

Interview with the Chairman and the General Manager

Antonio Massanell. Chairman of Cecabank

José María Méndez Álvarez-Cedrón. General Manager of Cecabank

The art of prudence, the desire for knowledge and being open to change.

How would you describe the economic context in 2015?

A.M. The Spanish economy consolidated its recovery trend in the course of 2015 and registered growth of 3.2%. However, activity decelerated slightly at the end of the year, due to the world slowdown, the lesser impact of some favourable events – the downturn in oil prices, the tax reduction and the depreciation of the euro – and the increased uncertainty surrounding the Spanish election process.

In the financial markets, the year was marked by great volatility and the Spanish stock market was also affected by the general falls which started in the summer.

In 2015 the environment in which Spanish credit institutions operate was characterized by central banks' expansive monetary policies but with divergence between interest rates in the United States and Europe in the short and medium term.

¿Cuáles han sido los principales hitos de Cecabank en 2015?

J.M. 2015 was a very important year for the bank for three basic reasons: first, the 40% increase in assets under custody over the year, which took them up to 90,000 million euros. Moreover, in this business line, Cecabank was designated as provisional depository bank for investment funds from Banco Madrid. This served to highlight the important role the bank plays as Spain's leading independent depository.

The second important factor was the extension of our customer base. We are making progress in greater diversification of our customer portfolio, which includes credit institutions, investment service companies, insurance firms and public sector institutions.

Lastly, our business model received outside recognition. In 2015 Moody's raised our rating by four notches. In its technical note, it justified this substantial rise

on the basis of our strategic reorientation, based on providing value added services for the financial sector. It also mentioned satisfactory capitalization in relation to the risk profile and the entity's comfortable liquidity position. With this higher rating, Cecabank now has three ratings at Investment Grade levels.

How does the Board of Directors view the degree of execution of Cecabank's Strategic Plan?

A.M. The Board values Cecabank's compliance with the Strategic Plan very positively. It is at the last stage of implementation and most of the targets established have already been met: i) Its leading position in Securities Services is becoming stronger; ii) A balance between net interest income and fees and commissions is being achieved on the income statement; iii) The bank's offer and positioning in new customer segments is being consolidated.

In this sense, 2015 was a turning point for the bank and this enables us to move ahead in this new stage. Thanks to everyone's work, our traditional/core businesses are fully consolidated and now is the time to explore new areas for developing our business and, by extension, new sources of income.

What are Cecabank's plans for 2016?

J.M. We have four main goals for 2016:

- To increase the number of clients through loyalty-building and cross sales.
- To diversify clients to achieve greater penetration in new strategic segments.
- To diversify businesses and complement our current offer with new services, leveraged on our capacities and the fact that we are a wholesale bank.
- Internationalization

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Moreover, our current Strategic Plan comes to end in 2016 and, consequently, an important task this year will be to draw up the next plan. We are already working on identifying new business opportunities. The result of this analysis will be the basis for defining a new strategic plan for 2017-2020.

What are Cecabank's main challenges in the coming years?

A.M. One of the main challenges I believe we will have to face in this period is the digital revolution. Here Cecabank has a tremendous opportunity for growth, thanks to its extensive knowledge and experience as a wholesale technological service provider for financial institutions

and its proven innovation capacity, especially in payment services.

In addition, like the entire banking sector, we will also be facing the challenge of profitability, in a prolonged environment of low interest rates and market instability.

What principles guide the activity of Cecabank's employees?

J.M. We could sum up our philosophy in an ongoing demand: the need to anticipate events and continually adapt to new market needs. Our formula for meeting this need is the same one that has enabled us to come so far: being true to our principles:

The formula which has enabled us to come so far is being true to our principles: the art of prudence, the desire for knowledge and being open to change.

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