capital ratio (TSCR) at an individual level of no less than 10.857% of the total risk exposure amount as of January 2025.

Additional details on own funds are provided in Annex II.

# 3.1 Eligible capital

The total eligible capital at 31 December 2024 stands at €1,087.6 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 2024 amounts to €1,087.6 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.

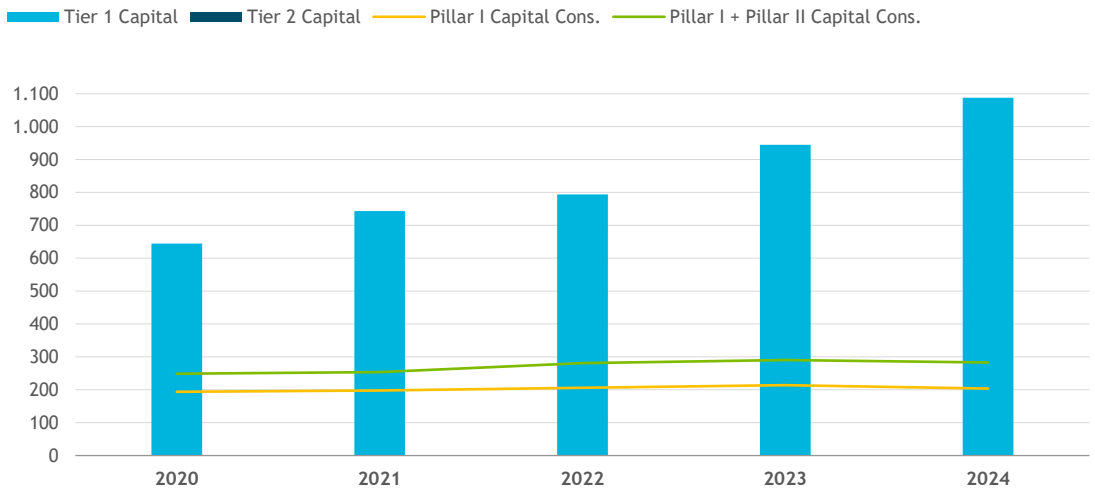
As in previous financial years, a reduction in Common Equity Tier 1 capital is carried out due to prudential filters — the result of the application of Commission Delegated Regulation (EU) 2016/101, of 26 October 2015, with regard to regulatory technical standards for prudent valuation. This aligns with Regulation (EU) No. 575/2013 and sets out requirements for prudent valuation adjustments of positions in fair value portfolios. Cecabank has applied an adjustment using the simplified method, which, as of 31 December 2024, results in a Tier 1 Capital reduction of €6.7 million.

Annex II offers a detailed breakdown of Cecabank's eligible capital as of 31 December 2024. 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 2024, the bank holds no Tier 2 capital.

/OWN FUNDS AND CAPITAL CONSUMPTION BY PILLAR I AND PILLAR II IN RECENT YEARS




## 3.2 Capital requirements

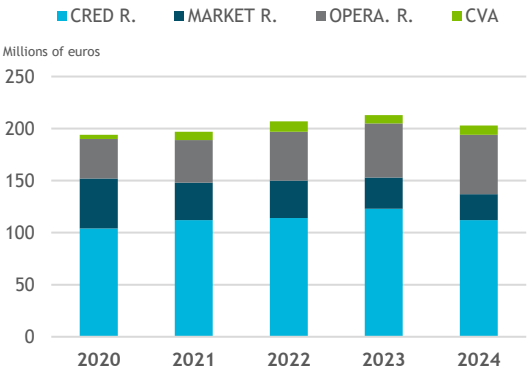
The organisation calculates its Pillar 1 requirements according to the standard methodology in line with that provided for in the current regulations applicable to the organisation. At the close of 2024, they amount to €203.4 million.

/DISTRIBUTION OF REQUIREMENTS BY RISK TYPE

| | 2024 | 2023 |
|---|---|---|
| **Credit Risk requirements** | **112,444** | **123,289** |
| Of which counterparty risk | 22,364 | 20,164 |
| Of which securitisation risk | 3,564 | 3,788 |
| **Market Risk requirements** | **24,658** | **29,972** |
| Of which position risk of the trading book fixed-income portfolio | 20,082 | 27,419 |
| Of which position risk of the trading book equity portfolio | 1,912 | 1,341 |
| Of which exchange rate risk | 2,663 | 1,212 |
| **Operational Risk requirements** | **57,439** | **52,366** |
| **CVA requirements** | **8,859** | **8,354** |
| **Total Pillar 1 Requirements** | **203,399** | **213,981** |

*Figures in thousands of euros*

PILLAR I EVOLUTION BY CREDIT RISK TYPE




The eligible Common Equity Tier 1 own funds cover these Pillar 1 capital requirements with a surplus of 435% over the requirement itself.

**/OV1 - OVERVIEW OF TOTAL RISK EXPOSURE AMOUNTS**

| | | Total amount of risk exposure (TARE) | | Total capital requirements |
|---|---|---|---|---|
| | | 2024 | 2023 | 2024 |
| **1** | **Credit risk (excluding credit counterparty risk)** | **1,081,460** | **1,241,709** | **86,517** |
| 2 | Of which: with the standardised approach | 1,081,460 | 1,241,709 | 86,517 |
| 3 | Of which: with the foundation IRB (FIRB) approach | - | - | - |
| 4 | Of which: with the slotting approach | - | - | - |
| EU 4a | Of which: equities under the simple risk-weighted approach | - | - | - |
| 5 | Of which: with the advanced IRB (AIRB) approach | - | - | - |
| **6** | **Credit counterparty risk (CCR)** | **279,545** | **252,045** | **22,364** |
| 7 | Of which: with the standardised approach | 279,545 | 252,045 | 22,364 |
| 8 | Of which: with the internal model method (IMM) | - | - | - |
| EU 8a | Of which: exposures to a central counterparty | - | - | - |
| 9 | Of which: other counterparty risk | - | - | - |
| **10** | **Credit valuation adjustment risk - CVA risk** | **110,735** | **104,421** | **8,859** |
| EU 10a | Of which: with the standardised approach | 110,735 | 104,421 | 8,859 |
| EU 10b | Of which: the basic approach (FBA and RBA) | - | - | - |
| EU 10c | Of which: the simplified method | - | - | - |
| 11 | Not applicable | - | - | - |
| 12 | Not applicable | - | - | - |
| 13 | Not applicable | - | - | - |
| 14 | Not applicable | - | - | - |
| **15** | **Settlement risk** | **-** | **-** | **-** |
| **16** | **Securitisation exposures in the non-trading book (after the cap)** | **44,544** | **47,352** | **3,564** |
| 17 | Of which: the SEC-IRBA approach | - | - | - |
| 18 | Of which: SEC-ERBA (including the internal assessment approach) | 44,544 | 47,352 | 3,564 |
| 19 | Of which: the SEC-SA approach | - | - | - |
| EU 19a | Of which: 1250%/deduction | - | - | - |
| **20** | **Position, foreign exchange and commodities risks (Market risk)** | **308,221** | **374,648** | **24,658** |
| 21 | Of which: with the standardised approach | 308,221 | 374,648 | 24,658 |
| 22 | Of which: with the internal model method (IMM) | - | - | - |
| **EU 22a** | **Large exposures** | **-** | **-** | **-** |
| **23** | **Reclassifications between trading and investment portfolios** | **-** | **-** | **-** |
| **24** | **Operational risk** | **717,988** | **654,588** | **57,439** |
| **EU 24a** | **Exposures to cryptoassets** | **-** | **-** | **-** |
| 25 | Amounts below the thresholds for deduction (subject to 250% risk weight) | - | - | - |
| 26 | Floor applied to results (%) | - | - | - |
| 27 | Adjustment to the minimum limit ("floor") (before applying the transitional limit) | - | - | - |
| 28 | Adjustment to the minimum limit ("floor") (after applying the transitional limit) | - | - | - |
| **29** | **Total** | **2,542,493** | **2.674.763** | **203,399** |

*Figures in thousands of euros*

## 3.2.1 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 of Directors 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 Self-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 can produce 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.

The capital requirement forecasts and stress tests integrated into the capital self-assessment processes enable confirmation that, given the quality and amount of available capital, the entity maintains sufficient buffers to address both present and anticipated capital demands.

## 3.3 Leverage ratio

Another factor that demonstrates Cecabank's level of solvency is the leverage ratio. The calculation for December 2024, as shown below, results in a ratio of 7.50%.

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 entity is not obligated to hold an additional capital surcharge beyond the 3% leverage ratio requirement, as specified in section 1.2 of Guidelines EBA/GL/2022/03 (P2R-LR).

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.

**/LEVERAGE RATIO ITEMS**

| | 2024 | 2023 |
|---|---|---|
| **CET1 (full-loaded)** | **1,087,614** | **944,684** |
| **CET1 (phase-in)** | **1,087,614** | **944,684** |
| **Total exposure (fully loaded)** | **14,503,863** | **14,171,395** |
| **Total exposure (phase-in)** | **14,503,863** | **14,171,395** |
| Derivatives | 466,716 | 351,320 |
| Securities lending and financing | 2,316,580 | 1,611,164 |
| Off-balance sheet items | 355,620 | 346,933 |
| Other assets | 11,631,526 | 12,190,282 |
| **Regulatory adjustments* (fully loaded)** | **-266,581** | **-328,304** |
| **Regulatory adjustments (phase-in)** | **-266,581** | **-328,304** |
| **Leverage ratio (fully loaded)** | **7.50%** | **6.67%** |
| **Leverage ratio (phase-in)** | **7.50%** | **6.67%** |

*Figures in thousands of euros*

** Assets deducted from Tier 1 Capital*

## 3.4 Requirement for own funds and eligible liabilities (MREL)

The Bank Recovery and Resolution Directive (BRRD) mandates that financial institutions meet the minimum requirements for own funds and eligible liabilities (MREL requirements). For Cecabank, the Bank of Spain, acting as the preventive resolution authority, determines this obligation, following consultations with the Directorate General of Supervision (responsible for prudential oversight at the Bank of Spain), the FROB as the executive resolution authority, and the Single Resolution Board.

Per the letter dated 30 April 2024, the Bank of Spain has directed Cecabank, as an entity subject to a resolution procedure, to maintain, under Article 44, section 1, of Law 11/2015, an MREL at an individual level of at least 20.17% of the total risk exposure amount (TREA) and at least 5.33% of the leverage ratio exposure (LRE), effective from the date the letter was received. The institution has had sufficient own funds and eligible liabilities throughout the year to comfortably cover these requirements.

In neither of the two financial years has the Bank of Spain deemed it necessary to impose a subordination requirement, as per Article 76, section 1, of Royal Decree 1012/2015.

**/KM2 - KEY INDICATORS - MREL**

| | | Minimum requirement for own funds and eligible liabilities (MREL) |
|---|---|---|
| | | 2024 |
| **Own funds and eligible liabilities, ratios and components** | | |
| 1 | Own funds and eligible liabilities | 1,214,614 |
| EU-1a | Of which: own funds and subordinated liabilities | 1,087,614 |
| 2 | Total risk exposure amount of the resolution group (TREA) | 2.542.492 |
| 3 | Own funds and eligible liabilities as a percentage of the TREA | 47.77% |
| EU-3a | Of which: own funds and subordinated liabilities | 42.78% |
| 4 | Total exposure measure (TEM) of the resolution group | 14,503,863 |
| 5 | Own funds and eligible liabilities as percentage of the TEM | 8.37% |
| EU-5a | Of which: own funds and subordinated liabilities | 7.50% |
| 6a | Does the subordination exemption in Article 72b(4) of Regulation (EU) No 575/2013 apply? (5% exemption) | No |
| 6b | Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion in accordance with Article 72b(3) of Regulation (EU) No 575/2013 is applied (max. 3.5% exemption) | - |
| 6c | If a capped subordination exemption applies in accordance with Article 72b (3) of Regulation (EU) No 575/2013, the amount of funding issued that ranks pari passu with excluded liabilities and that is recognised under row 1, divided by funding issued that ranks pari passu with excluded liabilities and that would be recognised under row 1 if no cap was applied (%). | - |
| **Minimum requirement for own funds and eligible liabilities (MREL)** | | |
| EU-7 | MREL expressed as a percentage of the TREA | 20.17% |
| EU-8 | Of which: to be met with own funds or subordinated liabilities | - |
| EU-9 | MREL expressed as a percentage of the TEM | 5.33% |
| EU-10 | Of which: to be met with own funds or subordinated liabilities | - |

## /TLAC1 - COMPOSITION - MREL

| | | Minimum requirement for own funds and eligible liabilities (MREL) |
|---|---|---|
| | | 2024 |
| **Own funds and eligible liabilities and adjustments** | | |
| 1 | Common Equity Tier 1 capital | 1,087,614 |
| 2 | Additional Tier 1 Capital | - |
| 3 | Empty set in the EU | |
| 4 | Empty set in the EU | |
| 5 | Empty set in the EU | |
| 6 | Tier 2 Capital | - |
| 7 | Empty set in the EU | |
| 8 | Empty set in the EU | |
| 11 | Own funds for the purpose of Articles 92a of Regulation (EU) No 575/2013 and 45 of Directive 2014/59/EU | 1,087,614 |
| **Own funds and eligible liabilities: non-regulatory capital elements** | | |
| 12 | Eligible liabilities instruments issued directly by the resolution entity that are subordinated to excluded liabilities (not grandfathered) | - |
| EU-12a | Eligible liabilities instruments issued by other entities within the resolution group that are subordinated to excluded liabilities (not grandfathered) | - |
| EU-12b | Eligible liabilities instruments that are subordinated to excluded liabilities issued prior to 27 June 2019 (subordinated grandfathered) | - |
| EU-12c | Tier 2 instruments with a residual maturity of at least one year to the extent they do not qualify as Tier 2 items | - |
| 13 | Eligible liabilities that are not subordinated to excluded liabilities (not grandfathered pre-cap) | 127,000 |
| EU-13a | Eligible liabilities that are not subordinated to excluded liabilities issued prior to 27 June 2019 (pre-cap) | - |
| 14 | Amount of non-subordinated eligible liabilities instruments, where applicable after application of Article 72b (3) CRR | - |
| 15 | Empty set in the EU | |
| 16 | Empty set in the EU | |
| 17 | Eligible liabilities items before adjustments | 127,000 |
| EU-17a | Of which: subordinated liabilities items | - |
| **Own funds and eligible liabilities: adjustments to non-regulatory capital elements** | | |
| 18 | Own funds and eligible liabilities items before adjustments | 1,214,614 |
| 19 | (Deduction of exposures between multiple point of entry (MPE) resolution groups) | - |
| 20 | (Deduction of investments in other eligible liabilities instruments) | - |
| 21 | Empty set in the EU | |
| 22 | Own funds and eligible liabilities after adjustments | 1,214,614 |
| EU-22a | Of which: own funds and subordinated liabilities | 1,087,614 |
| **Risk-weighted exposure amount and leverage exposure measure of the resolution group** | | |
| 23 | Total risk exposure amount (TREA) | 2.542.492 |
| 24 | Total exposure measure (TEM) | 14,503,863 |
| **Ratio of own funds and eligible liabilities** | | |
| 25 | Own funds and eligible liabilities as a percentage of the TREA | 47.77% |
| EU-25a | Of which: own funds and subordinated liabilities | 42.78% |
| 26 | Own funds and eligible liabilities as percentage of the TEM | 8.37% |
| EU-26a | Of which: own funds and subordinated liabilities | 7.50% |
| 27 | CET1 (as a percentage of the TREA) available after meeting the resolution group's requirements | 27.60% |
| 28 | Institution-specific combined buffer requirement | - |
| 29 | Of which: capital conservation buffer requirement | - |
| 30 | Of which: countercyclical buffer requirement | - |
| 31 | Of which: systemic risk buffer requirement | - |
| EU-31a | Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | - |
| **Memorandum items** | | |
| EU-32 | Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013 | - |

# 4. Credit risk

Credit risk refers to the potential for losses arising from customers and counterparties not meeting their payment commitments as agreed in terms of timing and manner, including value losses due to declining credit quality.

It also takes into account the risk of concentration, understood as exposures with a loss potential sufficiently high to affect the solvency of the entity, derived from both individual and, where appropriate, sector concentration.

In accordance with the Risk Appetite Framework defined by the Board, the organisation is guided by a prudent and diversified investment policy, taking into account sources of concentration risk, in particular for large exposures. The factors it will take into account will include the counterparty's credit risk (including country risk for entities based abroad), the nature of the operations and the extent of any hedging, the return on the capital and funds invested and individual and sector concentration risk.

## 4.1 Annual evolution

The development of credit risk exposure in 2024 has been shaped by the cautious investment strategy adopted by the entity amid an economic climate influenced by geopolitical tensions from international conflicts, such as the war in Ukraine and other Middle Eastern disputes, lingering inflation—though easing after historic highs in 2022 and 2023—and steady interest rates due to sustained restrictive monetary policies aimed at curbing inflation. Against this backdrop, global credit risk exposure has risen by 40.6% from the prior period, though it has shifted toward lower-risk assets.

This rise in exposure stems primarily from a sharp increase in sovereign risk positions, which grew by 72.3% year-on-year, reversing the trend of the previous period. Conversely, the computable exposure for large exposure measurements fell by 10.2%. Within this context, private fixed income remains the asset with the highest exposure, though its proportional share among exposures computable for large exposure purposes has declined by 7 percentage points. Market activities and fixed income holdings continue to ensure a suitable degree of diversification—across individual, sectoral, and geographic dimensions—while advancing the oversight of ESG positions.

Notably, exposures computable for controlling concentration in loans and/or financing to the private sector and equity exposures remain minimal, accounting for 11.4% and 0.9%, respectively, at the close of the financial year.

| Total exposure | Exposure in Spain | Gov exposure | Total RWAs | Total Non-performing |
|---|---|---|---|---|
| 11,203,249 | 8,484,282 | 74% | 1,405,549 | 0.000% |
| thousands of euros | thousands of euros | Of total exposure | thousands of euros | Of total exposure |

# 4.2 Credit risk management

## 4.2.1 Description and general policy

The entity's investments are focused on assets with a low credit risk profile and high liquidity. These investments primarily consist of public debt from issuers located in jurisdictions with minimal country risk, alongside other fixed income securities.

This risk policy results in a portfolio predominantly made up of exposures that could be categorised as operations with negligible risk, supplemented by short-term exposures or those of high credit quality and liquidity. Other risks with poorer credit profiles remain largely immaterial.

To ensure effective credit risk management, the entity has implemented procedures, with their key components outlined below.

## 4.2.2 Credit risk cycle

### > ADMISSION AND APPROVAL

All counterparties entering into relationships that involve credit risk will undergo a preliminary assessment. This review will underpin the determination of the counterparty's eligibility and the maximum risk volume permissible with them.

The business units will initiate the proposal acceptance process. The Risk and Control Division, acting as the first line of defence within the Finance Department, assesses the credit risk of counterparties and operations tied to the admission and monitoring stages. Meanwhile, the Credit and Counterparty Risk Department, operating within the Risk and Compliance Department, serves as the unit responsible for second-level oversight of credit risk across the various business units' activities.

- **Limit structure**

  Cecabank's general credit risk limit framework is split into two main categories. The first includes limits assigned to individual counterparties or clients. The second comprises a set of global limits tied to specific activities, countries, or products, as well as limits on large exposures.

  Both limits and their utilisation are denominated in euros. For transactions in other currencies, consumption is first calculated in the respective currency, then converted using the spot exchange rate against the euro.

- **Internal ratings**

  Any counterparty linked to a relationship involving credit risk will be subject to a prior review. This review will underpin the determination of the counterparty's eligibility and the maximum risk volume permissible with them. The process of assessing counterparties' credit quality involves assigning an internal rating to those with whom the entity wishes to engage. 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.

  This 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.

### – External ratings

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 different categories, except for those related to individuals.

### – 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.

### – Authority system

The organisation maintains a decision-making procedure for operations involving credit risk, guided by a delegated authority framework.

This system of powers considers various factors, including the type of operation and counterparty, their credit rating, their inclusion on a watch list or operational restrictions, and the proposed transaction amounts.

### – Counterparty risk

Counterparty risk refers to the possibility that a counterparty defaults prior to the final settlement of a transaction.

Cecabank engages with several financial products that create exposure to this risk:

- Non-standardised bilateral OTC derivatives, which are agreements between two parties without the involvement of a central counterparty clearing house.
- Bilateral securities financing transactions (SFTs), including repos (repurchase agreements) conducted without a central counterparty clearing house—where one party sells securities to another with a commitment to repurchase them later at an agreed price—and securities lending, also without a central counterparty clearing house, where one party loans securities to another in return for collateral.

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 admission and monitoring of risks process. 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 of 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.

## – Credit-risk mitigation techniques

Cecabank employs risk mitigation strategies as part of its credit risk management approach, though these are not used as a replacement for evaluating counterparties' capacity to fulfil their financial commitments. The company 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.

The organisation possesses ample ability to handle credit risk mitigation techniques through real and personal guarantees, employing them as needed to lessen risks tied to specific counterparties or in line with standard market practices.

Irrespective of the guarantees that may be requested and secured from counterparties at any point, only those that meet regulatory standards and can be properly assessed by the entity will be factored into calculations for credit risk coverage and capital requirements.

The entity specifies the acceptable risk mitigation techniques for each operation category at any given time, along with the processes to manage the associated risks. It will establish a guarantee revaluation policy that allows the extent to which the risks assumed are covered to be assessed, based, wherever possible, on the market price of the instruments in question, building in suitably prudent margins.

In other instances, the entity will rely on valuations from external experts. The choice of these valuation providers is guided by criteria ensuring the independence of the evaluators and the reliability of their assessments.

Within its financial market policy, Cecabank will promote the use of framework contracts for contractual netting and financial collateral agreements. These will be widely accepted contracts, with assured enforceability of financial collateral across the relevant jurisdictions.

### ▪ Contractual netting and financial guarantee contracts or "collateral"

The general policy regarding trading of financial derivatives and repo-style operations, and securities lending (all the operations that generate exposure to counterparty risk) 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.

- **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).

- **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 and options on credit indices), 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 directly and indirectly in international markets through a clearing member.

## – Pricing Policy

Royal Decree 84/2015, of 13 February, which implements Law 10/2014, of 26 June, stipulates that the Risk Committee is tasked with ensuring the pricing policy for assets and liabilities offered to clients reflects the institution’s business model and risk profile. It must also account for market reference rates and, where applicable, the entity’s funding requirements.

The aim of this pricing policy is to ensure that investments cover, at a minimum, the financing, structural, and credit risk costs inherent to each operation type.

The organisation must maintain systems to address risks of malpractice that might reduce profitability due to future losses, alongside a system for tracking results. Both are designed to pinpoint pricing deficiencies or inconsistencies with risk levels.

**> MONITORING**

The monitoring of credit risk is performed by means of active portfolio management. The primary goals being:

- Timely detection of counterparties whose creditworthiness may have declined or whose guarantees may have diminished. As part of this monitoring, lists are maintained of counterparties requiring heightened scrutiny. This includes the FEVE list (Firms under Special Surveillance) and the FRO list (Firms with Operational Restrictions).
- Ongoing evaluation of counterparties' fulfilment of financial obligations, identifying indicators that signal potential declines in payment capacity or guarantee strength.
- Assessment of the suitability of lines and operations for each counterparty.
- Regular analysis of credit risk linked to country risk to foresee potential drops in a country's solvency where counterparties operate.

Through this monitoring, Cecabank can anticipate issues faced by counterparties, enabling the adoption of suitable preventive measures to avoid or reduce potential losses.

The risk monitoring function rests on these key elements:

- Regular risk reviews, analysing the counterparty's development since the last approval or assessment.
- Detection of early warning signs via monitoring of ECAI ratings, credit spreads (CDS), other indicators, news, and significant events that could impact the risk profile of the counterparty, its sector, or the country of operation.
- Maintenance and identification of the Firms with Operational Restrictions and Firms under Special Surveillance lists.
- Detailed documentation of reasons for inclusion on these lists, along with proposed or implemented actions, such as reducing or cancelling credit lines, shortening terms, or requesting additional guarantees, registrations, or cancellations, etc.
- Additionally, there will be tracking of counterparties failing to meet contractually agreed payment terms.,
- Periodic reports are provided to the Financial Risk Committee and the Assets and Liabilities Committee (ALCO) on the overall risk quality evolution, as well as that of entities on the lists of firms with operating restrictions or under special surveillance.

## 4.2.3 Impaired Positions and Criteria Applied to establish the amount of Impairment Losses

A financial asset is deemed impaired when there is clear evidence of a detrimental effect on the future cash flows of the debt holder compared to those projected at the time of issuance, due to the borrower's inability to fully recover or meet its contractual obligations promptly, or when it cannot fully regain its recorded value. However, a decline in fair value to below the cost of acquisition is not in itself evidence of impairment.

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. This assessment

aligns with the impairment guidelines outlined in International Financial Reporting Standard IFRS 9 and Annex IX of Bank of Spain Circular 4/2017.

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

The EL reflects the expected credit losses tied to the likelihood of default within the next twelve months, unless a notable rise in credit risk has occurred since initial recognition, in which case the estimate should account for the probability of default throughout the financial instrument's expected lifespan.

Financial instruments are classified into three categories, determined by the impairment methodology used, following this framework:

- **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.

- **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.

- **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.

## > IMPAIRMENT FROM CREDIT RISK DUE TO COUNTRY RISK

The transactions will be allocated to the country of residence of the customer at the date of analysis. Similarly, the risks of a bank with branches abroad will be classified based on the situation of the country of residence of the head office of these branches.

Cecabank classifies transactions into six levels according to country risk as laid down in Annex IX of Bank of Spain Circular 4/2017: Group 1, Group 2, Group 3, Group 4, Group 5 or Group 6.
As set out in Annex IX, for the classification of transactions by credit risk, the bank will consider in its analysis both the credit risk due to insolvency and the country risk to which, where applicable, it is exposed. The transactions will be classified in the category corresponding to the insolvency risk, unless they fall into a worse country risk category.

In any case, debt instruments and off-balance sheet exposures classified under groups 5 and 6 will be classified in the following categories:

a) Non-performing risk: transactions classified under group 5 and off-balance sheet exposures classified under group 6, unless they are to be classified as write-off risk.

b) Write-off risk: debt instruments classified in group 6, which will be written off, in accordance with the provisions of points 126 to 130 of Annex IX of Circular 4/2017.

The downgrading of the country risk classification from group 1 or 2 to group 3 or 4, along with the downgrading of the classification from group 3 to group 4, will lead to the transactions being classified as normal risk under special watch, unless they fall into a worse category due to insolvency risk.
When calculating the coverage of the credit risk loss due to country risk, Cecabank will use alternative solutions for its collective estimates. The coverage is estimated in two stages: first the coverage for insolvency risk will be estimated and then the additional coverage for country risk.

The amount of the risk not covered by the amount to be recovered from the effective collateral or by the amount of the coverage for insolvency risk must be covered by the percentages laid down in section IV of the "Credit risk due to country risk" section of Annex IX of Circular 4/2017.

### > ACCOUNTING HEDGES

Cecabank employs financial derivatives within its approach to mitigate exposure to interest rate risk. When these operations satisfy the conditions set by prevailing regulations, they are classified as 'hedges.'

When Cecabank designates a transaction as a hedge, it does so from the start. The entity only categorises as hedging transactions those deemed highly effective over their entire term.

A hedge is deemed highly effective if, throughout its anticipated duration, the fluctuations in fair value or cash flows linked to the hedged risk in the hedged financial instrument or instruments are nearly fully counterbalanced by corresponding changes in the fair value or cash flows of the hedging instrument or instruments.

# 4.3 Information on credit risk

## 4.3.1 Credit risk exposure as at 31 December 2024

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. To this end, Cecabank computes and oversees both the variation margin and the initial margin, utilising the ISDA SIMM Standardised Model.

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. As of 31 December 2024, the value of the exposures and their annual average credit risk of the company, 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, as applicable, of the effects of credit risk mitigation techniques and the application of conversion factors the entries included in order accounts is presented below, disclosed by risk category:

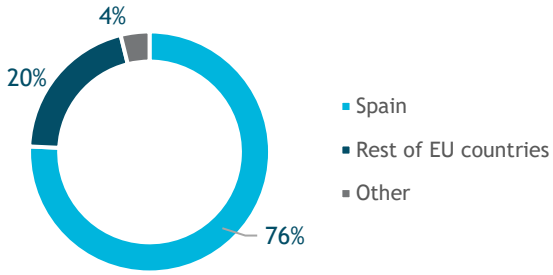
**/RISK CATEGORY**

| | 31 December 2024 | 2024 Annual Average | 2023 Annual Average |
|---|---|---|---|
| Central administrations or central banks | 7,856,449 | 7,917,586 | 7,797,191 |
| Regional governments or local authorities | 421,566 | 430,923 | 525,346 |
| Public sector entities | 321,429 | 348,510 | 274,079 |
| International organisations | 24,031 | 23,995 | |
| Institutions | 1,310,343 | 1,465,563 | 1,600,251 |
| Corporates | 780,358 | 742,520 | 683,647 |
| Retail | 5,429 | 6,093 | 6,595 |
| Exposures secured by mortgages on immovable property | 35,465 | 35,156 | 33,950 |
| Exposure in non-payment situations | 22 | 80 | 279 |
| Items associated with specially high risk | 93,677 | 95,034 | 68,075 |
| Covered bonds | 72,382 | 72,159 | - |
| Exposure to institutions and corporates with a short-term credit assessment | 14 | 633 | 1 |
| Equity exposures | 3,640 | 3,573 | 2,995 |
| Other exposures | 230,452 | 219,554 | 190,193 |

| | | | |
|---|---|---|---|
| Securitisation exposures | 47,991 | 50,033 | 34,253 |
| **Total** | **11,203,249** | **11,411,413** | **11,216,855** |

*Figures in thousands of euros*

### /GEOGRAPHICAL DISTRIBUTION OF EXPOSURE



/RESIDUAL MATURITY OF EXPOSURES

| Risk Category | Residual maturity as at 31 December 2024 | | | | |
|---|---|---|---|---|---|
| | 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 | 4,034,054 | - | 1,733,547 | 127,795 | 1,961,052 |
| Regional governments or local authorities | 22,676 | 9,931 | 132,763 | 242,084 | 14,113 |
| Public sector entities | 347 | - | - | 321,082 | - |
| International organisations | - | - | - | - | 24,031 |
| Institutions | 540,546 | 21,099 | 5,056 | 160,571 | 583,070 |
| Corporates | 248,565 | 13,800 | 24,717 | 277,368 | 215,906 |
| Retail | 893 | 1 | 17 | 844 | 3,674 |
| Exposures secured by mortgages on immovable property | - | 1 | 28 | 1,260 | 34,175 |
| Exposure in non-payment situations | 22 | - | - | - | - |
| Items associated with specially high risk | 2,628 | 9,125 | 60,070 | - | 21,855 |
| Covered bonds | - | - | - | 72,382 | - |
| Exposure to institutions and corporates with a short-term credit assessment | 14 | - | - | - | - |
| Equity exposures | 3,640 | - | - | - | - |
| Other exposures | 230,452 | - | - | - | - |
| Securitisation exposures | - | - | 349 | 22,014 | 25,628 |
| **Total** | **5,083,838** | **53,958** | **1,956,547** | **1,225,401** | **2,883,505** |

*Figures in thousands of euros*

## 4.3.2 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.

/COUNTERPARTY CREDIT RISK

| | 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) | 28,265,189 | 663,870 | 624,895 | 423,309 |
| Simple method for financial collateral (for SFT) | - | - | - | - |
| Comprehensive method for financial collateral (for SFT) | 2,615,937 | 2,648,437 | - | 206,545 |
| **Total** | **30,881,126** | **3,312,307** | **624,895** | **629,854** |

*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, 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 nil.

### 4.3.3 Transactions with credit derivatives

By the close of 2024, the company had secured two purchased options and two sold options, each tied to the Itraxx Series 42 credit index with a 5-year maturity. The purchased options carried nominal values of €600 and €750 million, while the sold options had nominal values of €600 and €750 million, respectively. Additionally, two credit default swaps (CDS) were entered into for amounts of €2 million and €2.8 million, both linked to the same underlying asset, ELO SA. All these derivatives are offset through a central counterparty clearing house.

The organisation also held three Total Return Swaps with high-tier counterparties: the first for €100 million, the second for €74.9 million, and the third for €67 million. These transactions are bilateral but are supported by contractual netting arrangements and financial safeguards that reduce the credit and counterparty risks involved.

### 4.3.4 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.

### 4.3.5 Concentration risk

Cecabank's activity as a wholesale bank means the management of risks associated with concentration is particularly relevant. At year-end 2024, 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 34.04% of the total.

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

| Level | Rating | % 2024 |
|---|---|---|
| 1 and 2 | AAA/AA/A | 38.4% |
| 3 | BBB | 35.2% |
| Lower than 3 | BB-B | 1.7% |
| Unrated | - | 24.7% |
| **Total** | | **100%** |

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 account for 64.7% and those located in the Eurozone, including Spain, stood at 81.9%.

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 3.2.1, the company applies prudent criteria to cover these risks under the Pillar 2 framework, with the appropriate levels of capital.

## 4.3.6 Impaired exposures

The following table shows the value of impaired exposures at 31 December 2024, with a breakdown by counterparty type and geographic area, 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 2024 financial year:

**/IMPAIRED EXPOSURES BY COUNTERPARTY**

| Counterparty | Original Impaired Losses | Coverage for non-performing assets | Provisions for the year to cover non-performing assets |
|---|---|---|---|
| Institutions | 40 | 18 | 1 |
| Companies (*) | 25 | 25 | - |
| Retail | - | - | -46 |
| Securitisation exposures | - | - | - |
| **Total** | **65** | **43** | **-45** |

*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**

| Counterparty | Original Impaired Losses | Coverage for non-performing assets | Provisions for the year to cover non-performing assets |
|---|---|---|---|
| Spain (*) | 25 | 25 | -46 |
| Other countries in the EU | - | - | - |
| Other | 40 | 18 | 1 |
| **Total** | **65** | **43** | **-45** |

*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 2024, the value of non-performing exposures, net of provisions, stands at €22 thousand.

## /CQ1 - CREDIT QUALITY OF RESTRUCTURED OR REFINANCED EXPOSURES

| | | 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 non-performing | | | | | | |
| | | Restructured or refinanced performing | | Of which: with non-payment | Of which: whose value has deteriorated | 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 |
| **005** | **Cash balances at central banks and other demand deposits** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **010** | **Loans and advances** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 020 | Central banks | - | - | - | - | - | - | - | - |
| 030 | Public administrations | - | - | - | - | - | - | - | - |
| 040 | Credit institutions | - | - | - | - | - | - | - | - |
| 050 | Other financial companies | - | - | - | - | - | - | - | - |
| 060 | Non-financial companies | - | - | - | - | - | - | - | - |
| 070 | Households | - | - | - | - | - | - | - | - |
| **080** | **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **090** | **Loan commitments given** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| ***100*** | ***Total*** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

*Figures in thousands of euros*

## /CQ3 - CR1 PERFORMING AND NON-PERFORMING EXPOSURES BY DAYS PAST DUE

| | | 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** | **4,159,739** | **4,159,739** | **-** | **40** | **40** | **-** | **-** | **-** | **-** | **-** | **-** | **40** |
| **010** | **Loans and advances** | **3,561,507** | **3,561,160** | **347** | **25** | **-** | **-** | **-** | **-** | **-** | **-** | **25** | **25** |
| *020* | Central banks | 15,358 | 15,358 | - | - | - | - | - | - | - | - | - | - |
| *030* | Public administrations | 251,888 | 251,888 | - | - | - | - | - | - | - | - | - | - |
| *040* | Credit institutions | 2,794,674 | 2,794,674 | - | - | - | - | - | - | - | - | - | - |
| *050* | Other financial companies | 405,541 | 405,435 | 106 | 25 | - | - | - | - | - | - | 25 | 25 |
| *060* | Non-financial companies | 54,921 | 54,921 | - | - | - | - | - | - | - | - | - | - |
| 070 | *Of which: SMEs* | *862* | 862 | - | - | - | - | - | - | - | - | - | - |
| 080 | Households | 39,125 | 38,884 | 241 | - | - | - | - | - | - | - | - | - |
| **090** | **Debt securities** | **4,657,503** | **4,657,503** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 100 | Central banks | 90,807 | 90,807 | - | - | - | - | - | - | - | - | - | - |
| 110 | Public administrations | 3,813,305 | 3,813,305 | - | - | - | - | - | - | - | - | - | - |
| 120 | Credit institutions | 320,889 | 320,889 | - | - | - | - | - | - | - | - | - | - |
| 130 | Other financial companies | 154,408 | 154,408 | - | - | - | - | - | - | - | - | - | - |
| 140 | Non-financial companies | 278,094 | 278,094 | - | - | - | - | - | - | - | - | - | - |
| **150** | **Off-balance-sheet exposures** | **899,437** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 160 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 170 | Public administrations | 600,000 | - | - | - | - | - | - | - | - | - | - | - |
| 180 | Credit institutions | 228,367 | - | - | - | - | - | - | - | - | - | - | - |
| 190 | Other financial companies | 42,160 | - | - | - | - | - | - | - | - | - | - | - |
| 200 | Non-financial companies | 25,334 | - | - | - | - | - | - | - | - | - | - | - |
| 210 | Households | 3,576 | - | - | - | - | - | - | - | - | - | - | - |
| **220** | **Total** | **13,278,186** | **12,378,402** | **347** | **65** | **40** | **-** | **-** | **-** | **-** | **-** | **25** | **65** |

*Figures in thousands of euros*

Of the total number of non-performing exposures, 38% have been due for more than a year, while 62% have been due for less than 90 days.

## /CR1 - PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

| | | 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 value 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** | **4,159,739** | **4,159,739** | **-** | **40** | **-** | **40** | **-148** | **-148** | **-** | **- 18** | **-** | **- 18** | **-** | **-** | **-** |
| **010** | **Loans and advances** | **3,561,507** | **3,559,794** | **347** | **25** | **-** | **25** | **-825** | **-810** | **-15** | **-25** | **-** | **-25** | **-** | **2,205,026** | **-** |
| 020 | Central banks | 15,358 | 15,358 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 030 | PA | 251,888 | 251,888 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 040 | Credit institutions | 2,794,674 | 2,794,674 | - | - | - | - | - | - | - | - | - | - | - | 1,915,292 | - |
| 050 | Other financial companies | 405,541 | 405,435 | 106 | 25 | - | 25 | -445 | -435 | -10 | -25 | - | -25 | - | 253,738 | - |
| 060 | Non-financial companies | 54,921 | 53,555 | - | - | - | - | -315 | -315 | - | - | - | - | - | - | - |
| 070 | of which SMEs | 862 | 862 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 080 | Households | 39,125 | 38,884 | 241 | - | - | - | -65 | -60 | - 5 | - | - | - | - | 35,996 | - |
| **090** | **Debt securities** | **4,657,503** | **4,617,916** | **30,656** | **-** | **-** | **-** | **-7,290** | **-2,357** | **-4,933** | **-** | **-** | **-** | **-** | **-** | **-** |
| 100 | Central banks | 90,807 | 90,807 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 110 | PA | 3,813,305 | 3,813,305 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 120 | Credit institutions | 320,889 | 320,889 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 130 | Other financial companies | 154,408 | 128,077 | 25,627 | - | - | - | -5,179 | -768 | -4,411 | - | - | - | - | - | - |
| 140 | Non-financial companies | 278,094 | 264,838 | 5,029 | - | - | - | -2,111 | -1,589 | -522 | - | - | - | - | - | - |
| **150** | **Off-balance-sheet exposures** | **899,437** | **899,437** | **-** | **-** | **-** | **-** | **-323** | **-323** | **-** | **-** | **-** | **-** | **-** | **193,137** | **-** |
| 160 | Central banks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 170 | PA | 600,000 | 600,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 180 | Credit institutions | 228,367 | 228,367 | - | - | - | - | - | - | - | - | - | - | - | 188,098 | - |
| 190 | Other financial companies | 42,160 | 42,160 | - | - | - | - | -217 | -217 | - | - | - | - | - | - | - |
| 200 | Non-financial companies | 25,334 | 25,334 | - | - | - | - | -74 | -74 | - | - | - | - | - | 5,039 | - |
| 210 | Households | 3,576 | 3,576 | - | - | - | - | -32 | -32 | - | - | - | - | - | - | - |
| **220** | **Total** | **13,278,186** | **13,236,886** | **31,003** | **65** | **-** | **65** | **-8,586** | **-3,638** | **-4,948** | **-43** | **-** | **-43** | **-** | **2,398,163** | **-** |

*Figures in thousands of euros*

Of the total exposures at the close of 2024, non-performing exposures represent 0.00%.

### > COLLATERAL OBTAINED THROUGH TAKEOVER AND ENFORCEMENT PROCESSES

No mortgage guarantees associated with loans have been foreclosed in 2024 to secure collection. One mortgage guarantee associated with a loan was foreclosed in 2023 to secure its collection, for a total of €72 thousand.

## 4.3.7 Changes during the 2024 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 2024 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.

### /COVERAGE OF NON-PERFORMING ASSETS

| | 2024 |
|---|---|
| Balance at 31 December 2023 | 89 |
| Provisions charged to income statement | - |
| Recovery credited to results | -46 |
| Uses | - |
| Effect of the differences in foreign currency exchange | 1 |
| **Balance at 31 December 2024** | **44** |

*Figures in thousands of euros*

### /COVERAGE OF STANDARD RISK AND RISK UNDER SPECIAL MONITORING

| | 2024 |
|---|---|
| Balance at 31 December 2023 | 4,135 |
| Provisions charged to income statement | 5,088 |
| Recovery credited to results | -729 |
| Uses | - |
| Effect of the differences in foreign currency exchange | 92 |
| **Balance at 31 December 2024** | **8,586** |

*Figures in thousands of euros*

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

The breakdown of all risk-weighted exposures for different 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, is as follows:

| 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 | 137,667 | 0 | 21,161 |
| Regional governments or local authorities | 0 | 0 | 0 |
| Public sector entities | 0 | 0 | 0 |
| International organisations | 0 | 0 | 0 |
| Institutions | 418,859 | 379,270 | 34,985 |
| Corporates | 569,947 | 363,363 | 0 |
| Retail | 4,072 | 1 | 0 |
| Exposures secured by mortgages on immovable property | 12,413 | 10 | 0 |
| Exposure in non-payment situations | 22 | 0 | 22 |
| Items associated with specially high risk | 140,516 | 0 | 0 |
| Covered bonds | 7,238 | 7,238 | 0 |
| Exposure to institutions and corporates with a short-term credit assessment | 7 | 7 | 0 |
| Equity exposures | 3,640 | 0 | 0 |
| Other exposures | 66,623 | 0 | 0 |
| Securitisation exposures | 44,544 | 44,544 | 0 |
| **Total** | **1,405,549** | **794,433** | **56,168** |

*Figures in thousands of euros*

## 4.3.9 Securitisation transactions

The following breakdown shows the securitisation positions held on 31 December 2024, classified by the risk-weighting bands to which they are assigned:

| | | | | Weight | | | | |
|---|---|---|---|---|---|---|---|---|
| | Original exposure | Net exposure* | Value of the Exposure ** | Level 3 | Level 4 | Level 7 | Level 11 | Risk-weighted exposure |
| On-balance-sheet items | 47,991 | 47,991 | 47,991 | 349 | - | 24,104 | - | 44,544 |
| Derivatives and off-balance-sheet items | - | - | - | - | - | - | - | - |
| **Total investor position exposure** | **47,991** | **47,991** | **47,991** | **349** | **-** | **24,104** | **-** | **44,544** |

*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 2024 all Cecabank's securitisation operations correspond to investment positions, 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.

## 4.3.10 Credit-risk mitigation techniques

The following details indicate the distribution of credit risk exposure on 31 December 2024, 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 | 10,362,286 |
| B) Exposures to which a credit-risk mitigation technique is applied | 840,963 |
| - 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 | 629,855 |
| - Collateral | 211,108 |
| - Other collateral | - |
| - Hedging based on personal guarantees | - |
| - Hedging through credit derivatives | - |

*Figures in thousands of euros*

## 4.3.11 Encumbered assets

**/ENCUMBERED ASSETS**

| | Book value of encumbered assets | Fair value of the encumbered assets | Book value of unencumbered assets | Fair value of the unencumbered assets |
|---|---|---|---|---|
| Loans on demand | - | - | 4,159,613 | - |
| Equity instruments | 1,612 | 1,612 | 557,990 | 130,489 |
| Debt securities | 472,085 | 465,957 | 4,819,018 | 4,741,382 |
| Loans and advances other than loans on demand | 356,053 | - | 3,204,629 | - |
| Other assets | - | - | 1,050,283 | - |
| **Assets of the declaring bank** | **829,750** | **467,569** | **13,791,533** | **4,871,871** |

*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.

**/GUARANTEES RECEIVED**

| 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 |
|---|---|---|
| Equity instruments | - | 149,237 |
| Debt securities | 266,461 | 2,260,126 |
| Other collateral received | 18,428 | 182,093 |
| Own debt securities issued other than covered bonds or securitisation bonds for own assets | - | - |
| **Collateral received by the declaring bank** | **284,889** | **2,591,456** |

*Figures in thousands of euros*

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

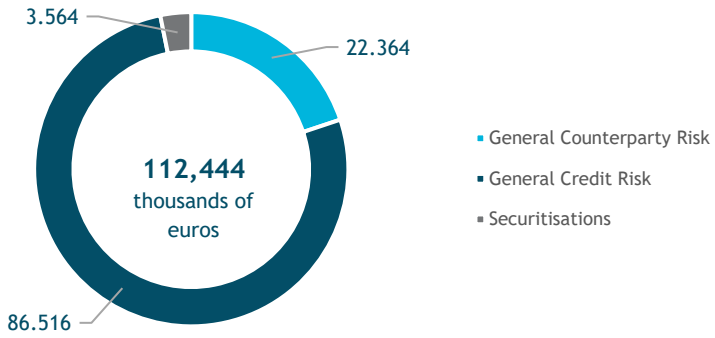
**/TOTAL FINANCIAL LIABILITIES ASSOCIATED WITH ASSETS/GUARANTEES PLEDGED IN FINANCIAL TRANSACTIONS**

| 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 | 623,346 | 711,714 |
| Other sources of encumbrance | 249,525 | 402,924 |
| **Total Sources of Encumbrance** | **872,871** | **1,114,638** |

*Figures in thousands of euros*

# 4.4 Capital requirements for credit and counterparty risk

/DISTRIBUTION OF CREDIT AND COUNTERPARTY RISK




/MINIMUM CAPITAL REQUIREMENTS FOR CREDIT AND COUNTERPARTY RISK

| 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 | 7,856,449 | 0 | 7,856,449 | 0 | 137,667 | 2% | 11,013 |
| Regional governments or local authorities | 421,566 | 0 | 421,566 | 0 | 0 | 0% | 0 |
| Public sector entities | 21,429 | 600,000 | 21,429 | 300,000 | 0 | 0% | 0 |
| International organisations | 24,031 | 0 | 24,031 | 0 | 0 | 0% | 0 |
| Institutions | 1,504,076 | 39,954 | 1,300,332 | 10,012 | 418,859 | 32% | 33,509 |
| Corporates | 768,425 | 25,389 | 768,425 | 11,932 | 569,947 | 73% | 45,596 |
| Retail | 3,651 | 3,576 | 3,651 | 1,778 | 4,072 | 75% | 326 |
| Exposures secured by mortgages on immovable property | 35,465 | 0 | 35,465 | 0 | 12,413 | 35% | 993 |
| Exposure in non-payment situations | 22 | 0 | 22 | 0 | 22 | 100% | 2 |
| Items associated with specially high risk | 63,252 | 30,425 | 63,252 | 30,425 | 140,516 | 150% | 11,241 |
| Covered bonds | 72,382 | 0 | 72,382 | 0 | 7,238 | 10% | 579 |
| Exposure to institutions and corporates with a short-term credit assessment | 14 | 0 | 14 | 0 | 7 | 51% | 1 |
| Equity exposures | 3,640 | 0 | 3,640 | 0 | 3,640 | 100% | 291 |
| Other exposures | 230,452 | 0 | 230,452 | 0 | 66,623 | 29% | 5,330 |
| Securitisation exposures | 47,991 | 0 | 47,991 | 0 | 44,544 | 93% | 3,564 |
| **Total** | **11,052,845** | **699,345** | **10,849,101** | **354,147** | **1,405,549** | **13%** | **112,444** |

*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% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 250% | Other | Total |
| Central administrations or central banks | 7,765,194 | - | - | - | - | 42,322 | - | 3,884 | - | 45,049 | - | 7,856,449 |
| Regional governments or local authorities | 421,566 | - | - | - | - | - | - | - | - | - | - | 421,566 |
| Public sector entities | 321,429 | - | - | - | - | - | - | - | - | - | - | 321,429 |
| International organisations | 24,031 | - | - | - | - | - | - | - | - | - | - | 24,031 |
| Institutions | - | 143,910 | - | 603,346 | - | 535,551 | - | 27,537 | - | - | - | 1,310,343 |
| Corporates | - | 189,875 | - | 412 | - | 48,005 | - | 542,065 | - | - | - | 780,358 |
| Retail | - | - | - | - | - | - | 5,429 | - | - | - | - | 5,429 |
| Exposures secured by mortgages on immovable property | - | - | - | - | 35,465 | - | - | - | - | - | - | 35,465 |
| Exposure in non-payment situations | - | - | - | - | - | - | - | 22 | - | - | - | 22 |
| Items associated with specially high risk | - | - | - | - | - | - | - | - | 93,677 | - | - | 93,677 |
| Covered bonds | - | - | 72,382 | - | - | - | - | - | - | - | - | 72,382 |
| Exposure to institutions and corporates with a short-term credit assessment | - | - | - | - | - | 14 | - | - | - | - | - | 14 |
| Equity exposures | - | - | - | - | - | - | - | 3,640 | - | - | - | 3,640 |
| Other exposures | 129,412 | 15,800 | - | - | - | - | - | 60,262 | - | - | 24,978 | 230,452 |
| Securitisation exposures | - | - | - | - | - | - | - | - | - | - | 47,991 | 47,991 |
| **Total** | **8,661,632** | **349,585** | **72,382** | **603,758** | **35,465** | **625,892** | **5,429** | **637,410** | **93,677** | **45,049** | **72,969** | **11,203,249** |

*Figures in thousands of euros*

### /COMPARISON WITH THE PRIOR YEAR

| Risk Category | 2024 | | 2023 | |
|---|---|---|---|---|
| | RWAs | Capital requirements | RWAs | Capital requirements |
| Central administrations or central banks | 137,667 | 11,013 | 159,665 | 12,773 |
| Regional governments or local authorities | - | - | - | - |
| Public sector entities | - | - | 44,246 | 3,540 |
| International organisations | - | - | - | - |
| Institutions | 418,859 | 33,509 | 521,441 | 41,715 |
| Corporates | 569,947 | 45,596 | 567,678 | 45,414 |
| Retail | 4,072 | 326 | 5,049 | 404 |
| Exposures secured by mortgages on immovable property | 12,413 | 993 | 11,654 | 932 |
| Exposures in default | 22 | 2 | 250 | 20 |
| Items associated with specially high risk | 140,516 | 11,241 | 113,599 | 9,088 |
| Covered bonds | 7,238 | 579 | - | - |
| Exposure to institutions and corporates with a short-term credit assessment | 7 | 1 | 1 | - |
| Equity exposures | 3,640 | 291 | 2,907 | 233 |
| Other exposures | 66,623 | 5,330 | 67,264 | 5,381 |
| Securitisation exposures | 44,544 | 3,564 | 47,352 | 3,788 |
| **Total** | **1,405,549** | **112,444** | **1,541,106** | **123,288** |

*Figures in thousands of euros*

# 5. Market risk

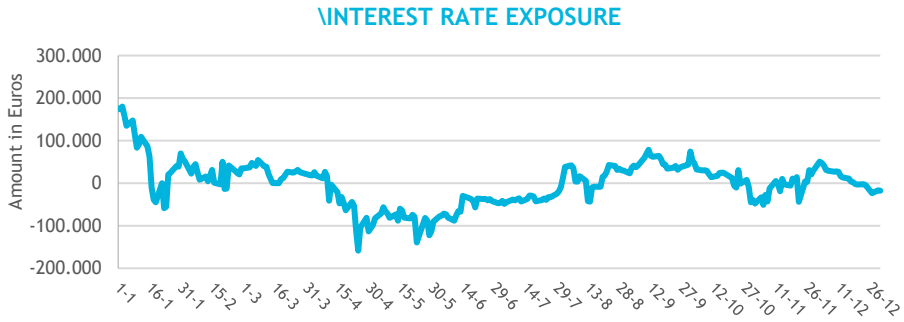
Market risk is defined as the chance of incurring losses from unfavourable shifts in the prices of bonds, securities, currencies, or indices within the entity's trading portfolio. It is primarily linked to market making, trading, and position-taking activities across various financial products in wholesale markets.

Investments, and in particular Cecabank's trading book, keep exposure and risk at low levels, ensuring solvency goals remain intact. Consequently, the organisation's investments will target assets with low risk profiles and high liquidity, traded in broad, deep markets without exit restrictions.

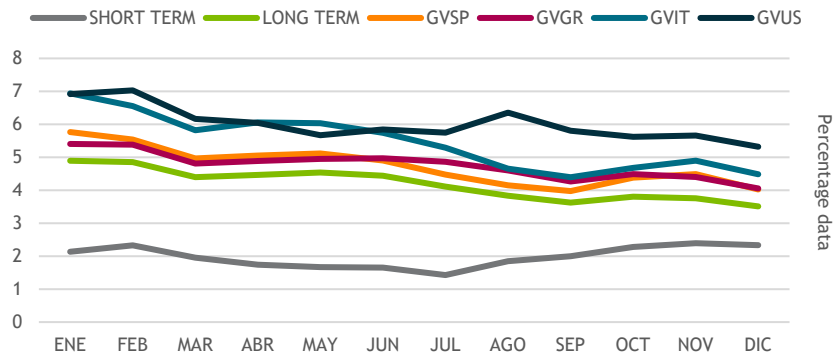
## 5.1 Annual evolution

The development of market risk at Cecabank over the year mirrors the consistent strategy of recent years, maintaining very limited average exposure levels, which are lower than those in 2023. Though the year started with elevated exposure figures (stemming from positions held at the close of the prior financial year), these began to decline in January and continued to drop until April, when they increased briefly before stabilising at average risk levels for the remainder of the year.

There have been no shifts regarding the risk factor, with interest rates persisting as the primary risk and key driver affecting VaR trends.




Regarding historical volatility, the year followed the steady downward trajectory that started in 2023, remaining largely stable throughout, with only minor, occasional upticks.



In this context, with reduced average exposure and a market setting marked by lower historical volatility, the average VaR was €0.7 million, a slight decrease from the €0.8 million recorded the previous year. The peak value this year hit €2 million (compared to €2.3 million in 2023).

| Average VaR | Financial assets in trading portfolio | Market risk total capital requirements |
|---|---|---|
| 700,000 | 1,615,007 | 24,658 |
| euros | thousands of euros | thousands of euros |

Meanwhile, the review of result trends over the year indicates that at no point were there circumstances leading to losses. Overall, by the end of 2024, the situation reflects a modest reduction in market risk on average, kept within low and tightly managed levels.

# 5.2 Market risk management

## 5.2.1 Description and general policy

The exposure of the company to this type of risk is derived from various financial factors affecting market prices. These factors primarily include 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 organisation has defined criteria and methodologies consistent with top market practices to ensure the proper identification, measurement, control, and management of market risk across all operations. The implementation of these policies aims to accomplish several goals, such as:

- Restricting the total exposure to potential losses, whether the risk is assessed in terms of maximum loss or the open position vulnerable to loss.
- Setting up alert mechanisms, meaning the creation of warnings or early indicators to enable proactive decision-making aligned with established objectives.
- Enhancing risk-adjusted returns, ensuring their calculation accounts for both average losses tied to the assessed risk and unexpected losses.
- Supporting the adoption of a compensation system that aligns with the policies and risk profile outlined by the Board of Directors.

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.

## > FOREIGN CURRENCY

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.

## 5.2.2 Structure and organisation of the market risk control and management function

The acceptance of market risk stemming from activities and products will undergo preliminary analysis. This evaluation will serve as the foundation for determining acceptability and, if appropriate, the maximum allowable risk volume associated with it.

This risk acceptance policy is driven by a cautious approach to anticipating and mitigating risks, within accepted guidelines, to safeguard the income statement and capital foundation.

The ALCO, operating within the boundaries set by the Risk Appetite Framework, defines specific limits for each activity.

The allocation of limits by activity or unit within the Finance Department entails a delegation of authority to those overseeing this area to take on the specified risk levels. Risk assumption must always adhere to the investment decision-making criteria and the products approved for trading. Factors influencing these decisions include the characteristics (of the product/market), operational support within authorised systems, the profitability of capital and funds utilised, and the potential market risks involved.

The assessment, monitoring, and control of market risk rely on information provided independently, thoroughly, and regularly by the risk control units. Routine oversight is managed by the ALCO, which may delegate its responsibilities to its supporting framework.

## 5.2.3 Measurement of market risk

Cecabank employs sophisticated market risk management methodologies, consistent with leading market practices, enabling a thorough evaluation of various risk factors and the aggregate risk across all exposures.

The Risk and Compliance Department, tasked with overseeing market risk control, designs the internal market risk assessment and measurement model (VaR) and oversees its execution. This model is documented and embedded, along with its outcomes, within the bank's market risk management framework.

Beyond its ongoing alignment with regulatory tools for measuring and mitigating market risk, the computed results will undergo validations to assess the model's accuracy and, if necessary, promptly detect any inaccuracies in the measurements, which will be addressed. The model will also undergo regular external review by an independent expert.

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 (VaR)

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 PORTFOLIO VaR**

| | 2024 | 2023 |
|---|---|---|
| Funding Desk and DPV | 647 | 607 |
| Forex Desk | 157 | 342 |
| Debt Desk | 118 | 121 |
| Equity Desk | 167 | 120 |
| Derivatives Desk | 67 | 100 |
| Credit Desk | 59 | 119 |
| Banknotes | 14 | 14 |

*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.

### > BACKTESTING

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).

## > STESS 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 scenarios to be evaluated are analysed by the Financial Risks Committee and submitted to the ALCO for approval. 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.

## > MARKET RISK LIMITS

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 Appetite Framework, establishes global limits and approves, at the proposal of the ALCO, the implementation plans and management procedures.
- In turn, the ALCO, within the limits established in the Risk Appetite Framework, establishes limits for the management of market risk and its distribution among the trading desks.
- These limits are set out in an Appendix to the ALCO Manual and are reviewed periodically. Once the corresponding modifications have been adopted, they are reported, for information purposes, to the Risk 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.

# 5.3 Information on market risk

## 5.3.1 Information on 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.

**/FINANCIAL ASSETS FOR TRADING**

| | 2024 |
|---|---|
| Financial assets held for trading | 1,595,479 |
| Derivatives | 432,123 |
| Equity instruments | 547,045 |
| Debt securities | 616,311 |
| Financial assets not held for trading at fair value through profit or loss | 19,528 |
| Equity instruments | 9,230 |
| Debt securities | 8,932 |
| Loans and advances | 1,366 |
| **Total financial assets in the trading book** | **1,615,007** |

*Figures in thousands of euros*

**/OWN FUNDS REQUIREMENTS IN THE TRADING BOOK**

| | 2024 |
|---|---|
| Position risk requirements | 21,995 |
| Counterparty credit risk requirements | 22,364 |
| **Total capital requirements** | **44,358** |

*Figures in thousands of euros*

/POSITION RISK REQUIREMENTS

| | 2024 |
|---|---|
| Requirements for position risk in equity instruments | 1,913 |
| General Risk | 383 |
| Specific Risk | 1,530 |
| Requirements for position risk in fixed-income instruments | 20,082 |
| General Risk | 14,148 |
| Specific Risk | 5,934 |
| *Capital requirements for securitisation instruments* | 3 |
| **Total capital requirements** | **21,995** |

*Figures in thousands of euros*

## 5.3.2 Information on shares and capital instruments not included in the trading portfolio

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 2024 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 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 2024, strategic investments totalled €3,327 thousand.

/BREAKDOWN OF STRATEGIC INVESTMENTS

| | 2024 |
|---|---|
| Equity instruments listed on organised markets | - |
| Equity instruments not listed on organised markets | 3,327 |
| **Total** | **3,327** |

*Figures in thousands of euros*

/CLASSIFICATION BY ISSUER

| | 2024 |
|---|---|
| Credit institutions | - |
| Other financial companies | 1,381 |
| Non-financial companies | 1,946 |
| **Total** | **3,327** |

*Figures in thousands of euros*

Gains, net of the tax impact, without impairment, associated with the various investments in equity instruments included in the trading book and those which are consolidated amounted to €1,231 thousand.

/COST OF EXPOSURES AND THEIR UNREALISED CAPITAL GAINS AND LOSSES

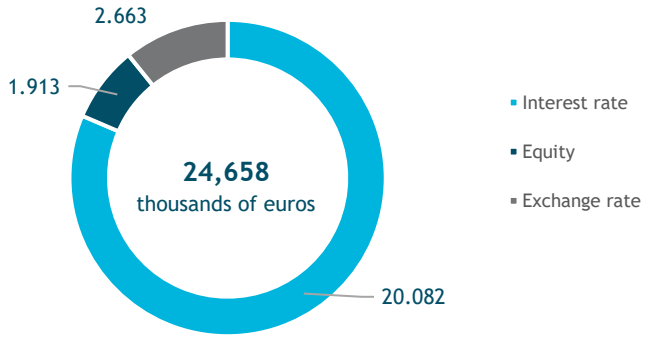
| | Amount the exposure | Cost | Unrealised capital losses | Unrealised capital gains[7] |
|---|---|---|---|---|
| Equity instruments listed on organised markets | - | - | - | - |
| Equity instruments not listed on organised markets | 3,327 | 1,568 | - 7 | 1,766 |
| **Total** | **3,327** | **1,568** | **- 7** | **1,766** |

*Figures in thousands of euros*

[7] The amount corresponds to the unrealised capital gains in the portfolio, which include €86,031.20 corresponding to outstanding payments, and are therefore not included in equity.

# 5.4 Market risk capital requirements

/DISTRIBUTION BY MARKET RISK TYPE




/REQUIREMENTS FOR PRICE RISK IN THE TRADING BOOK ACCORDING TO THE METHOD APPLIED

| | 2024 |
|---|---|
| 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 | 20,082 |
| - General risk (*) | 14,148 |
| - Specific risk: | 5,934 |
| Position risk in equity instruments calculated in accordance with Part Three, Title IV, Chapter 2, Section 3 of Regulation (EU) No. 575/2013 | 1,913 |
| **Total capital requirements for trading book price risk** | **21,995** |

*Figures in thousands of euros*
*(*) Calculated by applying the "maturity-based" method.*

/REQUIREMENTS FOR FOREIGN EXCHANGE RISK AND GOLD POSITION RISK[8]

| | 2024 |
|---|---|
| Capital requirements for exchange rate risk and gold position risk | 2,663 |

*Figures in thousands of euros*

[8] 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.

# 6. Structural balance sheet risk

The primary risks impacting the balance sheet structure encompass the interest rate risk of the banking book and liquidity risk.

## 6.1 Interest Rate Risk in positions not included in the trading book

This refers to the present or prospective risk to an organisation's results and economic value, stemming from unfavourable interest rate shifts that influence interest rate-sensitive instruments, including mismatch risk, basis risk, and optionality risk.

Interest rate risk management will be focused on preserving the economic value of equity and stabilising the interest margin to support sustainable long-term growth.

In 2024, the European Central Bank (ECB) shifted its monetary stance from recent years, lowering interest rates four times to 3.15% to boost the economy amid declining inflation, which is nearing the target of 2%. Meanwhile, the U S Federal Reserve (FED) also reduced rates, setting them between 4.25% and 4.5% by year-end.

Despite the broad drop in interest rates, the bank has maintained its balance sheet management approach, consistent with strategies from recent years. Cecabank's investment policy continues to prioritise high-quality assets with short maturities, predominantly hedged with interest rate and credit derivatives. This ensuring a strongly protected balance sheet.

Throughout the year, considering prior average values, the balance sheet's sensitivity to equity decreased compared to 2023, staying well below the thresholds outlined in the company's Risk Appetite Framework. Risk was slightly more pronounced in the early part of the first quarter. In the initial months of 2024, market opportunities emerged, enabling a reduction in portfolio exposure, with risk levels holding steady through year-end.

Regarding the entity's Economic Value, the rise over the year was notable, driven largely by strong entity performance and favourable portfolio results. Portfolio durations, after applying interest rate hedges, dipped slightly from 2023 levels by year-end, hovering just above 4 years. Directional position cash also declined, falling below €700 million.

To measure structural risks more precisely, the entity employs advanced metrics beyond those used for market risk, managing and monitoring market movements via volatility and price correlations. A VaR measure is specifically utilised. As regards this indicator, its average value slightly exceeds that of the prior year.

As for CSRBB risk—defined as the risk arising from shifts in market perceptions of credit risk pricing, liquidity premiums, and other instrument components affecting credit risk—these have remained stable and well-managed throughout the year.

## 6.1.2 Interest rate risk management

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 movements, through protection of the financial margin and economic value of capital (EVC).
- 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 objectives described, a structure of limits of balance sheet Structural Risks has been devised, guaranteeing that levels of exposure to risk lie within the appetite level established by senior management.

The Board of Directors defines the general operational framework and approves risk limits in accordance with its risk appetite 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 of Directors 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 of Directors, 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 THE BALANCE SHEET INTEREST RATE RISK

The assessments of interest rate risk will concentrate on two timeframes. In the short term, they will examine the effects that interest rate fluctuations might have on the financial margin. For the long-term perspective, the potential influence of interest rate changes on economic value will be evaluated. These assessments align with the interest rate risk measurement model outlined in the solvency regulations. Additionally, simplified approaches from the Bank of Spain's Guide to the Capital and Liquidity Self-Assessment Process are incorporated into the risk evaluation.

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.

#### – 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.

## – Credit Spread Risk in the Banking Book (CSRBB)

The methodologies applied by the Market, Balance Sheet and Liquidity Risk Division to measure the credit spread risk in the banking book, better known as CSRBB, are set out below.

**Z-Spread**

The Z-Spread is a measurement of the credit spread applied in the valuation of financial instruments, particularly in the fixed-income market. It is described as the parallel shock to be applied to the risk-free discount curve in such a way that the present value of the projected flows matches the observed market price. Put another way, the Z-Spread is the difference between the rate of return on a bond and the rate of return on the benchmark bond, after adjusting for duration and credit risk.

Having obtained the Z-spread calculations, it is thus important to assess the impact that the Z-spread could have on the institution. To this end, various sensitivity scenarios of movements in credit spreads are assessed. The impacts analysed and followed by the bank are increases of 1 bp, 55 bp and 100 bp.

**VaR methodology**

In parallel with the Z-Spread methodology, a daily VaR calculation is carried out to monitor and control the positions in the banking book portfolio, using the same methodology as used in the market risk division for the trading portfolio.

The VaR measure used for monitoring is a VaR by historical simulation and has 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.

## – 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.

/YEAR-END MANAGEMENT DATA. INTEREST GAP

| | 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 | 11,403 | 106 | 84 | 1 | 249 | 11 | 120 | 99 | 36 | 354 | 30 | 15 |
| 1. Cash and balances with central banks | 4,298 | - | - | - | - | - | - | - | - | - | - | - |
| 2. Available-for-sale financial assets | 1,501 | 49 | 113 | 15 | 75 | 5 | 1,678 | 149 | 474 | 1,802 | 280 | 36 |
| 2.1 Temporary acquisitions of assets | 1,501 | 49 | 52 | - | - | - | 125 | 99 | - | - | - | - |
| 2.2 Debt securities | - | - | 61 | 15 | 75 | 5 | 1,553 | 50 | 474 | 1,802 | 280 | 35 |
| 2.3 Equity instruments | - | - | - | - | - | - | - | - | - | - | - | 1 |
| 3. Loans and receivables | 1,393 | 58 | 2 | 2 | 33 | 11 | 119 | 55 | 81 | - | - | - |
| 3.1 Loans and advances to customers | 42 | 4 | 2 | 2 | 24 | 1 | 115 | 55 | 81 | - | - | - |
| 3.3 Credit institution deposits | 1,351 | 54 | - | - | 9 | 10 | 4 | - | - | - | - | - |
| 4. Amortised cost | 24 | - | - | - | 201 | - | - | - | 49 | - | - | - |
| 5. Hedging derivatives | 4,187 | -1 | -31 | -16 | -60 | - 5 | -1,677 | -105 | -568 | -1,448 | -250 | -25 |
| 6. Investments | - | - | - | - | - | - | - | - | - | - | - | 4 |
| LIABILITIES | 11,296 | - | - | - | - | - | - | 127 | - | - | - | - |
| 1. Fin. liabilities amortised cost and FV thr. P&L | 943 | - | - | - | - | - | - | 127 | - | - | - | - |
| 1.1 Credit institution deposits | 575 | - | - | - | - | - | - | 127 | - | - | - | - |
| 1.2 Temporary assignment of assets | 368 | - | - | - | - | - | - | - | - | - | - | - |
| 2. Customer deposits | 10,353 | - | - | - | - | - | - | - | - | - | - | - |
| GAP | 107 | 106 | 84 | 1 | 249 | 11 | 120 | -28 | 36 | 354 | 30 | 15 |
| ACCUMULATED GAP | 107 | 213 | 297 | 298 | 547 | 558 | 678 | 650 | 686 | 1,040 | 1,070 | 1,085 |

### > 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.

## 6.2 Liquidity Risk

Liquidity risk is defined as the risk that the organisation might fail to meet short-term payment obligations due to insufficient liquidity. This means it cannot access cash or liquid assets without significant losses.

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.

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.

### 6.2.1 Annual evolution

The progression of liquidity indicators reflects both the minimal liquidity risk borne by the entity and the consistent stability of these metrics over time.

The LCR, on average, has exceeded twice the regulatory minimum. The strong liquidity of the entity's assets (with 44% of all HQLA assets held as deposits with the ECB) ensures the numerator comfortably offsets the net outflows that would arise (in a stress scenario) over the next 30 days, with these outflows fluctuating primarily based on the higher or lower volume of on-balance sheet current accounts from wholesale clients. As in prior years, shifts in these accounts have driven variations in the LCR throughout the year.

The NSFR remains at a notably high level, surpassing that of similarly sized institutions, owing to the entity's unique business model. Assets requiring financing are assigned a very low weighting, consisting of ECB accounts and highly liquid assets, and are more than adequately supported by stable funding from own funds and customer deposits, which—despite their treatment under the LCR—exhibit strong stability. The ratio has seen slight changes during the year due to shifts in the portfolio's composition, depending on whether the proportion of non-liquid assets rises or falls. Regardless, the figure is nearly double the required minimum.

With the aim of ensuring a high degree of asset liquidity, the available unencumbered assets eligible by the ECB are monitored. A ratio is employed to assess what portion of the institution's total liabilities is deposited with the ECB or invested in assets discountable by the ECB, revealing that the vast majority of these assets are readily liquidated, with their progression remaining highly stable over time, staying within a range of 70% to 76% of liabilities throughout the year.

The short-term liquidity ratio (STLR) is the measure best aligned with the entity's business model for evaluating liquidity. Its trend remains elevated throughout the year, increasing at the end of the year due to the lower volume of payments committed by the distribution activity, given the reduction in activity in the markets at that time.

| LCR (Liquidity Coverage Ratio) | NSFR (Net Stable Funding Ratio) | Assets unencumbered by admissible charges ECB | Short term liquidity ratio |
|---|---|---|---|
| 220% | 299% | >70% | 380% |

## 6.2.2 Liquidity risk management

The organisation must always maintain ample resources to easily fulfil its payment obligations. This will involve maintaining market access, diversifying funding sources, and holding a buffer of liquid assets to navigate stress scenarios effectively.

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.

Conversely, the general profile of the entity's investments, especially those within the banking book, will typically feature assets with a low risk profile, high liquidity, and active trading in broad, deep markets without exit constraints.

As outlined in the Risk Appetite Framework, regulatory liquidity requirements are met with ease, and the entity sustains market activities and business development that ensure sufficient diversification of funding sources. Periodic stress tests are conducted to confirm the robustness of the implemented policies.

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 85% 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.

Meanwhile, the assessment, monitoring, and control of liquidity risk rely on information provided independently, thoroughly, and regularly by the Risk and Compliance Department. This department is responsible for the daily oversight of limits established by the ALCO, while routine monitoring is handled by the ALCO, which may delegate its authority to its supporting framework.

### > MEASUREMENT OF LIQUIDITY RISK

The organisation sets criteria and methodologies aligned with top market practices to accurately identify, measure, control, and manage structural risks. It employs risk management approaches that adhere to the regulatory framework, supplemented by methods that enhance the precision and quality of measurements and improve the assessment of risk factors.

The Risk and Compliance Department oversees the development and implementation of the internal structural risk assessment model and handles reporting to the regulator.

Regarding liquidity, measurements are tailored to various time horizons, both long and short term. However, due to the nature of the activities and the entity's financing structure, key indicators primarily focus on ensuring compliance with short-term payment obligations. Additionally, while meeting these requirements, stress scenarios mandated by regulatory measures (LCR and NSFR) are appropriately integrated into the internal analysis.

This assessment model is documented and embedded within the bank's structural risk management processes, with its outcomes contributing to the monitoring and oversight of the bank's overall risk profile. Results from the internal models undergo validation checks to assess their accuracy or detect any shortcomings for correction.

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.

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.

  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.

- **Ratio on stable funding:** This ratio measures the 1-month net refinancing requirement in conjunction with the ability to liquidate portfolio positions, relative to the amount of stable funding. This enables the degree of concentration of the net borrowing position in the very short term (incorporating the position in liquid assets) to be limited with respect to the size of stable funding, in an attempt to make Cecabank's funding structure by maturity as balanced as possible.

- **Degree of asset liquidity:** With the aim of ensuring a high degree of asset liquidity, the available unencumbered assets eligible by the central bank are monitored. A ratio is used to analyse the percentage of the bank's total liabilities that are deposited with the central bank or invested in assets eligible for discounting by the central bank.

- **Stable funding performance (monthly/semi-annual):** Stable funding is deemed to be funding that enables the bank to meet its obligations and maintain financial stability over time. The purpose of this ratio is to measure the evolution of such funding for two tranches, monthly and semi-annual; the goal is to ensure that such variation does not exceed limits considered to be prudent. Stable balances are calculated pursuant to the guidelines contained in the documents published by the EBA, which specify when a balance can be

considered stable for the LCR ratio. On the basis of these guidelines, a study is conducted on the performance of the bank's funding and a percentage of stable balances is assigned to the total assets deposited with Cecabank.

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.

### > LIMITS OF LIQUIDITY RISK

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.

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.

At the end of 2024, the balance of this reserve of liquid assets to deal with potential liquidity needs was €10,861 million, predominantly comprised of the cash balance and assets eligible for discounting with the European Central Bank (90%).

Cecabank regularly carries out stress tests on the liquidity ratios. 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.

## 6.2.3 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.

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 III.

# 7. Operational risk

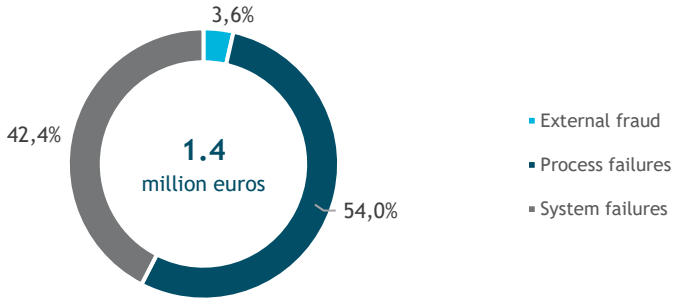
Operational risk refers to the potential for losses arising from flawed or inadequate processes, human errors, internal system failures, or external events. This definition encompasses legal risk (the chance of facing sanctions, fines, or compensation obligations due to regulatory actions or agreements between parties) but does not include strategic or reputational risk.

Operational risk thus covers specific subcategories, including technological risk, risks related to outsourcing functions or services, and regulatory compliance risk.

Cecabank adopts a 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.

## 7.1 Annual evolution

/DISTRIBUTION OF OPERATIONAL LOSS




Cecabank places particular emphasis on monitoring and controlling operational risk. The entity maintains an operational risk indicator, derived from various synthetic baskets of its primary operational risks. The chosen indicators within these baskets enable the detection of undesirable situations through ongoing monitoring. Based on the indicator's performance over the year, operational risk has consistently stayed at a medium-low level.

Regarding risk materialisation, losses this year have risen slightly compared to the previous year but remain low, with the annual total reaching €1.4 million (net losses of €1.2 million).

## 7.2 Operational risk management

The organisation has established a methodology for managing operational risk, outlining the management model and evaluation approach for this risk. It specifies the roles, functions, and responsibilities involved in its management, guided by the following principles:

- Risk Management Culture: Senior management promotes a robust risk management culture across the organisation. The goal of operational risk management is to define principles and procedures to align with the risk appetite levels set by the Board of Directors within the Risk Appetite Framework, supporting the achievement of business objectives.

- Effective Governance: The organisation implements a comprehensive operational risk management policy, consistently applied across all structural units. This policy encompasses managing various types of operational risks impacting the organisation, including at the level of departments, areas, essential services, and evaluation domains, such as compliance risk, ICT risk (systems), legal risk, third-party risk, and others.

- Risk Identification: 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. Risk and control identification is conducted through multiple channels, including process, product, and service reviews, new regulatory requirements, indicator analysis, loss events, or periodic workshops organised by the CIRO Group (working group for operational risk identification).

- Evaluation, monitoring, and control: A process is in place for the periodic assessment and measurement of risks, with results compared against control outcomes. Monitoring indicators are used to detect deviations in control results, prompting necessary actions.

- Weakness management: Procedures are defined for capturing, analysing, and mitigating operational events that result in losses. Identifying weaknesses in the operational risk management process leads to the creation of action plans to effectively address and mitigate the risks identified.

- Periodic Evaluation: Operational risks are reassessed regularly, with action plans and mitigation strategies adjusted as needed.

- Training and Awareness: Continuous training on risk management and compliance policies is provided to employees.

- Reporting: Transparent and open communication is maintained with all relevant parties, including regulators and stakeholders.

Throughout 2024, the organisation has advanced its efforts to enhance tools for identifying and assessing operational risk, implementing new controls, and developing additional indicators within the non-financial risk monitoring framework.

## > 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.

Significant risks that may arise due to internal or external changes, along with risk indicators that enable their assessment and more directly reflect the quality of operational environments and their effective control, are systematically identified. Their approval is proposed to the Compliance and Operational Risk Committee.

Additionally, the entity's loss register, which records all events resulting in operational losses, serves as a key source for risk identification. This register operates independently of accounting records and is integrated with other operational risk management procedures.

Operational risk loss events are categorised based on the regulatory framework in effect at the time and are logged in a loss database. This database also captures details such as the origin, occurrence, accounting dates, and any recoveries, among other factors.

The introduction of new activities, products, or systems, as well as the issuance of new regulations applicable to the entity, necessitates the identification and assessment of associated inherent risks. The New Services Committee evaluates the organisation's new services to ensure a thorough understanding of the risks involved, including operational risk, and confirms that the necessary infrastructure is in place for their mitigation, management, control, and monitoring. It also promotes standardisation of services from a systems and procedures perspective. The risk control units 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.

The robustness of the risk identification system is evidenced by the absence of incidents tied to unidentified risks, affirming that all risks have been appropriately managed.

## > ASSESSMENT AND MEASUREMENT OF OPERATIONAL RISK

The Operational Risk Unit, part of the Risk and Compliance Department, is tasked with developing an internal operational risk assessment model.

This model is thoroughly documented and embedded within the organisation's operational risk management processes. Its outcomes are a key component of monitoring and controlling the organisation's operational risk profile. Risks and their corresponding mitigation controls undergo systematic evaluations to determine the inherent and residual operational risks across various activities, products, and services, employing semi-quantitative methods.

Residual risk refers to the portion of risk that remains uncovered by the overall control environment, representing the risk that could, with some probability, result in a negative impact. The resulting risk profile is compared against the target profile to initiate appropriate corrective measures when needed. The assessment process identifies potential increases in risk attributable to internal or external sources. The assessments are be subject to frequent comparison processes based on the results of the controls conducted by the second and third-level control units. Those responsible for each activity, product, or service contribute to the evaluation process, alongside the respective Area Managers, who oversee the process within their domains.

## > MONITORING OPERATIONAL RISK

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

Parameters are set for the risk indicators within certain thresholds, generating alerts that warn about changes in the evolution of the risk. Based on the analysis results, the relevant manager is consulted to, if necessary, explain any increase in risk exposure and decide whether additional controls, an action plan, or adjustments to the defined thresholds are required, depending on the business context.

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 (plan monitoring), and the Operational Risk Unit will ascertain that the improvements performed have been incorporated. The Operational Risk Unit also examines events causing losses and suggests necessary enhancements to those responsible for the affected activities or services. Additionally, events with potential reputational impact are escalated to the relevant Risk Division for consideration of appropriate preventive actions.

### > MITIGATION OF OPERATIONAL RISK

The Compliance and Operational Risk Committee approves 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.

### > INTERNAL CONTROL

The organisation's internal control is a process crafted, executed, and sustained by its staff and management to provide reasonable assurance of achieving effective and efficient operations, reliable financial information, compliance with relevant regulations, and the protection of assets. It encompasses a thorough review of the accounting process management, covering all related processes, to ensure the presence and effectiveness of control and verification procedures across all involved areas.

Financial information is deemed reliably prepared when it accurately reflects transactions, facts, and other events in line with applicable standards. To achieve this, the following must be ensured:

- 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).

## 7.3 Capital requirement for operational risk

The calculation of regulatory capital for operational risk under Pillar 1 is performed using the standardised approach[9]. This method involves the following elements:

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

[9] With the entry into force of Basel III, the organisation will begin to apply the new standardised approach for the calculation of its capital consumption for operational risk.

/CAPITAL CONSUMPTION 2024

| Line of business | Weight | Requirements |
|---|---|---|
| Commercial Banking | 15% | 13,815 |
| Retail Banking | 12% | - 22 |
| Business Finance | 18% | 192 |
| Asset Management | 12% | 0 |
| Trading and sales | 18% | 17,048 |
| Payment and Settlement | 18% | 4,582 |
| Agency services | 15% | 21,823 |
| **Total** | | **57,438** |

*Figures in thousands of euros*

/EQUITY REQUIREMENTS FOR OPERATIONAL RISK AND AMOUNTS OF RISK WEIGHTED EXPOSURES[10]

| | Banking activities | Relevant indicator | | | Capital requirements | Amount of risk exposure |
|---|---|---|---|---|---|---|
| | | 2022 | 2023 | 2024 | | |
| 1 | Banking activities subject to the basic indicator approach | - | - | - | - | - |
| 2 | Banking activities subject to the standardised approach or the alternative standardised approach | 321,573 | 358,498 | 395,851 | 57,439 | 717,988 |
| 3 | All portfolios subject to the standardised approach: | 321,573 | 358,498 | 395,851 | 57,439 | 717,988 |
| 4 | Subject to the alternative standardised approach: | - | - | - | - | - |
| 5 | Banking activities subject to advanced calculation approaches | - | - | - | - | - |

*Figures in thousands of euros*

# 7.4 Operational risk subcategories

In line with the Corporate Risk Catalogue, the organisation recognises the following risks as subcategories of operational risk:

## 7.4.1 Technological risk

In a progressively digitalised and interconnected world, cyber threats pose a persistent and evolving challenge for organisations across all sectors and sizes. While digital transformation has opened new business opportunities, it has also significantly broadened the attack surface, exposing companies to a rising number of increasingly sophisticated threats. This demands that defence mechanisms evolve at a comparable pace, incorporating advanced technological and operational sophistication. In this context, cybersecurity must transcend its role as a support function and be embedded as a strategic cornerstone within the corporate vision.

At Cecabank, the adoption of new information technologies, which are fundamental to the organisation's operations, introduces internal and external vulnerabilities that require robust protective measures. These measures ensure that the delivery of services and the development of offered products maintain operational continuity and support business resilience.

In line with the EBA Guide 2019/04, technological risks are categorised into the following subcategories:

- Security risk: Losses resulting from physical attacks, potential cyberattacks, or illicit actions impacting the entity's systems and data. Such incidents may originate externally or internally and can compromise the confidentiality and integrity of information.

- Data integrity risk: Losses associated with the quality and authenticity of data handled within the information systems.

[10] The calculation was performed with the standard method, as defined in Part Three, Title III, Chapter 3 of Regulation (EU) No. 575/2013.

- Change risk: Risk of losses due to failures in systems or information assets stemming from inadequate management of changes implemented in hardware or software.

- Continuity risk: Losses tied to disruptions in business continuity and/or the supporting infrastructure, which may lead to reduced availability of services, infrastructure, or resources.

- Technological outsourcing risk: Losses arising from engaging a third party or another Group entity (intragroup subcontracting) to provide information or communication technology systems or related services.

- In the context of outsourcing risk, technological risk assessments primarily focus on aspects related to service security and availability. However, additional risks (such as transfer risk, country risk, and risks to the financial sustainability of the supplier) are evaluated within a dedicated control framework outlined in the Policy on Outsourcing and Contracting of Services and Functions, based on their specific characteristics.

## > GOVERNANCE AND IMPLEMENTATION OF CYBERSECURITY AND OPERATIONAL RESILIENCE

The primary goals of managing this risk at Cecabank are to ensure the organisation's digital operational resilience in compliance with current regulations, minimise the risk of service unavailability—particularly for essential or critical services—and uphold robust control measures to safeguard the security of the organisation's information and technological infrastructure.

To achieve this, the organisation has implemented:

- Security policies, standards, procedures, and protocols to ensure their adherence.
- Mechanisms to monitor security and availability alerts.
- Incident response plans designed to reduce impact, employing practical and effective recovery strategies to minimise downtime.
- Targeted continuity and contingency plans to address the unavailability of critical services due to significant cyber incidents.
- Processes for the effective management of ICT service providers.
- Procedures for identifying, assessing, mitigating, and monitoring the entity's ICT risks.

Cecabank's organisational security model is structured around three distinct lines of defence within separate corporate areas. This setup enhances independence in role segregation and fosters a higher level of maturity in managing cybersecurity and resilience. Dedicated personnel with specialised expertise are assigned to each line of defence to execute their respective responsibilities effectively.

The first line of defence handles the execution of security and resilience processes and operations, while the second line oversees supervision, reporting, and control of the first line's activities. These challenges are addressed through a strategic blend of specialised talent, resilient processes, and cutting-edge technology. This balanced approach establishes a robust and adaptable defence against evolving threats, consistently elevating the organisation's cybersecurity maturity in alignment with the comprehensive risk management and protection lifecycle.

Cecabank's cybersecurity operating model is built on one of the most relevant operational standards in the sector, the Cybersecurity Framework (CSF), developed by the National Institute of Standards and Technology (NIST), a globally recognised authority in cybersecurity management and operations standardisation.

The Cybersecurity Framework organises cybersecurity capabilities and expertise into six key functions, including one cross-cutting governance function and five cyclical functions that form the corporate cybersecurity lifecycle, encompassing identification, protection, detection, response, and recovery from cyber threats. These functions are:

- **Govern**: This function focuses on establishing and sustaining a cybersecurity management approach aligned with the organisation's strategy and mission. It involves creating and defining policies, processes, and procedures to ensure regulatory compliance and methodological consistency across the lines of defence.

- **Identify**: This function encompasses capabilities for identifying and cataloguing critical assets, systems, data, and processes, enabling the organisation to prioritise efforts based on risk. It includes asset and identity

inventories, asset lifecycle management, and vulnerability identification through regular scans or penetration tests.

- **Protect**: This function involves implementing safeguards to ensure the timely availability of critical services. It covers IT infrastructure protection, access and permissions management, ongoing employee training, and streamlined processes for vulnerability remediation.

- **Detect**: This function concentrates on developing capabilities to identify cybersecurity events and their potential as incidents. It includes deploying 24/7 monitoring technologies, defining tailored use cases to detect malicious or suspicious behaviour specific to the organisation's technological infrastructure, and centralising information sources for unified event correlation.

- **Respond**: This function addresses the activities required to efficiently manage a cybersecurity incident once detected. It involves developing incident response plans, designing frameworks for notification, communication, and escalation, conducting forensic analysis to determine root causes, and coordinating among tactical-operational teams (e.g., Infrastructure, Communications, Security, Affected Business).

- **Recover**: This function focuses on restoring services partially or fully impacted by an incident. It includes developing disaster recovery plans, conducting contingency tests to validate their effectiveness, and maintaining ongoing coordination and communication with third parties during recovery to ensure transparency in sharing lessons learned and fostering continuous improvement.

In 2024, the organisation has dedicated substantial efforts to enhancing technological risk control, driven by both the Strategic Technology Plan and the action plan to meet DORA requirements. Throughout the year, the risk assessment process has been refined, expanding its depth, scope, and the variety of information sources used for its evaluation. In alignment with the cybersecurity enhancement initiatives outlined in the organisation's strategic plan, notable progress has been made in updating security frameworks for both on-premise and emerging environments, such as the cloud.

To comply with DORA's requirements, several aspects of technological risk governance have been strengthened, and the entity's technological risk monitoring systems have been improved through the creation of a new General Technological Risk Management Framework. Cecabank maintains a composite technological risk indicator, overseen ultimately by the Board of Directors via the Risk Committee. This overarching indicator is derived from four synthetic baskets (security, integrity, change, and availability). During 2024, the indicator has shown fluctuations but consistently remained at medium-low risk levels, well below the thresholds set by the Board of Directors.

The significance of the human factor in security risk is evaluated through a specific indicator tracking employees' cybersecurity awareness and sensitivity. In 2024, targeted training and awareness initiatives were conducted, focusing on the most frequent personal security incidents or breaches. These efforts, combined with other measures such as newsletters and communications, have led to a reduction in sensitivity risk, reaching a low not observed in recent years. Nevertheless, this remains an area of ongoing focus, and new initiatives planned for 2025 will further enhance employee awareness and knowledge.

### 7.4.2 Risk of outsourcing services or functions

Outsourcing risk encompasses all operational risks—including technological risks—and compliance risks stemming from delegating activities to a service provider. To mitigate these, Cecabank maintains an Outsourcing Policy and a series of validation procedures focused on supplier and service homologation, conducting thorough risk analyses, and ensuring ongoing monitoring of the supplier's compliance with expected risk coverage.

At Cecabank, suppliers are subject to compliance with certain principles and to an appropriate risk analysis and approval process that ensures compliance with regulations regarding the contracting of this type of service, in particular when outsourcing is linked to key or important functions.

Effective management of this risk is essential to ensure the continuity and quality of services provided. While outsourcing offers benefits like cost savings and access to specialised expertise, it also introduces risks that require careful oversight. Outsourcing a function does not absolve Cecabank of its responsibilities, as the organisation remains fully accountable for meeting all regulatory obligations, including the supervision of essential or critical outsourced functions.

The Policy on Outsourcing and Contracting of Services and Functions, approved by the Board of Directors, establishes mandatory principles, rules, and procedures for the various stages of the outsourcing process, including those related to services delivered via cloud computing and new requirements under the DORA Regulation.

This policy outlines the process for outsourcing critical services, covering supplier selection, risk assessment, contractual clauses, and ongoing service monitoring. The organisation conducts a comprehensive evaluation of suppliers, assessing their productive, technical, and financial capabilities, while also ensuring alignment with Cecabank's ethical, social, and environmental values. Contracts for outsourced services include clear clauses on risk management, conflict resolution, and data confidentiality, as well as provisions for penetration testing, training programs, subcontracting, access and audit rights, termination at the regulator's request, and termination assistance, where applicable.

The methodology for evaluating outsourcing and essential services delegated to third parties relies on a model that independently calculates the inherent and residual risks of both the supplier and the outsourced activity. By combining probability and impact factors, an overall risk level is determined. The risks assessed include, among others, country risk, supervision and control risk, security, exchange rate, integrity, and availability risks, legal risk, dominance or dependency risk, climate risk, non-compliance risk, supplier reputational risk, contractual non-compliance risk, and conflict of interest risk.

In 2024, the assessments conducted have confirmed that all outsourcing activities remain within the risk appetite thresholds set by the Board of Directors, ensuring no compromise to the organisation's operational stability or security. Additionally, a thorough review of supplier contracts and agreements has been performed to verify compliance with industry regulations and standards.

Ongoing oversight of supplier performance is a critical component of risk management. To support this, agreements incorporate provisions for audits or access to supplier-conducted audits, monitoring of performance indicators, regular meetings, and the submission of certifications related to security and continuity. This oversight involves linking identified vulnerabilities and risks to the indicators defined for each outsourcing arrangement, setting alert parameters, requesting monitoring reports when needed, standardising services and re-standardising suppliers if necessary, factoring in the country risk associated with the supplier, service, and data processing/storage, and conducting quality assessments to ensure proper service delivery. This continuous supervision enables Cecabank to maintain consistent control over the quality of outsourced services.

Furthermore, Cecabank has developed a manual of guidelines for creating effective exit plans for essential services delegated to third parties and significant outsourcing arrangements. These contingency plans prepare the entity for scenarios where critical suppliers fail to meet their obligations. These plans outline strategies for transferring functions to alternative providers or insourcing services. A well-structured contingency plan ensures Cecabank can sustain operational continuity during emergencies. Moreover, enhanced reporting and communication mechanisms have been implemented to promptly detect and address any incidents or deviations.

### 7.4.3 Compliance risk

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

At Cecabank, the regulatory compliance function operates independently from the business units, maintains a comprehensive scope, and regularly communicates the outcomes of its activities to the bank's internal committees responsible for overseeing this risk.

In line with international standards, the organisation has established a Compliance Policy and a Compliance Function Statute, both approved by the Board of Directors. These documents outline the function's responsibilities, rights, and duties, articulate the core principles for managing compliance risk, and define the necessary organisational structure. The comprehensive management system includes:

- 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 reputational impact as a result of publication of the penalty).
- Control map, setting out the controls to cover the risks identified on the risk map.
- A structured information and reporting system that ensures the results of controls are shared with the internal committees tasked with managing this risk, enabling the implementation of appropriate corrective actions. The annual reports on compliance activities are also presented to the Audit Committee.

The primary sources of compliance risk identified at Cecabank include the following:

### > PREVENTION OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM (ML/FT)

This refers to the impacts on the organisation resulting from third parties exploiting its services for money laundering or terrorist financing activities. This category also encompasses the risk of non-compliance with international financial sanctions imposed by competent authorities on specific individuals and entities.

As an entity subject to regulations on the prevention of money laundering and terrorist financing, the organisation maintains a robust management and control framework tailored to the risk levels associated with clients and services provided. This framework ensures a medium-low overall risk profile and guarantees full adherence to restrictions and controls stemming from financial sanctions programs established by the United Nations, the European Union, and, where applicable, Spanish authorities or those of the countries in which it operates. Cecabank has a Policy for the Prevention of Money Laundering and the Financing of Terrorism, approved by its Board of Directors, which outlines the core elements of the organisation's preventive model, complemented by a Manual detailing procedural aspects.

An annual self-assessment report on MLTF risk is conducted, incorporating the requirements of current regulations and supervisory guidance. This practical, business-specific report is structured into four key sections: governance; due diligence; detection, analysis, and communication; and system reviews (including internal audits and external expert assessments). These sections are further divided into subsections, with evaluations ranging from satisfactory compliance to the identification of areas requiring risk mitigation measures. Based on the report's findings, the bank's MLTF risk assessment remains at a medium-low level, confirming that higher-risk areas are appropriately identified and mitigated.

Additionally, activities deemed to carry a higher risk of money laundering are closely monitored, using indicators to track their development. Throughout the financial year, efforts have continued to enhance and refine tools for the Prevention of Money Laundering and Terrorist Financing.

### > RULES OF CONDUCT FOR THE SECURITIES MARKETS

This pertains to the potential risk of losses arising from intentional or negligent conduct, including the improper delivery of financial services. The organisation maintains procedures and controls to ensure compliance with its obligations related to market abuse and the provision of investment services.

The annual compliance plan incorporates controls to verify adherence to these obligations. These controls refer, among other aspects, to:

- Adherence to the Internal Code of Conduct.
- Prevention of market abuse.
- Compliance with policies governing the provision of investment services.
- Confidential statements related to investment service provision.

Cecabank has established policies and procedures to mitigate the risk of non-compliance with its obligations concerning market abuse and investment services, which have been updated to reflect evolving regulatory requirements.

Additionally, the organisation employs a tool (SICAM) to monitor operations—both its own and those of intermediaries—to detect potential market abuse. In 2024, this tool was upgraded to a more advanced version, enhancing its analytical capabilities. The outcomes of this monitoring indicate that the risk remains at a low level.

## > PROTECTION OF PERSONAL DATA (GDPR)

This pertains to the organisation's obligations as either the controller or processor of personal data.

As a financial institution handling personal data, Cecabank operates as both a data controller and processor. Consequently, GDPR regulations impact the organisation from organisational, procedural, and legal (contractual clauses) perspectives, requiring full alignment with the applicable regulatory framework. A key task in this regard is the approval and ongoing updating of the procedural framework governing the organisation's activities in this area.

Among other requirements, the organisation must compile an inventory of all personal data processing activities prior to their initiation. This inventory is prepared in accordance with the models and guidance provided by Regulatory Compliance, which supports units or departments in its development. Whether an impact assessment is required depends on the sensitivity of the data or the nature of the processing involved.

The outcome of the impact assessment determines the specific security measures for personal data that must be implemented to conduct the processing. The more sensitive the data, the more stringent the security measures required. Personal data may only be processed with clear prior authorisation and solely for the specific purpose for which it was collected.

The Data Protection Officer (DPO) oversees the entity's data protection efforts and reports directly to the highest level of management. Their responsibilities include advising the data controller or processor and relevant employees on their obligations under applicable regulations, as well as ensuring compliance with those regulations. In this domain, risks are assessed as low and effectively managed. This is evidenced by the minimal number of data subject rights exercised during the year and the absence of complaints or incidents (0).

Throughout the year, the Register of Processing Activities (RPA) was reviewed, with no significant issues identified.

## > CRIMINAL RISK

The goal of criminal risk management is to prevent and mitigate risks related to the commission of crimes within the organisation, safeguarding the entity and its employees from legal and reputational repercussions while fostering a secure and lawful work environment.

This entails implementing policies, procedures, and controls to ensure adherence to legal and regulatory standards, alongside promoting a culture of integrity and business ethics. Criminal risk management also involves identifying and evaluating potential criminal risks facing the organisation and devising strategies to minimise their likelihood of occurrence. This includes training and raising employee awareness about the legal consequences of their actions and the importance of complying with relevant laws and regulations.

Cecabank maintains a Criminal Compliance Policy, approved by its Board of Directors. Additionally, the organisation has developed a document outlining the structure of its Criminal Risk Organisation and Management System. Both documents mandate the active involvement of senior management in overseeing and managing this risk.

The methodology for assessing criminal risk relies on a probability and impact matrix, where the overall significance of a risk is determined by multiplying its impact intensity by its likelihood of occurrence. Inherent risk is calculated by evaluating the impact and probability of a risk event. Residual risk is then determined based on the effectiveness of controls assigned to each crime to reduce its probability of being committed, categorised as high, medium, or low effectiveness.

The effectiveness of these controls is evaluated by assessing whether the control is designed and documented, executed with the designated priority, supported by one or more performance indicators, linked to identified risk-generating activities, and periodically reviewed by Internal Audit.

The organisation's criminal risk management system is certified by AENOR in accordance with the UNE 19601 standard on Criminal Compliance. Cecabank also employs a set of indicators to monitor this risk. These indicators are tied to both specific crimes and the criminal risk system itself. Their frequent (monthly) monitoring has driven improvements in the organisation and management of the entity's risk sources.

# 8. 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 bank’s profitability objectives are outlined in the three-year Strategic Plan and detailed in the annual budget. These processes are aligned with the bank’s broader strategic initiatives, particularly the definition of risk appetite and the capital and liquidity self-assessment report.

Through business risk monitoring, Cecabank seeks to sustain a stable and consistent profit structure that aligns with the budgets set in the Strategic Plan. This involves pursuing diversification across business types and clients, while fostering enduring, stable client 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:

- **Operational**: 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.
- **Executive**: 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.

- **Strategic**: The Board of Directors, 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.

The positive performance of the organisation's business throughout the 2024 financial year has enabled the achievement of the business objectives established for the year, in line with the Strategic Plan.

**Profit/(loss) before tax**
**€120,332**
thousand

**Solvency**
**42.78%**

**Return (net profit/tangible equity)**
**8.4%**

**People**
**Renewal of 25%**
of the workforce

**Technology**
**Technology transformation plan**

**Leadership in Securities Services**
**€255**
billion deposited

**Quality**
**8.7 perceived satisfaction**
in surveys

**ESG**
**40.3% women in managerial positions**

# 9. Reputational risk

Reputational risk arises from diverse sources and is notable for the varying perceptions among different stakeholders. This necessitates a distinct focus, management model, and control framework, separate from other risks, though it is cohesively integrated with other financial and non-financial risks as a cross-cutting risk.

Cecabank implements a reputational risk management policy focused on safeguarding the perceptions of stakeholders it engages with during its activities (including financial, strategic, operational, and sustainability-ESG aspects), as certain shifts could significantly impact results, capital, or expectations for its growth.

The organisation adopts criteria and methodologies aligned with leading market practices to effectively identify, measure, control, and manage reputational risks. It employs an action, monitoring, and reporting procedure, along with a control map, which distinguishes two methodological evaluation areas:

- The reputational risk associated with Cecabank's customers or third parties with whom the organisation may establish relationships.
- The overall reputational risk profile of Cecabank, assessed through the Reputational Risk Scorecard.

The core principles guiding reputational risk management include:

- Regular identification and assessment of reputational risk related to customers, third parties, and the organisation as a whole.
- Defined management policies and procedures, differentiating between the handling of customers/third parties and the organisation's broader perspective.
- Ongoing monitoring and control of reputational risk for both customers and the organisation.
- Regular reporting to the relevant governing bodies and committees.

## > ACQUIRING AND MONITORING CUSTOMERS OR THIRD PARTIES

Customers or third parties within the defined scope must be approved by the entity through its onboarding process before final registration. This approval involves evaluating four key areas: general, stakeholders, prevention of money laundering and terrorist financing, and communication.

In the financial year, the number of customers analysed rose by 22% compared to the prior year. Among new customers, the predominant risk profile remains low or medium-low, with a decrease in the proportion of clients classified as medium-high or high risk compared to the previous year.

Most new customers continue to belong to regulated categories, including Investment Services Companies (Securities Agencies and Companies), Open-Ended Investment Companies, Management Companies (such as those managing Closed-End Investment Entities, Collective Investment Institutions, and Fund Management Companies), Venture Capital Companies, financial institutions, and insurance companies, collectively accounting for nearly 90% of the total. The primary geographical focus remains Spain, with a slight uptick in branches in Portugal. By product type, depositary, custody, settlement, and payments continue to hold the greatest prominence.

## > ASSESSMENT OF THE ORGANISATION'S OVERALL REPUTATIONAL RISK

The organisation employs a methodology to evaluate its overall reputational risk, focusing on four key areas (financial, strategic, operational, and sustainability-ESG). This approach uses critical indicators to gauge the organisation's position relative to the early warning threshold and the reputational crisis limit.

The process begins with the creation of the organisation's reputational risk map, which involves identifying and prioritising the risks it faces based on their impact and likelihood of occurrence, followed by an assessment of covered and residual risks. The outcomes from the Reputational Risk Scorecard enable the tracking of not only the

overall indicator and the four area-specific baskets but also the fluctuations in individual indicators and their alignment with predefined thresholds, aiding in the identification of potential follow-up actions.

In 2024, the measurement of this indicator revealed that Cecabank sustained a low reputational risk level, well below the thresholds outlined in the entity's Risk Appetite Framework, which caps the acceptable limit at a medium-low risk level.

# 10. Environmental, social and governance (ESG) risk

These are risks that can negatively affect the financial strength or reputation of the organisation due to sustainability-related factors.

- Climate risks, mainly transition risk and physical risks.
- Social risks.
- Governance risks, due to inadequate management of ESG risks or non-compliance with the entity's governance framework.

Given the nature of its operations, the organisation has a limited environmental impact. However, it is committed to responsible and sustainable management of material resources, promoting efficiency in consumption and impacts on the social and environmental surroundings, both in its activity and in its sphere of influence.

Cecabank actively manages ESG risks by incorporating sustainability criteria into its processes for identifying, measuring, monitoring, and reporting risks.

Climate change risks are treated as cross-cutting factors that can influence multiple risks within the entity's corporate risk catalogue. These risks may lead to negative outcomes due to factors such as:

- Increased credit risk from greater exposure to companies with business models less aligned with a low-carbon transition or from the depreciation of collateral values.
- Elevated operational risk due to weather-related disruptions affecting business operations, physical assets, suppliers, or customers.
- Heightened reputational risk arising from negative stakeholder perceptions of the organisation's management of these risks.

To mitigate potential environmental and social impacts from its activities, Cecabank integrates environmental, social, and governance criteria into its decision-making processes, aligning with its corporate values, strategic plans, and commitments related to ESG risks.

ESG risk management is embedded within the broader management processes for the entity's material risks. These risks are identified, assessed, and managed through procedures such as credit risk admission and monitoring reports, customer reputational risk assessments, supplier onboarding processes, and risk analyses for new services.

Additionally, an investment policy will be developed for the permanent portfolio—distinct from the trading portfolio—that reflects the entity's sustainability principles. This policy will prioritise investments in sectors and activities with positive ESG impacts, favouring assets from issuers with strong ESG ratings, recognised certifications, or robust decarbonisation plans for transitioning to a zero-emissions economy. Particular attention is also given to activities and sectors identified by the entity as posing higher ESG risks.

In 2024, in alignment with the Sustainability Plan approved by the Board of Directors in July 2022, the organisation has continued to enhance its measurement of ESG risks within its investment portfolio. In addition to the ongoing assessments of public fixed income, equities, and the loan portfolio, efforts in 2024 focused on analysing the most widely adopted market methodologies for evaluating the ESG exposure of the sovereign debt portfolio. This work specifically examined the indicators outlined in the Sustainable and Responsible Investment Policy, approved by the Board of Directors on 30 April 2024:

- Transition Performance Index (TPI): An index tracking 28 ESG indicators across key geographical regions, covering aspects of the economic, social, environmental, and governance transition process.

- Carbon footprint: An international standard methodology for calculating and reporting greenhouse gas (GHG) emissions. The country-based approach is applied, attributing total GHG emissions within a country, including domestic consumption and exports, to the sovereign issuer.

Key observations from the monitoring of various ESG indicators in 2024 include:

- The share of green investments within the private fixed income portfolio experienced a slight decline in the first half of the year but rebounded from June onward, closing at a higher percentage than the previous year (19% in 2024 compared to 15% at the end of 2023).

- The proportion of issuers in the private fixed income, equity, and loan portfolios with ESG ratings has remained consistent. For private fixed income, this percentage aligns with that of Spanish corporates (including financial institutions) rated through the S&P tool.

- The weighted average score of the total portfolio (encompassing public and private fixed income, equities, and the loan portfolio) consistently falls within the low-risk profile.

Climate risks
Transition risks
> Regulatory
> Technology
> Market fluctuations
Physical risks
> Floods
> Fires
> Rising temperatures
> Sea level rise
> Changes in precipitation patterns
Non-climate environmental risks
> Biodiversity loss
> Pollution
> Deforestation
Social risks
> Changes in social policy
> Shifts in market sentiment
Governance
> Inadequate management of ESG risks
> Non-compliance with governance frameworks

Credit risk
> Customer defaults
> Depreciation of guarantees
Market risk
> Sharp fluctuations in equities, fixed income, or commodities
Liquidity risk
> Cash withdrawals due to physical damages
> Financing risk
Operational risk
> Service disruptions due to physical damages
> Increased legal and IT risks
Reputational risk
> Erosion of trust
Business risk
> Results below expectations
> Revision of business plans

# 11. Remunerations

To comply with market disclosure requirements regarding remuneration, as mandated by Directive 2013/36/EU, amended by Royal Decree-Law 7/2021 of 27 April, Commission Delegated Regulation (EU) No 923/2021 of 25 March supplementing Directive 2013/36/EU, and Circular 2/2016 of 2 February from the Bank of Spain, Cecabank provides details on its remuneration policy and practices for personnel categories whose professional activities significantly influence the institution's risk profile (Identified Staff).

## 11.1 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) To prepare decisions to be adopted by the Board of Directors in relation to remuneration, including those which affect the bank's risk and risk management.

    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 management, 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 bank's compliance functions.

    e) Reporting information on the incentive plans for directors or employees linked to the bank'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 I of this document.

In 2024 the Remuneration Committee held four meetings.

At its meetings of 30 April 2024, 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. Additionally, at its meeting on 19 November

2024, the Board approved updates to the objective-based variable remuneration system, effective from 1 January 2025, along with Annex VI, which outlines the Remuneration Policy for the Luxembourg Branch.

## 11.2 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 general principles governing this remuneration policy are as follows:

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

Cecabank commissioned the services of an external consultant, Merit Consultores, S.L., to evaluate the remuneration policy, as well as to review the procedure for determining the identified staff.

## 11.3 Description of the Identified Staff

A distinction is made between four groups (hereinafter, in aggregate terms, the Identified Staff) 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:

- Staff 0: Members of the Board of Directors without executive roles.
- Staff 1: Members of the Management Committee, including the CEO.
- Staff 2: Persons assigned to the Treasury Division.
- Staff 3: Supervisors of the control functions and other key positions not included in the above groups.

**/IDENTIFIED STAFF**

| Situation as at 31/12/2024 | Number of people |
|---|---|
| Staff 0 | 9 |
| Staff 1 | 8 |
| Staff 2 | 31 |
| Staff 3 | 28 |

# 11.4 Qualitative information concerning remuneration of the Identified Staff

## 11.4.1 Characteristics of the remuneration system of the identified staff

The Risk Appetite Framework as defined by the Board of Directors 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 (Staff 0) do not receive any variable remuneration.

- **Identified staff 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 (VaR limit) and capital target set by the Board of Directors and the company's total profitability versus total capital consumption at the bank.
- **Staff 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

Member of Cecabank workforce have a series of benefits that, together with fixed and variable remuneration, comprise the worker'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 staff members 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 clause."*** Deferred variable remuneration pending payment will be reduced if, during the period until consolidation, any of the following circumstances occur:

- Poor 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 clause."*** The variable remuneration already paid to the members of the identified staff, 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 must repay part or all of the variable remuneration received to the bank 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 worker 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.

### > VARIABLE REMUNERATION SYSTEM DEFERRAL CLAUSES

- **Identified Staff 1 and 3:** Of the variable remuneration, 60% will be paid upon completion and valuation of the year's performance. 40% will be deferred over a period of four years and will be paid over the four years immediately following the year in which the non-deferred part is received in equal instalments. In the case of the CEO, a deferral of 60% of the amount payable is applied, in equal parts, over the 5 years following accrual.

- **Staff 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 staff-all collectives-whose variable remuneration does not exceed 50,000 euros and where this does not represent more than one-third of their total annual 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.

## 11.4.2 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 Treasury Management Division comprises the distribution of a percentage of the profit obtained 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.

## 11.4.3 Ratio between fixed and variable remuneration

The amount of variable remuneration received by the staff member may not exceed, as a general rule, 40% of his or her fixed remuneration, the final variable always being adjusted to the individual achievement of targets and his or her performance.

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

As regards the identified staff, 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% of the fixed part.

The General Shareholders' Meeting of 3 April 2023 approved a level of variable remuneration of up to 200% of fixed remuneration for certain positions.

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

Broadly speaking, all members of the identified staff that accrue variable remuneration will receive 50% accrued in 2024 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.

### 11.4.5 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 2024, there is no member of the identified staff 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 STAFF DURING THE FINANCIAL YEAR

In 2024, one employment contract of a member of the identified staff was terminated.

The total cost of the legal indemnities borne by the Bank amounted to €542 thousand.

### > 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.

## 11.5 Quantitative information concerning remuneration of the Identified Staff

The remuneration paid to the Identified Staff for which the current regulatory provisions on remuneration apply in 2024 are as follows:

**/REM1 - REMUNERATION AWARDED FOR THE FINANCIAL YEAR**

| | | Supervisory function of the management body | Function of the Management Committee | Other members of senior management | Other identified staff |
|---|---|---|---|---|---|
| Fixed remuneration | **Number of members of the identified staff** | **9** | **1** | **7** | **55** |
| | **Total fixed remuneration** | **482,927** | **550,771** | **1,513,413** | **6,076,946** |
| | Of which: in cash | 482,927 | 428,107 | 1,243,671 | 5,529,309 |
| | Of which: equivalent shares or ownership interests | - | - | - | - |
| | Of which: instruments linked to shares or equivalent non-pecuniary instruments | - | - | - | - |
| | Of which: other instruments | - | - | - | - |
| | Of which: other modalities | - | 122,664 | 269,742 | 547,636 |
| Variable remuneration | **Number of members of the identified staff** | **9** | **1** | **7** | **55** |
| | **Total variable remuneration** | **-** | **158,020** | **680,371** | **2,761,364** |
| | Of which: in cash | - | 69,920 | 348,058 | 1,893,096 |
| | *Of which: deferred* | - | *45,920* | *139,221* | *424,336* |
| | Of which: equivalent shares or ownership interests | - | - | - | - |
| | *Of which: deferred* | - | - | - | - |
| | Of which: instruments linked to shares or equivalent non-pecuniary instruments | - | 88,100 | 332,313 | 868,268 |
| | *Of which: deferred* | - | *45,245* | *126,428* | *340,964* |
| | Of which: other instruments | - | - | - | - |
| | *Of which: deferred* | - | - | - | - |
| | Of which: other modalities | - | - | - | - |
| | *Of which: deferred* | - | - | - | - |
| **Total remuneration** | | **482,927** | **708,791** | **2,193,784** | **8,838,310** |

*Data in €*

## /REM2 - SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

| | | 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 taken into account in the limitation of premiums | - | - | - | - |
| **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 | 1 |
| 5 | Severance pay awarded in prior years and paid during the financial year — Total amount | - | - | 47,844 | 162,246 |
| **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 | - | - | - | 1 |
| 7 | Severance pay awarded during the financial year — Total amount | - | - | - | 542,530 |
| 8 | Of which: paid during the year | - | - | - | 542,530 |
| 9 | Of which: deferred | - | - | - | - |
| 10 | Of which: severance pay paid during the year which is not taken into account in the limitation of premiums | - | - | - | 542,530 |
| 11 | Of which: highest indemnity granted to a single person | - | - | - | 542,530 |

*Data in €*

## /REM3 - DEFERRED REMUNERATION

| | 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** | 382,115 | - | 382,115 | - | - | - | 158,020 | - |
| 8 | In cash | 124,744 | - | 124,744 | - | - | - | 69,920 | - |
| 9 | Equivalent shares or ownership interests | - | - | - | - | - | - | - | - |
| 10 | Instruments linked to shares or equivalent non-pecuniary instruments | 257,371 | - | 257,371 | - | - | - | 88,100 | - |
| 11 | Other instruments | - | - | - | - | - | - | - | - |
| 12 | Other modalities | - | - | - | - | - | - | - | - |
| **13** | **Other members of senior management** | 1,382,888 | - | 1,382,888 | - | - | - | 680,371 | - |
| 14 | In cash | 427,421 | - | 427,421 | - | - | - | 348,058 | - |
| 15 | Equivalent shares or ownership interests | - | - | - | - | - | - | - | - |
| 16 | Instruments linked to shares or equivalent non-pecuniary instruments | 955,467 | - | 955,467 | - | - | - | 332,313 | - |
| 17 | Other instruments | - | - | - | - | - | - | - | - |
| 18 | Other modalities | - | - | - | - | - | - | - | - |
| **19** | **Other identified staff** | 4,296,068 | - | 4,296,068 | - | - | - | 2,761,364 | - |
| 20 | In cash | 1,962,817 | - | 1,962,817 | - | - | - | 1,893,096 | - |
| 21 | Equivalent shares or ownership interests | - | - | - | - | - | - | - | - |
| 22 | Instruments linked to shares or equivalent non-pecuniary instruments | 2,333,251 | - | 2,333,251 | - | - | - | 868,268 | - |
| 23 | Other instruments | - | - | - | - | - | - | - | - |
| 24 | Other modalities | - | - | - | - | - | - | - | - |
| **25** | **Total amount** | **6,061,071** | **-** | **6,061,071** | **-** | **-** | **-** | **3,599,755** | **-** |

*Data in €*

## /REM4 - REMUNERATION OF €1 MILLION 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 | - |

## /REM5 - INFORMATION ON SPECIAL PAYMENTS TO STAFF WHOSE PROFESSIONAL ACTIVITIES HAVE A MATERIAL IMPACT ON INSTITUTIONS' RISK PROFILE (IDENTIFIED STAFF)

| | | Remuneration of the Management Committee | | | Business areas | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | |
| **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** | 482,927 | 2,902,575 | **3,385,502** | 4,946,215 | - | - | 1,432,029 | 1,364,030 | 1,096,035 | **12,223,811** |
| 6 | Of which: variable remuneration | - | 838,391 | 838,391 | 1,907,776 | - | - | 316,712 | 304,853 | 232,023 | **3,599,755** |
| 7 | Of which: fixed remuneration | 482,927 | 2,064,184 | 2,547,111 | 3,038,439 | - | - | 1,115,317 | 1,059,177 | 864,012 | **8,624,056** |

*Data in €*

# Annex I. Composition of Cecabank's Committees

There follows a list of the members of each of the Committees mentioned in section 2.2.2. at 31 December 2024:

- **Members of the Audit Committee**

  Chair: Mrs. MARÍA DEL MAR SARRO ÁLVAREZ

  Members:

  Mr. SANTIAGO CARBÓ VALVERDE

  Mr. FRANCISCO BOTAS RATERA

  Mrs. CARMEN MOTELLÓN GARCÍA

  Mr. VÍCTOR MANUEL IGLESIAS RUIZ

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

- **Members of the Risk Committee**

  Chair: Mrs. CARMEN MOTELLÓN GARCÍA

  Members:

  Mr. VÍCTOR MANUEL IGLESIAS RUIZ

  Mrs. JULIA SALAVERRÍA MONFORT

  Mr. EDUARDO RUIZ DE GORDEJUELA PALACIO

  Mrs. MARÍA DEL MAR SARRO ÁLVAREZ

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

- **Members of the Appointments Committee**

  Chair: Mrs. JULIA SALAVERRÍA MONFORT
  Members:

  Mr. JAVIER PANO RIERA

  Mr. SANTIAGO CARBÓ VALVERDE

  Mr. EDUARDO RUIZ DE GORDEJUELA PALACIO

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

- **Members of the Remuneration Committee**

  Chairman: Mr. SANTIAGO CARBÓ VALVERDE

  Members:

  Mrs. MARÍA DEL MAR SARRO ÁLVAREZ

  Mr. FRANCISCO BOTAS RATERA

  Secretary (non-member):

  Mr. FERNANDO CONLLEDO LANTERO

# ANNEX II. Disclosure of information on equity and eligible liabilities

## /CC1 - COMPOSITION OF REGULATORY OWN FUNDS

| | | 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 | 552,322 | - |
| 3 | Other cumulative comprehensive results (and other reserves) | 6,100 | - |
| 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. | 68,024 | j) |
| 6 | Common Equity Tier 1 before regulatory adjustments | 1,354,195 | sum of e), f), g), h), i) and j) |
| **Common Equity Tier 1 capital regulatory adjustments** | | | |
| 7 | Additional value adjustments (negative amount). | -6,738 | |
| 8 | Intangible assets (net of tax debt) (negative amount). | -259,821 | 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. | -22.3 | - |
| 15 | Pension fund assets with defined benefits (negative amount). | - | 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. | - | |
| 28 | Total regulatory adjustments for Common Equity Tier 1 | -266,582 | |
| 29 | Common Equity Tier 1 capital | 1,087,614 | |
| **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) | 1,087,614 | |
| **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) | 1,087,614 | |
| 60 | Total risk exposure amount. | 2.542.492 | |
| **Capital ratios and requirements, including buffers** | | | |
| 61 | Common Equity Tier 1 capital | 42.78% | |
| 62 | Tier 1 capital | 42.78% | |
| 63 | Total capital | 42.78% | |
| 64 | General requirements for the institution's common equity tier 1 capital. | 9.03% | |
| 65 | Of which: capital conservation buffer requirement. | 2.50% | |
| 66 | Of which: countercyclical capital buffer requirement. | 0.40% | |
| 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 (%). | 1.63% | |
| 68 | Common equity tier 1 capital (by percentage of the amount of exposure to risk) available once minimum capital requirements have been met | 34.60% | |
| **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). | 11,129 | |
| 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). | 45,049 | |
| **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). | - | - |

## /CC2 - CONCILIATION OF REGULATORY OWN FUNDS WITH THE BALANCE SHEET OF THE AUDITED FINANCIAL STATEMENTS

| | | Balance as per the financial statements published | In the regulatory area of consolidation[11] | 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 | 259,821 | - | a) Note 13.1 of the Cecabank Individual Report "Intangible assets" |
| 2 | Pension fund assets with defined benefits | - | - | b) Note 14.1 of the Cecabank Individual Report "Other assets" |
| | **Total assets** | 259,821 | - | |
| **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 | - | - | c) Individual Public Balance Sheet - Net Equity PI.1.2 under "Deferred tax liabilities" |
| | **Total liabilities** | - | - | |
| **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. 3.a under "Share premium" |
| 3 | Retained earnings from previous years | 552,322 | - | g) Individual Public Balance Sheet - Equity PI.1. 3.a under "Retained earnings" |
| 4 | Other reserves | 14,895 | - | h) Individual Public Balance Sheet - Equity PI.1. 3.a under "Other reserves" |
| 5 | Accumulated other comprehensive income | -8,795 | - | i) Individual Public Balance Sheet-Equity PI.1. 3.a under "Accumulated other comprehensive income" |
| 6 | Profit/loss for period - voluntary reserve | 68,024 | - | j) Note 3 of the Cecabank Individual Report |
| | **Total capital** | **1,354,195** | - | |

[11] 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 III. Scope of application of disclosure requirements

## /EU LIQ1 - QUANTITATIVE INFORMATION ON THE LIQUIDITY COVERAGE RATIO

| | | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|---|
| EU 1a | Quarter ending (DD Month YYYY) | 31/12/2024 | 30/09/2024 | 30/06/2024 | 31/03/2024 | 31/12/2024 | 30/09/2024 | 30/06/2024 | 31/03/2024 |
| 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) | | | | | 8,677,259 | 8,133,791 | 9,353,795 | 8,083,950 |
| **CASH OUTFLOWS** | | | | | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 117,527 | 99,755 | 145,324 | 159,697 | 8,336 | 6,682 | 10,858 | 12,227 |
| 3 | *Stable deposits* | 68,326 | 65,870 | 73,497 | 74,856 | 3,416 | 3,294 | 3,675 | 3,743 |
| 4 | *Less stable deposits* | 49,201 | 33,885 | 71,827 | 84,841 | 4,920 | 3,388 | 7,183 | 8,484 |
| 5 | Unsecured wholesale funding | 11,942,283 | 11,041,901 | 11,297,548 | 10,989,936 | 5,369,884 | 4,718,269 | 4,673,390 | 4,493,363 |
| 6 | *Operational deposits (all counterparties) and deposits in cooperative bank networks* | 8,651,849 | 8,298,474 | 8,758,841 | 8,637,658 | 2,162,962 | 2,074,619 | 2,189,710 | 2,159,414 |
| 7 | *Non-operational deposits (all counterparties)* | 3,290,435 | 2,743,427 | 2,538,707 | 2,352,279 | 3,206,922 | 2,643,651 | 2,483,680 | 2,333,948 |
| 8 | *Unsecured debt* | - | - | - | - | - | - | - | - |
| 9 | *Secured wholesale funding* | | | | | - | - | - | - |
| 10 | Additional requirements | 781,481 | 692,428 | 846,379 | 899,784 | 288,133 | 262,156 | 305,525 | 319,549 |
| 11 | *Outflows related to exposure to derivatives and other collateral requirements* | 230,772 | 214,348 | 240,502 | 255,079 | 230,772 | 214,348 | 240,502 | 255,079 |
| 12 | *Outflows related to loss of funds on debt products* | 230,772 | 214,348 | 240,502 | 255,079 | 230,772 | 214,348 | 240,502 | 255,079 |
| 13 | *Lines of credit and liquidity* | - | - | - | - | - | - | - | - |
| 14 | Other contractual funding obligations | 1,461,030 | 1,987,172 | 3,973,806 | 2,861,951 | 1,450,864 | 1,977,005 | 3,963,639 | 1,765,098 |
| 15 | Other contingent | 26,732 | 37,078 | 38,837 | 36,192 | 26,732 | 37,078 | 38,837 | 36,192 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | funding obligations | | | | | | | | |
| 16 | **TOTAL CASH OUTFLOWS** | | | | | 7,143,949 | 7,001,190 | 8,018,510 | 6,629,817 |
| **CASH INFLOWS** | | | | | | | | | |
| 17 | Secured loans (e.g., reverse repurchase agreements) | 3,004,676 | 3,234,528 | 5,280,592 | 4,328,055 | 1,840,980 | 2,195,228 | 4,279,625 | 3,271,038 |
| 18 | Fully performed exposure entries | 1,306,328 | 828,217 | 1,206,740 | 1,279,181 | 331,163 | 150,965 | 205,773 | 222,164 |
| 19 | Other cash inflows | 1,698,348 | 2,044,263 | 4,073,852 | 3,048,874 | 1,698,348 | 2,044,263 | 4,073,852 | 3,048,874 |
| 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** | 6,009,351 | 6,107,008 | 10,561,184 | 8,656,111 | 3,870,491 | 4,390,457 | 8,559,250 | 6,542,077 |
| EU 20a | *Fully exempt inflows* | - | - | - | - | - | - | - | - |
| EU-20b | *Inflows subject to 90% cap* | - | - | - | - | - | - | - | - |
| EU 20c | *Inflows subject to 75% cap* | 3,916,174 | 3,732,075 | 6,205,424 | 4,988,936 | 2,029,648 | 2,197,122 | 4,290,745 | 3,271,532 |
| **TOTAL ADJUSTED VALUE** | | | | | | | | | |
| EU 21 | **LIQUIDITY BUFFER** | | | | | 9,792,856 | 8,970,140 | 9,214,049 | 8,849,538 |
| 22 | **TOTAL NET CASH OUTFLOWS** | | | | | 5,114,416 | 4,804,387 | 4,702,663 | 4,442,247 |
| 23 | **LIQUIDITY COVERAGE RATIO** | | | | | 192.24% | 186.97% | 196.15% | 199.47% |

## /EU LIQ2 - NET STABLE FUNDING RATIO

| | | 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 | - | 0 | 0 | 1,087,613 | 1,087,613 |
| 2 | Own funds | - | 0 | 0 | 1,087,613 | 1,087,613 |
| 3 | Other equity instruments | - | 0 | 0 | 0 | 0 |
| 4 | Retail deposits | - | 36,416 | 14,879 | 126,395 | 173,646 |
| 5 | Stable deposits | - | 15,417 | 6,299 | 53,511 | 74,141 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 6 | Less stable deposits | - | 20,999 | 8,580 | 72,885 | 99,505 |
| 7 | Wholesale funding: | - | 8,299,996 | 0 | 0 | 4,334,155 |
| 8 | Operational deposits | - | 8,299,996 | 0 | 0 | 4,334,155 |
| 9 | Other wholesale funding | - | | | 0 | |
| 10 | Interdependent liabilities | - | 0 | 0 | 0 | 0 |
| 11 | Other liabilities: | - | 2,031 | 0 | 8,127 | 8,158 |
| 12 | NSFR derivative liabilities | - | 0 | 0 | 0 | 0 |
| 13 | All other liabilities and equity not included in the above categories | - | 2,031 | | 8,127 | 8,158 |
| 14 | Total available stable funding | - | 0 | 0 | 0 | 5,657,513 |
| **Required stable funding** | | | | | | |
| 15 | Total high quality liquid assets (HQLAs) | 10,070,865 | 0 | 0 | 0 | 507,005 |
| EU-15a | Assets encumbered for more than 12 months in cover pool | 0 | 0 | 0 | 0 | 0 |
| 16 | Deposits held at other financial institutions for operational purposes | 0 | 0 | 0 | 0 | 0 |
| 17 | Performing loans and securities: | 0 | 1,030,430 | 433,680 | 820,358 | 1,078,931 |
| 18 | Performing securities financing transactions with financial customers guaranteed by HQLA at level 1 subject to a 0% valuation haircut | 0 | 0 | 0 | 0 | 0 |
| 19 | Performing securities financing transactions with financial customers secured by other assets and loans and advances to financial institutions | 0 | 914,053 | 302,224 | 0 | 292,517 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs, of which: | 0 | | | | |
| 21 | With a risk weighting of 35% or less under the Basel II standard method for credit risk | 0 | 25,049 | 112,632 | 136,200 | 157,371 |
| 22 | Performing residential mortgages, of which: | 0 | 1,432 | 1,420 | 39,272 | |
| 23 | With a risk weighting of 35% or less under the Basel II standard method for credit risk | 0 | 0 | 0 | 0 | 0 |
| 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 | 0 | 114,945 | 130,036 | 781,086 | 786,413 |
| 25 | Interdependent assets | 0 | 0 | 0 | 0 | 0 |
| 26 | Other assets | 0 | 0 | 0 | 0 | 0 |
| 27 | Physical traded commodities | 0 | 0 | 0 | 0 | 0 |
| 28 | Assets contributed as initial spread for derivative contracts and contributions to the funds for non-payments of CCPs | 0 | | 0 | 0 | |
| 29 | NSFR derivative assets | 0 | 0 | 0 | 0 | 0 |
| 30 | Derivative liabilities as calculated according to NSFR before deducting variation margin posted | 0 | | 0 | 0 | |
| 31 | All other assets not included in the above categories | 0 | 0 | 0 | 0 | 0 |
| 32 | Off-balance sheet items | 0 | 681,344 | 0 | 0 | 34,067 |
| 33 | Total required stable funding | 0 | 0 | 0 | 0 | 1,867,351 |
| 34 | Net stable funding ratio (%) | 0 | 0 | 0 | 0 | 302.97% |

# ANNEX IV. Internal Control over Financial Reporting System

Cecabank's Board of Directors and senior management acknowledge the critical importance of ensuring the reliability of the entity's financial reporting. To this end, they have implemented a robust internal control system dedicated to fostering and upholding practices that ensure the quality, accuracy, and transparency of accounting and financial information.

The organisation maintains mechanisms to provide reasonable assurance of the reliability of its financial information, in line with the Data Governance Policy. This involves ensuring 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 Board of Directors is tasked with establishing and overseeing internal control policies to safeguard the integrity of financial information. Its primary responsibilities include:

- Overseeing the administration and management of the Company, approving and monitoring general policies and strategies, pursuing strategic objectives, defining the risk strategy, and ensuring robust internal governance.
- Upholding the integrity of accounting and financial reporting systems, encompassing financial and operational controls and adherence to applicable laws.
- Supervising the preparation and presentation of financial information and the management report, which includes mandatory non-financial information where relevant.
- Preparing the annual accounts and presenting them to the General Shareholders' Meeting.

## > AREAS INVOLVED IN THE INTERNAL CONTROL SYSTEM

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.

### – Planning Department

It 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.

### – Risk and Compliance Department

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).

- **Internal Audit**

  Internal Audit oversees the preparation and submission of mandatory financial information, while also monitoring the effectiveness of the organisation's internal control and risk management systems.

## > CONTROL AND VALIDATION MECHANISMS

- Traceability: Daily reconciliations are conducted between accounting and non-accounting information. Additionally, controls are implemented at multiple stages of the information generation process to ensure its quality and integrity.
- Automation: Automated information flows have been established, eliminating manual data processing.
- Improving the quality of information: Efforts focus on enhancing data quality by defining quality rules across the organisation's information domains, reducing errors, and thereby improving the reliability of analyses and decision-making. The data must meet quality criteria including: completeness, validity, integrity, reasonableness, consistency, availability, and accuracy.

# ANNEX V. Map of articles of Regulation (EU) No. 575/2013

The following table maps the articles in Part Eight of Regulation (EU) No. 575/2013 on information disclosure to the relevant sections of the document that provide the required details. The IRP 2024 column specifies the precise section of Pillar 3 or other public documents where the information is fully or partially addressed, noting that it may be spread throughout the report in a more distributed form.

| Article | Brief description | 2024 Pillar 3 Disclosures |
|---|---|---|
| **TITLE I. GENERAL PRINCIPLES** | | |
| **431. Reporting obligations and policies** | | |
| 431.1 | Requirements for publishing Pillar 3 disclosures. | Pillar 3 Disclosures (https://www.cecabank.es/informacion-corporativa/informes-financieros /) |
| 431.2 | Institutions authorised by competent authorities under Part Three to use the instruments and methodologies outlined in Title III of this Part must disclose the information specified in that Title. | Section 4 |
| 431.3 | Institutions will adopt a formal policy regarding the frequency of disclosure, its verification, scope and appropriateness. | Section 1 |
| 431.4 | All disclosures of quantitative data must include a qualitative explanation and any additional information necessary for users to fully understand the data. In particular, any significant changes from previously disclosed information should be highlighted. | Section 1 |
| 431.5 | Institutions must explain their rating decisions to SMEs and other loan applicants, if requested, by providing a written explanation when requested. The administrative costs of the explanation must be provided to the loan amount. | N/A |
| **432. Non-significant, reserved or confidential information** | | |
| 432.1 | Institutions may exclude information deemed immaterial under specific conditions. | Section 1 |
| 432.2 | Institutions may omit information considered sensitive or confidential under certain conditions. | Section 1 |
| 432.3 | Where section 2 of Article 432 applies, the institution must indicate this in its disclosures and provide general information about the aspect related to the disclosure requirement. | N/A |
| **433. Frequency and scope of disclosure of information** | | |
| 433 | Institutions will publish the information required under Titles II and III, as set out in Articles 433a, 433b, 433c. | Section 1 |
| **433a. Disclosure of information by large institutions** | | |
| 433a | Large institutions will disclose the information presented below with the frequency indicated. | N/A |
| **433b. Disclosure of information by small and non-complex institutions** | | |
| 433b | Small and non-complex institutions are required to disclose the information listed below at the specified frequency. | N/A |
| **433c. Disclosure of information by other institutions** | | |
| 433c | Institutions not subject to Articles 433a or 433b must disclose the information outlined in this article at the indicated frequency. | Section 1 |
| **434. Means of reporting** | | |
| 434.1 | Institutions will disclose all the information required under Titles II and III in an electronic format and in a single medium or place. | Section 1 |
| 434.2 | Institutions shall make available on their website, or in another suitable location, a file containing the information required to be disclosed under this Part. | Section 1 |
| **434a. Uniform Disclosure Formats** | | |
| 434a | The EBA shall develop draft implementing technical standards to specify the uniform formats for the disclosure of information and the corresponding instructions according to which the information required under Titles II and III shall be made public. | Section 1 |
| **PART II. TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE OF INFORMATION** | | |
| **435. Disclosure of risk management objectives and policies** | | |

| Article | Brief description | 2024 Pillar 3 Disclosures |
|---|---|---|
| 435.1 | Institutions will disclose information on each risk category: | - |
| 435.1.a | Strategies and processes for managing these risks. | Risk management details provided within each risk category section |
| 435.1.e | Statement approved by the management body on the adequacy of the institution's risk management mechanisms. | Section 1.2 |
| 435.1.f | Brief risk statement approved by the management body. | Section 1.2 |
| 435.2 | Information on the system of corporate governance, including information about the composition of the board and its recruitment, and risk committees. | Section 2.2 |
| 435.2.a | Board members holding concurrent management roles within the institution | Section 2.2 |
| 435.2.b | The selection policy of the members of the management body and their knowledge, skills and experience. | Section 2.2 |
| 435.2.c | Diversity policy, its objectives and degree of implementation. | Section 2.2 |
| **437. Disclosure of information on equity** | | |
| 437.a | A comprehensive reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items, and the filters and deductions applied per Articles 32 to 35, 36, 56, 66, and 79, aligned with the institution’s audited financial statement balances. | Section 3.1 |
| **438. Disclosure of information on capital requirements and risk-weighted exposure amounts** | | |
| 438.c | Upon request from the competent authority, the results of the institution’s internal capital adequacy assessment process. | Section 3 |
| 438.d | The total risk-weighted exposure amount and the corresponding total own funds requirement, as determined under Article 92, categorised by different risk types as outlined in Part Three, with, where relevant, an explanation of the impact of applying minimum capital levels and not deducting own funds items on the calculation of own funds and risk-weighted exposure amounts. | Section 3.2 |
| **447. Disclosure of information on key indicators** | | |
| 447.a | The composition of own funds and capital requirements calculated in accordance with Article 92. | Section 1.1 |
| 447.b | The total risk exposure amount calculated as per Article 92(3). | Section 1.1 |
| 447.c | Where applicable, the amount and composition of additional own funds that institutions must maintain under Article 104(1)(a) of Directive 2013/36/EU. | Section 1.1 |
| 447.d | The combined buffer requirements that institutions must uphold as per Title VII, Chapter 4 of Directive 2013/36/EU. | Section 1.1 |
| 447.e | The leverage ratio and the total exposure measure for the leverage ratio, calculated in line with Article 429. | Section 1.1 |
| 447.f | Information concerning the liquidity coverage ratio. | Section 1.1 |
| 447.g | Information regarding the net stable funding requirement. | Section 1.1 |
| 447.h | Its ratios of own funds and eligible liabilities and their components, numerator and denominator, calculated in accordance with Articles 92a and 92b, broken down for each resolution group where appropriate. | Section 1.1 |
| **450. Disclosure of information on remuneration policy** | | |
| 450.1.a | Details of the process used to establish the remuneration policy, including the number of meetings held by the primary body overseeing remuneration during the financial year. Where applicable, information is provided on the composition and mandate of a remuneration committee, any external consultants engaged to shape the policy, and the involvement of stakeholders. | Section 11.1 |
| 450.1.b | Information on how staff remuneration is linked to their performance outcomes. | Section 11.4 |
| 450.1.c | Key characteristics of the remuneration system’s design, including details on the criteria used for performance evaluation and risk adjustment, the deferral policy, and the criteria for vesting rights. | Section 11.4 |
| 450.1.d | The ratios between fixed and variable remuneration, as set out in Article 94(1)(g) of Directive 2013/36/EU. | Section 11.4 |
| 450.1.h | Aggregated quantitative data on remuneration, categorised by senior management and employees whose professional activities significantly influence the institution’s risk profile. | Section 11.5 |
| 450.1.i | The number of individuals receiving remuneration of €1 million or more per financial year. | Section 11.5 |

| Article | Brief description | 2024 Pillar 3 Disclosures |
|---|---|---|
| 450.1.j | At the request of the Member State or the competent authority, the total remuneration of each member of the management body or of senior management. | N/A |
| 450.1.k | Information on whether the institution benefits from any exemptions outlined in Article 94(3) of Directive 2013/36/EU. | N/A |

Risk and Compliance Department / Sustainability and Stakeholder Relations Department

# 2024 Climate Risk Report

March 2025

cecabank

cecabank

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# 1. Introduction

Climate change remains a critical global challenge, impacting the environment, biodiversity, society, and economies. It is a source of physical and transition risks, as well as opportunities for countries, businesses and people. It is a key focus of Spanish and European policies, aiming for continental climate neutrality by 2050.

The scientific community, alongside bodies like the Intergovernmental Panel on Climate Change (IPCC), emphasises that only immediate, significant, and sustained cuts in greenhouse gas emissions can curb global warming and mitigate climate change risks and impacts.

During the COP21 meeting held in December 2015, approximately 200 countries agreed to bolster the global response to climate change. The European Union (EU) states committed 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.

COP29[2], held in Baku in late 2024, earned the title of the 'Finance COP' due to its advancements in climate finance, adaptation, mitigation, and clean energy promotion. A standout achievement was the New Collective Quantified Goal (NCQG), with developed nations (excluding China) pledging at least $300 billion annually to support emerging economies through 2035.

Financial aid, building on the Loss and Damage Fund established at COP28, is vital for less industrialised nations, which face greater vulnerability to extreme weather despite lower historical emissions. In this regard, these funds will support clean energy transitions, climate-resilient infrastructure, sustainable agriculture, and communities hit by natural disasters.

COP29 marked progress in addressing climate change, particularly with the NCQG and the establishment of a transparent carbon market. Yet, effective implementation and heightened global ambition are essential for these commitments to succeed.

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. 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.

[1] 21st Conference of the Parties to the United Nations Framework Convention on Climate Change.
[2] 29th Conference of the Parties to the United Nations Framework Convention on Climate Change.
[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.

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**: disclose how the company identifies and quantifies climate-related risks.
- **Metrics and targets**: communicate the metrics and targets to assess compliance with climate commitments.

Spanish law on Climate Change and Energy Transition[4], 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.

Cecabank issues this report in line with Article 32 of the Law, noting that much of the required disclosure aligns with the climate-related reporting obligations set by the European Central Bank, other supervisory bodies, and key elements of the TCFD.
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.

## 1.1 Sustainability management at Cecabank

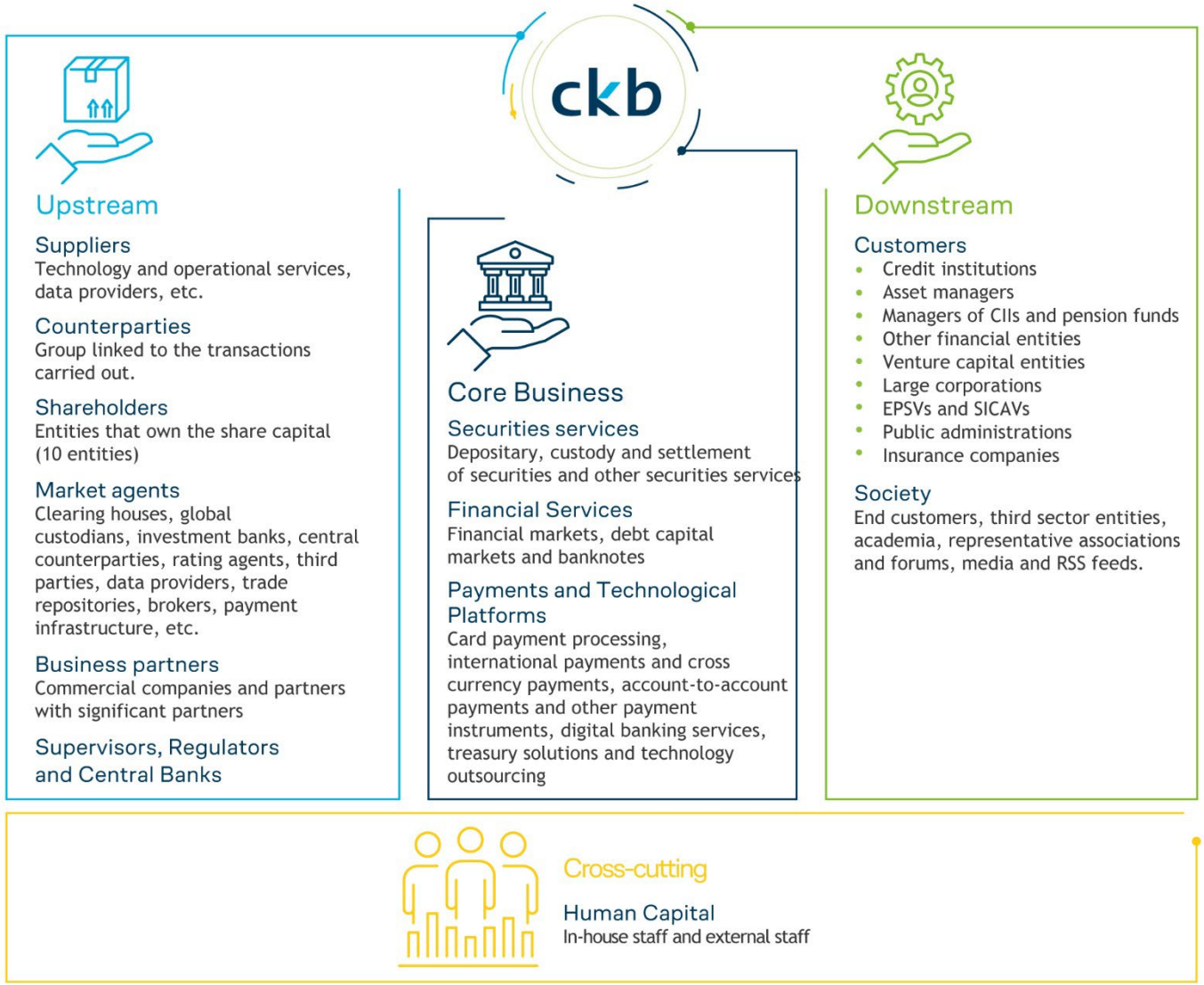
As a participant in the financial sector, the organisation acknowledges its responsibility in driving the shift toward a sustainable, low-carbon economy. It supports initiatives that facilitate this transition and fosters an inclusive economy with minimal environmental impact and positive social outcomes, embedding sustainability into its management model by integrating social, environmental, and governance factors across all activities.

Notably, the organisation maintains a strong banking tradition centred on its social role, paired with a forward-looking perspective, aiming to build enduring, trust-based relationships with its stakeholders.

### > STAKEHOLDERS

In 2023, Cecabank revised its stakeholder map as part of its Sustainability Plan initiatives. Following this review, in 2024, it further incorporated a value chain perspective.

[4] Law 7/2021, of 20 May, on Climate Change and Energy Transition. The corresponding Royal Decree, which serves to implement this law, is being finalised and awaits final approval.


ckb
Upstream
Suppliers
Technology and operational services, data providers, etc.
Counterparties
Group linked to the transactions carried out.
Shareholders
Entities that own the share capital (10 entities)
Market agents
Clearing houses, global custodians, investment banks, central counterparties, rating agents, third parties, data providers, trade repositories, brokers, payment infrastructure, etc.
Business partners
Commercial companies and partners with significant partners
Supervisors, Regulators and Central Banks
Core Business
Securities services
Depositary, custody and settlement of securities and other securities services
Financial Services
Financial markets, debt capital markets and banknotes
Payments and Technological Platforms
Card payment processing, international payments and cross currency payments, account-to-account payments and other payment instruments, digital banking services, treasury solutions and technology outsourcing
Downstream
Customers
Credit institutions
Asset managers
Managers of CIIs and pension funds
Other financial entities
Venture capital entities
Large corporations
EPSVs and SICAVs
Public administrations
Insurance companies
Society
End customers, third sector entities, academia, representative associations and forums, media and RSS feeds.
Cross-cutting
Human Capital
In-house staff and external staff

Cecabank is dedicated to fostering enduring relationships with stakeholders, as outlined in its Sustainability Policy. A key aspect of its management approach is sustaining ongoing, effective dialogue with stakeholders to understand their needs, requirements, and expectations, while clearly communicating its performance and responses to these demands.

The bank is firmly committed to the United Nations Sustainable Development Goals (SDGs). In response to SDG 17 (Partnerships for the goals) it 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 2024, the bank participated in the following partnerships:

- **Global Compact** (facilitated through the Spanish Global Compact Network): the bank upholds unwavering commitment to the Global Compact and its 10 principles. Throughout 2024, Cecabank remained steadfast in its efforts to promote awareness and support for the 17 United Nations Sustainable Development Goals (SDGs).

- **Spainsif:** It is a non-profit organisation that promotes Socially Responsible Investment (SRI), encouraging corporate responsibility and the integration of environmental, social and good corporate governance criteria through dialogue between different groups.

- **Forética:** an association of companies and professionals in Spain and Latin America in CSR and sustainability. Its mission is to promote the integration of social, environmental and good governance aspects in the strategy and management of companies and organisations.

- **Seres Foundation:** promotes companies' commitment to improving society, with responsible activities aligned with the strategy of each company and generating value for everyone.

- **Finresp:** Through its affiliation with the CECA association, Cecabank participates in Finresp, which in 2024 has been led by the bank’s CEO. This association, comprising all financial sector employers’ organisations, seeks to raise awareness among economic actors and Spanish society about the challenges and opportunities presented by sustainable development.

In addition, Cecabank has undertaken various initiatives in this area:

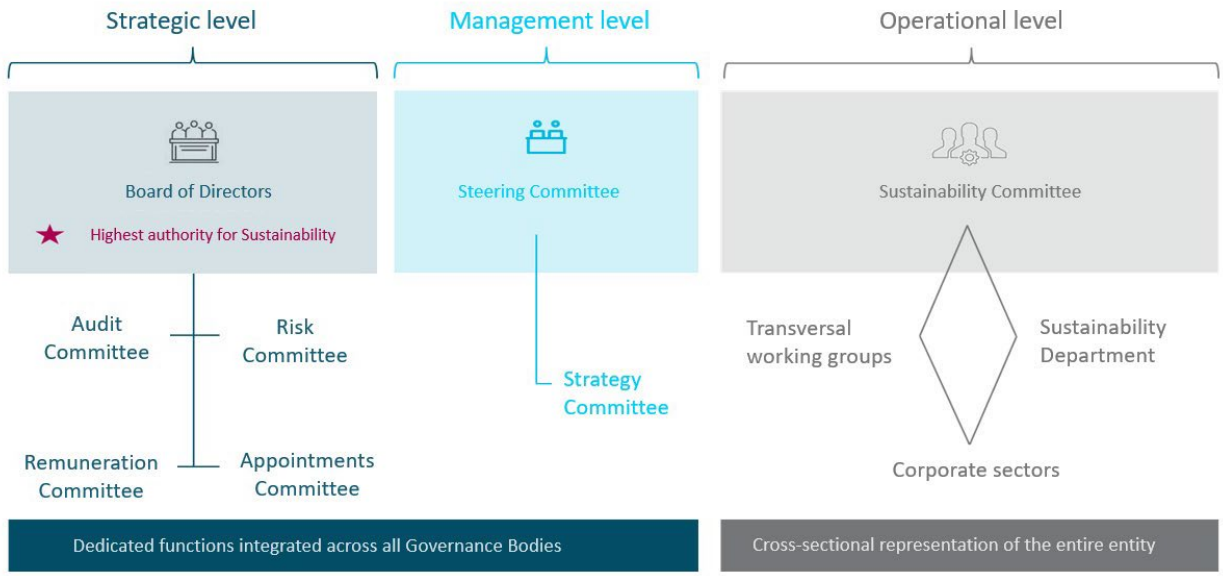
- Cecabank joined the Statement of Business Leaders for Renewed Global Cooperation at the invitation of Sanda Ojiambo, who in June 2020 was appointed by the UN Secretary General as the new Executive Director of the Global Compact.

- 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.

- Support via CECA of the Principles for Responsible Banking promoted by UNEP FI.

# 2. Governance

Cecabank has established a governance framework for Environmental, Social, and Governance (ESG) aspects, focusing on climate and environmental considerations. It operates at the highest level of the organisation and is integrated horizontally across three levels of the entity:



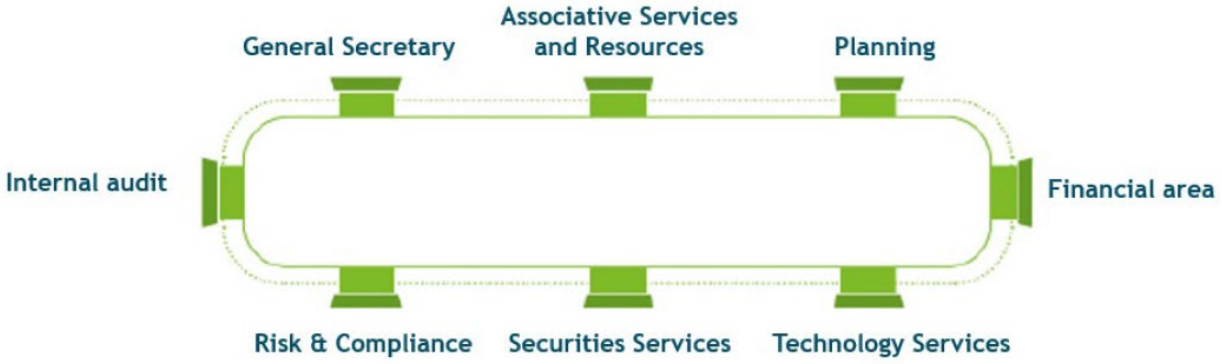

At the **strategic level**, the Board of Directors serves as the highest authority, supported by the Audit Committee for oversight of these matters, with dedicated functions integrated across all Governance Bodies.

The Board of Directors is tasked with supervising both internal and external sustainability commitments. These encompass the Sustainability Policy, the Corporate Code of Conduct, the Risk Appetite Framework, as well as supervisory expectations and regulatory obligations.

- Audit Committee: appointed by the Board of Directors, this body oversees compliance with the organisation's internal and external commitments, including those in the Sustainability Policy, and monitors the Sustainability Plan.
- Risk Committee: monitors all matters tied to ESG risks, placing particular emphasis on environmental and climate-related risks.
- Appointments Committee and Remuneration Committee: vigilantly monitor ESG issues within their purview.

At the **management level**, the Management Committee predominantly supervises the ESG aspects reported by the Sustainability Committee. Other committees, such as the Compliance and Operational Risk Committee, Strategy Committee or the New Services Committee oversee particular aspects, such as the sustainability initiatives proposed within the ESG growth vector or the integration of ESG analysis in the evaluation of new products and/or services.

Lastly, at an **operational level**, the Sustainability Committee coordinates all sustainability-related activities. Comprising representatives from all business and support areas, it reports directly to the Management Committee and Strategy Committee.




Its responsibilities include defining ESG initiatives, overseeing the Sustainability Plan, coordinating organisation-wide activities, and tracking progress on climate change efforts. The Committee addresses:

- Emerging ESG trends and regulatory developments impacting the sector (customers) and the organisation.
- Oversight of the Sustainability Plan, key ESG indicators, and related activities.
- New business proposal: Vector of ESG growth.
- Monitoring corporate reporting and contributing to the materiality study.
- Reviewing investment portfolio indicators.
- Updating corporate ESG policies.
- Social impact, partnerships, and sector engagement.

The Sustainability Department drives, coordinates, and, where necessary, implements ESG actions, offering organisation-wide support. Meanwhile, the Risk and Compliance Department integrates these risks into the organisation's risk identification, monitoring, control, and reporting policies and procedures.

# 3. Strategy

Cecabank's mission and values are deeply rooted in sustainability and ESG principles, implemented through targeted policies. These policies are integrated into the organisation's regulatory framework to achieve several objectives:

- To strengthen Cecabank's sustainability commitments, aligning with its corporate values and leading industry practices.
- To meet stakeholder expectations while proactively addressing potential regulatory requirements and best practices.

In this context, Cecabank introduced a revised Sustainability Policy, approved by the Board of Directors in April 2024, to align the organisation's commitments with the evolving internal and external landscape and industry best practices.

This updated policy outlines seven specific sustainability commitments and reflects the organisation's current governance structure, with the Board of Directors holding ultimate responsibility for oversight.

# Commitments aligned with corporate values

### Shareholder value and solvency

**01.** Key priorities include maintaining stable financial performance, a strong capital ratio, efficient resource allocation, embedding sustainability risks in processes, and providing clear, comprehensive, and accurate information.

### Specialisation and commitment to customers

**02.** Fostering a customer-centric culture, driving continuous improvement, delivering innovative and sustainable solutions, and promoting transparency and dialogue with clients.

### Commitment to talent

**03.** Ensuring fair working conditions, competitive remuneration, talent development, equality, non-discrimination, freedom of expression, work-life balance, health and safety, and open dialogue with employees and social representatives.

### Respect for the environment and the fight against climate change

**04.** Supporting the financing of a sustainable economy, managing the environmental impact of operations, and adhering to current regulations and best practices.

### Commitment to the market

**05.** Upholding strict legal and internal compliance, preventing corruption and unethical behaviour, ensuring transparency, and promoting best practices in corporate governance.

### Social commitment

**06.** Respecting international human and labour rights laws, collaborating with national and international organisations, advancing social initiatives, encouraging corporate volunteering, meeting tax obligations, and fostering dialogue with stakeholders.

### Commitment to the supply chain

**07.** Implementing fair and transparent procurement processes, ensuring supplier alignment with organisational values, establishing mechanisms to monitor adherence to Cecabank's ethical standards, and extending the sustainability culture to the supply chain.

Cecabank conducted its most recent materiality study in 2021 as part of the strategic review aligned with the Strategic Plan and the 2022-2024 Sustainability Plan. This study identified and prioritised material aspects for Cecabank based on their significance to business objectives and stakeholder expectations.

The organisation employed a proprietary three-step methodology, drawing on the Global Reporting Initiative (GRI) standards and other best practices.

It is worth highlighting that, in 2024, Cecabank initiated a double materiality analysis. This new study seeks to update the 2021 study, reflecting changes in the internal and external environment, the new strategic cycle, and stakeholder needs. The updated methodology incorporates the dual perspective of financial materiality and impact materiality, as outlined in the European Sustainability Reporting Standards (ESRS), the Corporate Sustainability Reporting Directive (CSRD), and the European Financial Reporting Advisory Group's (EFRAG) 'Materiality Assessment Implementation Guidance'.

This analysis will provide a robust foundation for the 2025-2027 Sustainability Plan by identifying Impacts, Risks, and Opportunities (IROs) to be integrated into strategic planning and decision-making. It underscores Cecabank's commitment to transparency and alignment with leading corporate reporting practices, while preparing for emerging regulatory requirements.

As of the date of the preparation of this report, Cecabank is conducting a context study, encompassing an internal analysis of its business model, commitments, and strategic goals, and an external analysis of regulations, stakeholder expectations, trends, and best practices.

The organisation has also started identifying current and potential positive and negative environmental impacts (impact materiality), as well as risks and opportunities from the environment affecting its operations (financial materiality).

Furthermore, progress is being made in establishing criteria and thresholds to evaluate the materiality of these IROs. For impact materiality, Cecabank has defined variables such as scale (stakeholder-assigned importance), scope (extent of impact), remediation feasibility for negative impacts (complexity of addressing effects in terms of time and resources), and likelihood of occurrence for potential impacts. For financial materiality, variables include scale (importance of the risk or opportunity), economic impact (relative effect on annual results), and likelihood across three time horizons: short-term (<1 year), medium-term (1-5 years), and long-term (>5 years).

Cecabank has also advanced its stakeholder consultation process to gather insights on key issues:

- Employees: A survey was distributed to all Cecabank employees. This was complemented by focus groups to discuss relevant sustainability topics and sub-topics.
- Suppliers: A survey was sent to suppliers via the purchasing portal.
- Customers: Key customers from each of Cecabank's three business lines were selected to complete a survey.
- Management Committee: Individual meetings were held with Committee members to discuss these matters.
- Audit Committee: Bilateral discussions took place with members of the Committee, which is delegated by the Board of Directors for sustainability oversight.

The entire process is overseen by the Sustainability Committee, Management Committee, and Audit Committee. The outcomes of this work will be shared in future organisational reports.

## 3.1 Identification of opportunities

Cecabank is aware of its role in the financial sector and in sustainable finance. As a wholesale bank and in line with its Sustainability Plan, the bank aims to support clients in transitioning to a sustainable finance model.

The 2022-2024 Strategic Plan prioritised ESG factors as a key growth area. Throughout the Sustainability Plan's implementation, Cecabank has diligently tracked regulatory developments in sustainability. Furthermore, the bank collaborates closely with clients to understand their needs and deliver solutions tailored to their sustainable finance requirements. The Sustainability Committee and Strategy Committee, which encompass all business areas, have identified and overseen various initiatives.

Notable highlights include:

- SRI verification[5] of the 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.

  By the close of the 2024 financial year, assets in funds deposited with Cecabank that promote environmental or social characteristics, or that target sustainable investments, surpassed €117 billion. This accounts for a significant portion of the total assets of vehicles deposited with Cecabank at year-end, as classified under the Sustainable Finance Disclosure Regulation (SFDR).[6]:

| Article 8<br>They promote social and environmental initiatives alongside traditional performance objectives. | Article 9<br>Investment products that have explicit sustainability objectives. |
|---|---|
| 44% | 2% |

- The bank 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. This is a flexible and tailored service in which the final model is designed according to the preferences of each customer and the possible agreements that they may have with proxy-advisory suppliers.

- Cecabank 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. Cecabank's solution generates and custodies more than 2.5 million invoices per month, 30 million per year.
  During 2024, the company worked on improving this application and adapting it to the new electronic invoicing regulations.

- Cecabank's digitalised signature solution not only ensures legal security for digital contract signatures in branches but also replaces paper with a tablet-based process for customer signatures. 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.
  In 2024, Cecabank enhanced and broadened the capabilities of this service, enabling its application in more scenarios. By advancing the digitalisation of contracting processes, the bank reduced paper consumption for its customers by nearly 100%.

[5] Socially Responsible investment.
[6] For collective investment undertakings (CIUs) and venture capital firms, information on SFDR items obtained from the vehicles' prospectuses. For pension funds and Voluntary Social Welfare Institutions (EPSVs), information on SFDR items obtained from the fund managers.

- In 2023, Cecabank continued with the project to digitalise card orders that began in 2022, focusing both on large customers and small businesses. In 2024, work has continued to improve the expansion of the service, with the expectation that work will continue along the same lines.

- In the financial field, the bank has worked on continuing to incorporate ESG criteria in all operations. In April 2024, the Board of Directors approved the Responsible and Sustainable Investment Policy, which sets out Cecabank's commitments in this area, applicable to the bank's investment portfolio. The Policy underscores the organisation’s dedication to sustainable finance and the integration and management of ESG risks.

  The Responsible and Sustainable Investment Policy is accessible to stakeholders on the organisation’s website.[7].

- As at 31 December 2024, Cecabank maintained 19 ESG (Environmental, Social, and Governance) bond positions valued at €150.9 million. This marks a slight rise from the end of 2023, when the bank’s positions were valued at €149.5 million.

- Cecabank became a member of the European Union market maker network (Primary Dealer Network) in 2021. In 2024, EU bond issuances under this program totalled over €105.5 billion in bonds placed on the market, with Cecabank actively participating in all auctions—24 for bills and more than 13 for bonds. The EU currently has five green bond issuances. These issuances enable the EU to fund the Next Generation EU Recovery Fund, which supports Europe’s economic, ecological, and digital transformation with a budget of €806.9 billion, including €140 billion allocated to Spain.

[7] Investment Policy-Cecabank

# 4. Risk management

In line with its Risk Appetite Framework, Cecabank manages risks according to best banking practices, emphasising ethical, responsible, sustainable, fair, and lawful operations. 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. Qualitative thresholds are established within this framework with regard to the climate risks, applicable both to suppliers and customers.

In accordance with the Bank of Spain's supervisory expectations, the company has integrated 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.

Following the ECB's recommendations[8] outlined in its guide "Good practices for climate-related and environmental risk management," published in November 2022, Cecabank integrates ESG risk holistically, treating it not as a standalone risk but as a factor that can influence the organisation's traditional risks through various transmission channels.

| | | | |
|---|---|---|---|
| **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. |

[8] European Central Bank.

These risks may lead to negative outcomes due to factors such as:

- Increased credit risk from greater exposure to companies with business models less aligned with a low-carbon transition or from the depreciation of collateral values.
- Elevated operational risk due to weather-related disruptions affecting business operations, physical assets, suppliers, or customers.
- Heightened reputational risk arising from negative stakeholder perceptions of the organisation's management of these risks.

Despite this, its level of materiality remains low.

It is worth noting that the organisation incorporates ESG risk management across various processes:

- Customer assessment and admission: ESG factors are integrated into customer analysis and management procedures, including credit risk admission and monitoring reports and customer reputational risk assessments. The organisation utilises specific tools and data providers to evaluate counterparties effectively.

- Classification and monitoring: Cecabank maintains a dashboard of ESG indicators, regularly reviewed by management and governance bodies. In 2024, the entity continued advancing its ESG assessment of the investment portfolio. This measurement currently covers public and private fixed income, equities, and the loan portfolio.

The organisation has classified ESG risks as a material risk within its Risk Appetite Framework, setting high-level indicators under the direct oversight of the Board of Directors to monitor the ESG risk profile.

In 2024, Cecabank developed its Responsible and Sustainable Investment Policy, which was approved by the Board of Directors in April. This policy outlines the organisation's approach to incorporating ESG considerations into its investment strategy, in alignment with the Risk Appetite Framework. It addresses environmental factors (related to risks from environmental degradation or climate change), social factors (concerning relationships with employees, stakeholders, and broader societal engagement), and governance factors (pertaining to sound business management practices). The policy thus defines the entity's strategy for investments in fixed income (public and private) and equities within its permanent portfolios. The Responsible and Sustainable Investment Policy is accessible to stakeholders on the organisation's website.[9].

Furthermore, in alignment with the Sustainability Plan approved by the Board of Directors in July 2022, the organisation has continued to enhance its measurement of ESG risks within its investment portfolio. In addition to the ongoing assessments of private fixed income, equities, and the loan portfolio, efforts in 2024 focused on analysing the most widely adopted market methodologies for evaluating the ESG exposure of the sovereign debt portfolio. This work specifically examined the indicators outlined in the Sustainable and Responsible Investment Policy:

- **Transition Performance Index (TPI):** An index tracking 28 ESG indicators across key geographical regions, covering aspects of the economic, social, environmental, and governance transition process.

- **Carbon footprint:** An international standard methodology for calculating and reporting greenhouse gas (GHG) emissions. The country-based approach is applied, attributing total GHG emissions within a country, including domestic consumption and exports, to the sovereign issuer.

These two new indicators have been incorporated into the KPIs reported by the Area to the Risk Committee. Key highlights resulting from their performance in 2024, particularly regarding the investment portfolio positions, include:

- The share of green investments within the private fixed income portfolio experienced a slight decline in the first half of the year but rebounded from June onward, closing at a higher percentage than the previous year (19% in 2024 compared to 15% at the end of 2023).

- The proportion of issuers in the private fixed income, equity, and loan portfolios with ESG ratings (S&P) has remained consistent. For private fixed income, this percentage aligns with that of Spanish corporates (including

[9] Investment Policy-Cecabank

financial institutions) rated through the S&P tool. At 31 December 2024, 71% of equity issuers (up from 65% in 2023) and 18% of private sector loans (up from 15% in 2023) held an ESG rating.

- The weighted average score of the entire portfolio (covering public and private fixed income, equities, and the loan portfolio) consistently exceeds 65, indicating a low risk profile.

- The bank calculates the carbon footprint of its investment portfolio, excluding loans. Cecabank has been tracking this metric since 2020. In 2023, public fixed income emissions reached 0.352 MtCO2eq, while private fixed income and equities totalled 0.132 MtCO2eq (compared to 0.372 MtCO2eq and 0.115 MtCO2eq, respectively, in 2022). At the time of this report, the organisation is still calculating its 2024 emissions.

  Over the long haul, Cecabank remains steadfast in its commitment to transitioning its investment portfolios towards decarbonisation and attaining the milestone of climate neutrality by 2050. With public debt issues comprising over 70% of the total, advancements in methodology will enable the establishment of interim decarbonisation objectives.

# 5. Metrics and Targets

## 5.1 Carbon Footprint

Cecabank has been calculating and managing its carbon footprint since 2017. On an annual basis, it 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.

In 2023, it 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.

Since the company began calculating the Carbon Footprint indicator, there has been a significant reduction in emissions volume. Specifically, emissions have plummeted from 1,274 tCO2eq in 2017 to 22.85 tCO2eq in 2024 for scope 1+2 emissions. This includes the following measures:

- Between 2017 and 2024, Cecabank achieved a 99% reduction in emissions by adopting efficiency measures and best practices. In 2024 Cecabank has experienced a significant decrease in its carbon emissions associated with the reduction of energy consumption in the bank's facilities.

  The measures taken by the bank to manage its carbon footprint have been certified with 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. In 2022, Cecabank obtained this certification for the years 2017 to 2022. The 2023 seal is being processed at the date of preparation of this report.

- The implementation and upkeep of the Energy Management System in accordance with ISO 50.001:2018 have facilitated enhancements in energy efficiency and a subsequent reduction in consumption.

- Fostering good habits in the workforce has been actively promoted through training initiatives.

- Presently, the entirety of electricity procurement is sourced from certified renewable energy, covering both the data processing centres and corporate buildings.

Since 2020, the company has offset 100% of its Scope 1+2 emissions and a portion of its Scope 3 emissions by collaborating with various national and international projects.

In 2024, compensation for 2023 emissions was achieved through the following initiatives:

- 27 tonnes of scope 1+2 emissions were offset via the Sustainable Forests Foundation's reforestation project in the 'El Pinar' public forest (T.M. Mijares), Ávila province.
- 100 tonnes of scope 3 emissions were offset through the REDD+ Project, in partnership with the ECODES Foundation, to protect the Mai Ndombe Forest in the Democratic Republic of Congo. This project focuses on preventing illegal deforestation and promoting sustainable forest management.
- 75 tonnes, also corresponding to scope 3 emissions, were offset through a renewable hydroelectric project on Sumatra, Indonesia, supported by the ECODES Foundation. This initiative generates clean energy for the grid from the Musi River, reducing reliance on fossil fuel-based power plants connected to the grid.

These offset projects not only serve to mitigate the bank's impact on climate change but also integrate a social component and make broader environmental contributions. The emissions from 2024 will be offset during 2025, following recalculation and subsequent verification of the year's data.

The results of the 2024 emissions calculation for categories 1 and 2 are shown below. This calculation is made based on the information available at the date of presentation of this report. However, the company will subsequently recalculate its emissions and will publish its verified emissions report throughout the year.

| Emissions (tCO2eq) | 2024 | 2023[10] |
|---|---|---|
| Scope 1 | 22.85[11] | 26.19 |
| Scope 2[12] | 0.0 | 0.0 |
| Scope 3 | -[13] | 171.28[14] |

## 5.2 Carbon footprint of the portfolio

Facilitating the advancement of a sustainable, low-carbon economy, in alignment with global pledges, stands as a key objective for the company.

As outlined in Cecabank's Sustainability Policy, the organisation is committed to supporting the financing of a sustainable economy in alignment with global commitments. In line with this pledge, Cecabank's Board of Directors approved the Responsible and Sustainable Investment Policy in May 2024, aiming to foster sustainable business practices to support the EU's sustainable economy goals and the Paris Agreement[15].

Among other aspects, Cecabank tracks and measures the carbon footprint of its investment portfolio. Cecabank calculates its portfolio emissions using a proprietary methodology aligned with the Partnership for Carbon Accounting Financials (PCAF) and collaborative efforts led by Spanish banking associations. This methodology underwent an internal audit in 2023 and was externally reviewed in 2024.

As a wholesale bank, Cecabank provides services to financial institutions and large corporations. Its investment portfolio primarily comprises public debt (sovereign and similar risks) and private fixed income. Furthermore, a smaller portion is allocated to loans, credits, and financing for public entities and large corporates. Lastly, to a lesser extent, it includes guarantees, sureties, and equity investments. In other words, the wholesale strategy focuses predominantly on public debt from Eurozone countries and private fixed income from supervised entities and corporates.

Based on the current portfolio structure, Cecabank calculates the carbon footprint of its investments, excluding loans, and has been monitoring this metric since 2020. In 2023, public fixed income emissions reached 0.352 MtCO2eq, while private fixed income and equities totalled 0.132 MtCO2eq (compared to 0.372 MtCO2eq and 0.115 MtCO2eq, respectively, in 2022[16]). At the time of this report, the organisation is still calculating its 2024 emissions.

Over the long haul, Cecabank remains steadfast in its commitment to transitioning its investment portfolios towards decarbonisation and attaining the milestone of climate neutrality by 2050. With public debt issues comprising over 70% of the total, advancements in methodology will enable the establishment of interim decarbonisation objectives.

## 5.3 Taxonomy

As part of the Sustainability Plan, Cecabank established an internal task force consisting of representatives from the Sustainability, Risk, Planning, Internal Audit, and Regulatory departments. In 2024, this collaborative effort continued voluntarily, focusing on computing indicators aligned with the EU Taxonomy objectives concerning climate change adaptation and mitigation.

[10] The 2023 emissions (Scopes 1 and 2) have been modified compared to the 2023 NFIS. 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).
[11] Emissions linked to the usage of generators have been excluded from the year's calculation, as their contribution to the entity's Carbon Footprint falls below the established materiality threshold of 5%.
[12] Market approach.
[13] Being calculated.
[14] Employee commuting, waste electrical and electronic equipment (WEEE), as well as electrical energy in data centres, which has been obtained from renewable sources.
[15] For further information on the Responsible and Sustainable Investment Policy, please see section 5.3. Risk Management, or go to Sustainability | Cecabank
[16] The 2022 figure has been revised with respect to the information published in its 2022 EINF.

## 5.4 Environmental management at Cecabank

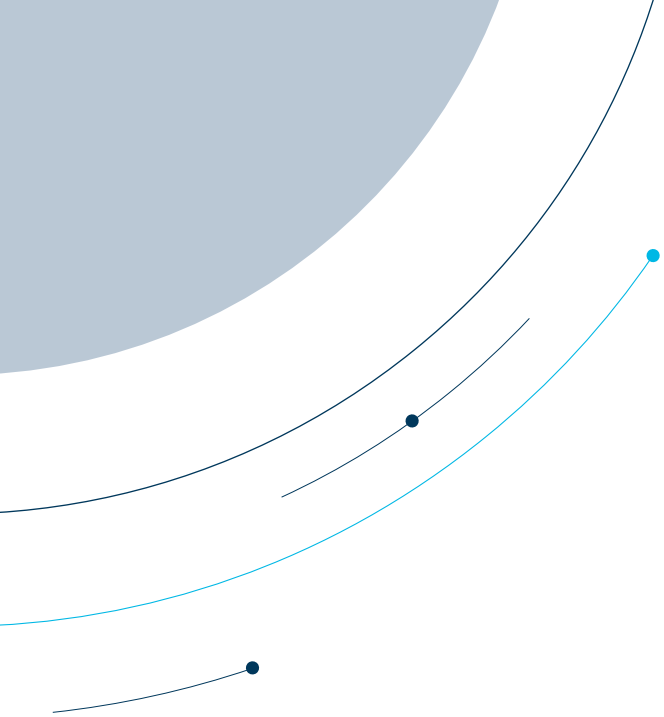
The company has upheld its commitment to enhancing environmental performance by advancing sustainable practices and optimising resource use to minimise its environmental footprint. Energy and supply consumption remained consistent, showing no major fluctuations, which underscores a balanced approach to operational management and reinforces the company's dedication to sustainability and efficiency.

- Training and awareness among employees in the field is an important aspect to achieve the objectives set. Consequently, Cecabank mandates training sessions on efficient energy management for its employees. Moreover, awareness-raising initiatives are facilitated through resources like the Good Energy Use Practices guide and the Employee Portal, that includes the Energy Efficiency Portal. These platforms showcase best practices, energy performance insights, and certifications. In 2024, targeted employee training sessions were held, focusing on topics like the circular economy and waste management.
- Additionally, during this fiscal year, the company subscribed to an environmental legal requirements alert service to ensure compliance and proactively address potential regulations.
- Since 2018, Cecabank has maintained an Energy Management System compliant with the UNE/ISO 50001:2011 standard for its corporate buildings. This was updated to UNE/ISO 50001:2018 in 2020, and in 2023, the company secured AENOR certification (GE-2011/0038), valid until 14 December 2024.
- Cecabank's energy policy serves as the foundation for outlining actions, goals, and benchmarks for energy conservation and efficiency. The purpose of this framework is to drive continuous improvement, optimise consumption, promote facility upgrades, and ensure compliance with legal standards. Spearheaded by senior management, this policy extends to all personnel operating within Cecabank's facilities.
- In the latter half of 2024, the company began implementing an Environmental Management System based on the ISO 14001 standard to streamline its environmental strategy. By year-end, Cecabank was in the process of obtaining certification.
- Throughout 2024, consumption was tracked using an automated tool (Smarkia), enabling better indicator management and energy optimisation. This has led to reduced electricity and gas usage in recent years, a trend that continues to stabilise. This development is currently in a state of consolidation, paving the way for exploring new measures to further improve these metrics.
- Paper consumption in 2024 remained nearly unchanged. The company continues its zero-paper initiative, encouraging all departments to avoid printing and digitalise information to cut down on paper use and recycling.
- Water consumption rose slightly compared to the prior year due to facility renovations and space leasing to third parties.
- On the other hand, the entity is also attempting to reduce its environmental impact through waste management, separating hazardous and non-hazardous waste, which are collected by authorised external professionals and processed at specialised plants.

Construction and demolition waste increased in 2024 due to ongoing Cecabank facility upgrades. This work is expected to continue into next year.

## 5.5 ESG metrics in Cecabank's businesses

| With regard to the funds deposited with the bank | 2024 | 2023 |
|---|---|---|
| Assets of deposited funds that promote socio-environmental considerations or aim at sustainable investments. | €117,000m | €99,000m |
| Weight of total assets of vehicles deposited with Cecabank according to Article 8 under SFDR: Promote social and environmental initiatives alongside traditional performance targets. | 44% | 41% |
| Weight of total assets of vehicles deposited with Cecabank according to Article 9 under SFDR: Investment products with explicit sustainability objectives. | 2% | 3% |
| **With regard to exposure in the investment portfolio during the financial year** | | |
| Number of positions in ESG Bonds | 19 | 19 |
| Average amount in ESG bond positions | €150.9m | €149.5m |
| Annual evolution of amount in ESG bond positions | +0.94% | -0.33% |
| Average percentage of green investment over total investment | 19% | 16% |
| Average percentage of issuers with ESG ratings in the private fixed income portfolio | 47% | 57% |
| Average ESG score for the private fixed-income portfolio | 60/100 | 56/100 |
| Average percentage of issuers in the equity portfolio with ESG ratings | 71% | 75% |
| Average ESG score for the equity portfolio | 73/100 | 69/100 |
| Average percentage of issuers in the loan portfolio with ESG ratings | 18% | 15% |
| Average ESG score for the loan portfolio | 68/100 | 60/100 |
| **With regard to our customers and suppliers** | | |
| Percentage of active customers approved with an average ESG score with Low/Medium-low Risk | 86% | 79% |
| Percentage of active suppliers approved with an average ESG score with Low/Medium-low Risk | 96% | 94% |
| Average customer score weighted by billing | 63/100 | 63/100 |
| Average supplier score weighted by amount billed | 82/100 | 77/100 |



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