cecabank

Pillar 3 Disclosures 2021

March 2022

This document is a translation from the original Pillar 3 disclosure published in Spanish. In the event of any discrepancies, the original Spanish version prevails.

Contents

1. General information requirements

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 (hereinafter, the "bank") and, in particular, its risk profile. This ensures compliance with article 85 of Act 10/2014 on the regulation, supervision and solvency of credit institutions.

This document also complies with Part Eight of EU Regulation 575/2013 of the European Parliament and of the Council (the Regulation), which establishes Basel Pillar 3, on disclosure obligations on the company's risk profile, the risk management and control system and capital and solvency levels. 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 Pillar 3 disclosures will be subject to the same level of internal verification as that applied to the management report included in the financial report, and is verified by the bank's Internal Auditing.

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, at the proposal of the Risk Committee, on 29 March 2022, the Cecabank Board of Directors approved the document with the Pillar 3 information for the 2021 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 bank'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 bank 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 Information for the 2021 financial year," with the conclusion that the information provided is adequate and sufficient.

The preparation of the Pillar 3 disclosures is based on the different verification and control processes established in each of the three lines of defence defined in Cecabank's General Control Framework.[1] Certain information required by the regulations in force that must be included in this report is set out, in accordance with this regulation, referring to the 2021 individual financial statements of Cecabank. Along with the annual accounts, these "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 entity, insofar as, since April 2018 and under Article 19,1 of EU Regulation 575/2013,[2] therefore, Trionis (at 31/12/2021, the only subsidiary of the group) is excluded from the scope of application.

Cecabank is registered in the Bank of Spain's Register of Financial Institutions under code 2000 and has its registered office at Alcalá no 27, Madrid. It carries out its activity mainly in Spain and has an operating branch in Lisbon, as well as representation offices in London and Frankfurt. Its corporate website is www.cecabank.es.

1. AAnnex VIII

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

2. Risk Management

2.1. Policies and Objectives

The Board of Directors of Cecabank establishes the corporate objectives of the bank 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 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.

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

In order to achieve its business objectives the Board of Directors 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 bank, without permanently affecting the capital and liquidity objectives.

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

- For each relevant risk identified, the maximum losses that the bank is prepared to assume in the course of the business are established. The definition is established in terms of forward-looking measures which serve to anticipate any losses which might be registered, if the risks were to materialise, but also in terms of the maximum losses tolerated (Annex I to this document provides greater detail as to the metrics employed). These metrics relate to the income statement and the available capital base, for the aforementioned purpose of ensuring that, in the event of losses, they can be withstood within the normal operations of the bank;

- The minimum available liquidity position must allow for ample compliance with all the bank’s commitments, incorporating a safety margin to ensure that unexpected situations can be handled at any time;

- The solvency and leverage levels which the Board intends for the bank remain above the regulatory requirements. This surplus of capital is considered essential to achieve the appropriate levels of quantity and quality of solvency and leverage for the wholesale business, and it represents one of the defining elements of the competitive position of Cecabank.

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

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

- The management will be aligned with good banking practices and the business will be conducted in a way that is ethical, fair, and respectful of the legislation in force;

- Capital planning shall be designed to cover the current capital needs and any arising with the commissioning of the Strategic Plan, taking into account the minimum solvency levels defined by the Board;

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

- 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.

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

The Board receives regular information as to the maintenance of the risk profile, and it reviews the risk management policies implemented at the 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. There is a monitoring structure which allows the Board and the Risk Committee to identify potential deviations, so as thereby to adopt the necessary measures and hence adjust the risk profile.

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

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

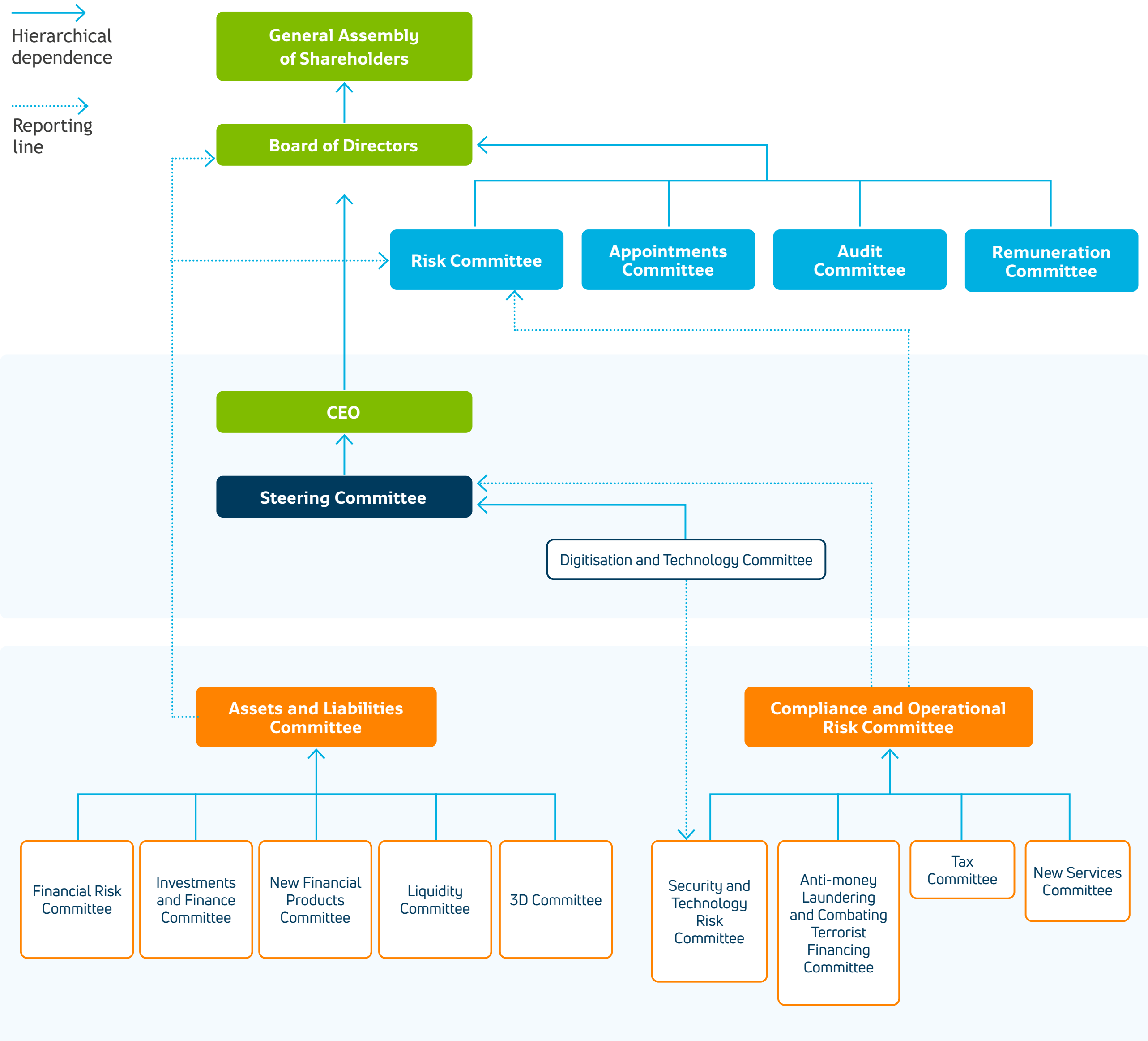
Annex I to this document includes detailed information on Cecabank’s risk management and control, in addition to the specific policies and objectives applied when managing the relevant risks.

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

2.2. Structure and organisation of the risk management function

The governing bodies of Cecabank are the General Assembly of Shareholders and the Board of Directors, in addition to the specialised committees and delegated bodies designated by the Board.

From the perspective of the definition of tolerance to risk, the monitoring of the implementation of management policies and the monitoring of risk profiles, Cecabank has established a supporting structure and a reporting system as described in the following organisational chart:



2.2.1. Responsibilities of the governing bodies

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

The Board of Directors of Cecabank comprises the number of members designated in the General Assembly of Shareholders, which cannot be less than 5 or more than 15. During 2021, two proprietary directors resigned, reducing the Board of Directors to 10 members, of whom there are 5 proprietary directors, 4 independent directors and an executive director. The position of executive director is held by the company's CEO.

This body meets on a monthly basis, having held 11 meetings in 2021.

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 bank, internal auditing and risk management systems; it also oversees the process for preparing and submitting regulated financial information. The Audit Committee held 6 meetings in 2021.

- **Risk Committee:** This Committee advises the Board as to the establishment and monitoring of the risk appetite of the bank, and it evaluates the application of this strategy by senior management and the results thereof. The Risk Committee held 5 meetings in 2021.

- **Remuneration Committee:** This body advises the Board with regard to the bank's remuneration policies and the alignment thereof with the maintenance of risk tolerance levels. The Remuneration Committee met on 3 occasions in 2021.

- **Appointments Committee:** This Committee advises the Board in relation to candidates for vacant positions on the Board of Directors and compliance with the suitability requirements for the Board's members. The Appointments Committee held 5 meetings in 2021.

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

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

To this end, during 2021, the Risk Committee, with the support of the Risk and Compliance and Planning Departments and the Risk Admission and Monitoring Division, developed the outline and contents of the reporting received from internal units and that which is sent to the Board. This information includes a scorecard that integrates the main evolutionary indicators relating to risks and capital and monitors the operating results and the annual budget.

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

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

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

2.2.2.1. Selection and Suitability Assessment Policy

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

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

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's Suitability Policy as regards gender diversity, the bank has established a gender diversity target for its Board of Directors whereby at least 50% of the independent directors are female. At 31 December 2021, 75% of independent directors were women. When calculating this percentage, in the event the number of independent directors is uneven, it will be rounded up to the next whole number.

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

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

2.2.3. Supporting structure for the Board of Directors

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

Assets and Liabilities Committee (ALCO)

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

The ALCO has the following structure of support committees:

- **Financial Risk Committee.** Decides on proposed operations and credit risk limits that fall within powers delegated to it by the ALCO and submits to the ALCO those operations that exceed its authorisation limits. Ensures that the bank's exposure to

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

risk is within the tolerance levels set by the Board of Directors and the ALCO. Continuously adapts risk management procedures to the increasing sophistication of the financial market and aligns them with capital requirements at each moment in time; as well as assessment methodologies to ensure they are in line with best market practice and the needs of the bank.

- **Investment and Finance Committee.** It deals with key matters relating to the management of the bank's investments and opportunities arising in the markets. It will also submit a report to the ALCO setting out the entity's position clearly and in full.
- **New Financial Products Committee.** It assesses and approves, as required, new financial products to be used by the bank's Trading Room.
- **Liquidity Committee.** It evaluates the liquidity situation of the bank and the markets, and, in the event of a liquidity crisis, it defines the measures to be taken and coordinates actions.
- **Committee for Disruption, Diversification and Driving Change (3D Committee).** Its objective is to search for, analyse and monitor investment opportunities in companies, mainly in the Fintech, Insurtech, Regtech and Cybersecurity sectors.

Compliance and Operational Risk Committee (CORC)

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

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

- **Anti-Money Laundering and Combating the Financing of Terrorism.** This is the internal control body responsible for applying Cecabank's policies and procedures on AMCLFT and, in general, those set out in this AMCLFT manual.
- **Tax Committee.** Collaborates in the analysis and interpretation of tax rules that are applicable to Cecabank's activity, to the monitoring of compliance with formal obligations and to the investigation, evaluation, and monitoring of possible tax risks.
- **Security and Technology Risk Committee.** Its functions are to establish the initiatives considered appropriate for the proper management of technological risks (logical and physical security risk, outsourcing risk, change risk, data integrity risk and continuity and contingency risk). This Committee aims to monitor all the company projects used to improve the technological service in business processes, or support already existing process, or to provide coverage for new lines of activity.
- **New Services Committee.** Analyses and, where applicable, approves the new services to be provided by the Entity

2.2.4. Risk management areas

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

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

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

In the first quarter of 2021, the company initiated a process of organisational restructuring with the aim of grouping all the second-level risk control departments under a single division to create the Risk and Compliance Area. This Area acts as a secondary control for financial and non-financial risk, whereby the Risk Area, the Control and Compliance Division (which in turn encompasses the departments of Regulatory Compliance, Internal Control and Operational

Risk and Information Security and Technology Risks) and the Global Risk Control Unit, which has been renamed the Coordination and Cross-Cutting Risks Unit, assuming new functions according to this new structure.

2.2.4.1. Risk Admission and Monitoring Division

Established within the first line of defence, this division was created as a result of the restructuring process carried out within the entity's Risk Area. To try to cover analysis needs of credit risk analysis of counterparties and businesses, assuming the credit risk analysis associated with the admission and monitoring processes. Regardless of the placement of this group within the financial area, it provides cross-cutting support to the credit risk analysis needs of all operational areas.

2.2.4.2. Risk and Compliance Area

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

The Department is structured as follows:

Financial Risk Division:

This Division is composed of the following departments:

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

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

Financial and Non-financial Risk and Compliance Division:

This Division is composed of the following departments:

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

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

- Information Security and Technological Risks: This is the secondary control unit in the field of information and communications technology (ICT) risks. In accordance with the guidelines of the European Banking Authority (EBA) detailed in its document EBA/GL/2017/05, entitled "Guidelines on ICT Risk Assessment under the Supervisory Review and Evaluation process (SREP)", the unit specifically accounts for security, continuity and data integrity risks, change risk and outsourcing risk, although the latter is analysed jointly with the Operational Risk Unit.

- Regulatory Compliance Department: Its main aim is to ensure efficient management of compliance risk, which is defined as the risk that breaches of legal demands or internal standards could impact on the income statement, as a result of official sanctions or adverse judgments.

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

Coordination and Cross-Cutting Risks Unit

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

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

2.2.5 Internal Audit of Risks

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

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

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

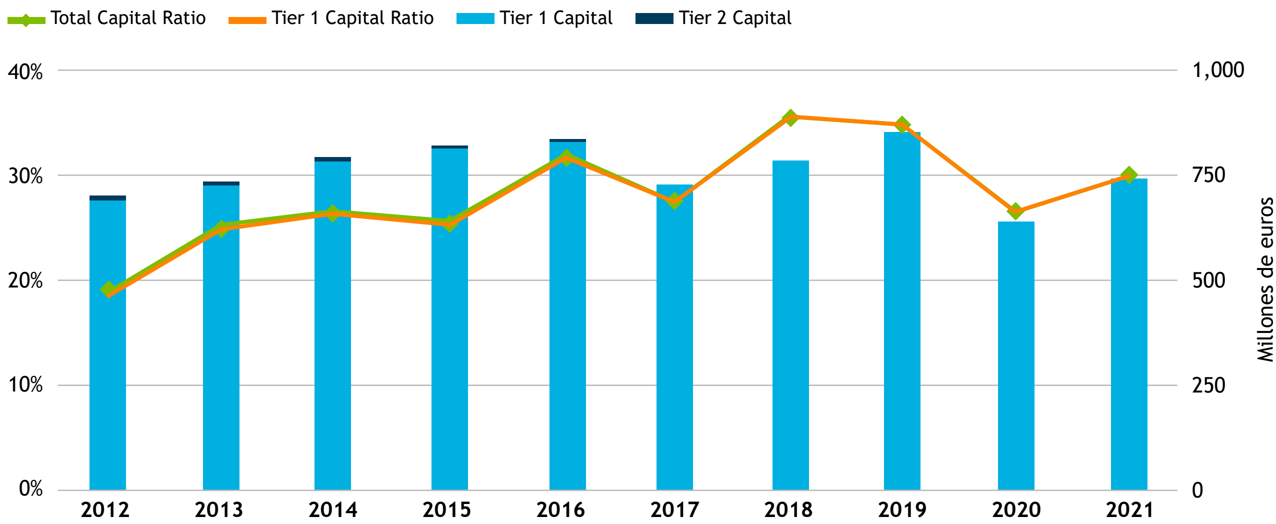
- Communicate and keep the Audit Committee informed of the results of all audit activities.
- Provide an independent and objective assessment of the company's corporate governance system, risks and controls.
- Analyse the reliability, effectiveness and integrity of the information and process management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

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

3. Solvency Position

At the end of 2021, the solvency ratio[4] of Cecabank was 30.09%, fully comprising Common Equity Tier 1 capital (CET1), i.e. the CET1 solvency ratio was also 30.09%. 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 earnings capitalisation policy applied, to recover the ratio growth trend of recent years.

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.



In 2021, the Cecabank Board maintained the minimum capital ratio at 4 percentage points above regulatory capital requirements (sum of Pillar 1 and Pillar 2, known as the TSCR), i.e. 13.7%. This ratio is established in terms of Common Equity Tier 1 capital. In addition, the Risk Tolerance Framework establishes a margin of leeway for this ratio above which the bank must operate under normal circumstances. Both levels are amply surpassed at present.

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

On 17 December 2021, the Bank of Spain informed Cecabank, S.A. that, in the supervisory review and evaluation exercise, and pursuant to article 68.2.a) of Act 10/2014, it required Cecabank to maintain a total capital ratio (or total SREP capital requirement (TSCR), as defined in article 1.2 of the EBA/GL/2014/13 Directives (SREP) individually at no less than 10.19% of the total amount of risk exposure. At the end of the financial year, the own funds classified as CET1 covered this requirement with an excess of 195%.

Cecabank is also subject to a “capital conservation buffer” of 2.5% of CET1. At the close of 2021, the exposures held by the bank barely entail any additional requirements for the “bank-specific countercyclical capital buffer”, due to being 0.007% of total exposure. Taking into account the combined requirements of the buffer, along with the Bank of Spain’s decision on capital mentioned in the previous paragraph, the excess of capital, on top of the actual requirement, stands at around 137% at year end.

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

Further information on equity is included in Annex V.

4. As in 2020, 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 €55 million.

3.1. Eligible capital

The total eligible capital at 31 December 2021 stands at €743.4 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 2021 amounts to €743.4 million, predominantly consisting of paid-up equity instruments, the share issue premium and retained earnings. The amounts corresponding to intangible assets incorporated within equity have been deducted from this.

As in previous financial years, a reduction in Common Equity Tier 1 capital is carried out due to prudential filters - the result of the application of Commission Delegated Regulation (EU) 2016/101, of 26 October 2015, with regard to regulatory technical standards for prudent valuation. This completes Regulation (EU) no. 575/2013 and establishes requirements regarding prudent reductions of the value of positions on the investment portfolio, to a fair value. Cecabank calculated a reduction using a simple approach which as at 31 December 2021 resulted in a Tier 1 Capital reduction of €5.7 million.

Additionally, in 2020, Cecabank adhered to Regulation (EU) 2020/873 (COVID or "quick-fix" Regulation) which amends the CRR and CRRII with respect to Article 468, establishing a new transitional timetable to remove—from the calculation of eligible capital—the amount of accumulated unrealised gains and losses as of 31 December 2019, accounted for as "changes in fair value with impact on other comprehensive income" of sovereign debt instruments. The application of this prudential filter, due to the general recovery of portfolios, increased equity in December 2021, as the accumulated amount of the affected operations during 2021 results in capital losses of €3 million, which are increase shareholders' equity.

Annex V gives a breakdown of the eligible capital of Cecabank at 31 December 2021. 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 2021, the bank holds no Tier 2 capital.

3.2. Minimum capital requirements

The Pillar 1 capital requirements of Cecabank at 2021 year-end amount to €197.7 million.

The distribution by risk is as follows:

Item	2021	2020
Credit Risk requirements	**112,363**	**103,587**
Of which counterparty risk	26,433	25,846
Of which securitisation risk	4,099	3,560
Market Risk requirements	**36,006**	**48,478**
Of which position risk of the trading book fixed-income portfolio	32,136	45,392
Of which position risk of the trading book equity portfolio	2,468	1,926
Of which exchange rate risk	1,402	1,160
Operational Risk requirements	**40,874**	**37,951**
CVA requirements	**8,424**	**3,767**
TOTAL PILLAR 1 REQUIREMENTS	**197,667**	**193,783**

Thousands of euros

The eligible Common Equity Tier 1 capital cover these Pillar 1 capital requirements with a surplus of 276% over the requirement itself.

3.2.1. Minimum capital requirements for credit risk and counterparty risk

The following table shows the amount of the minimum capital requirements for credit risk and counterparty risk at 31 December 2021. This also includes information on exposure, the effects of technical mitigation and risk-weighted assets.

	Net Exposure*		Value of the Exposure **		RWAs***		
Risk Category	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWA Density ****	Capital requirm.
Central administrations or central banks	11,097,441	-	11,097,441	-	164,187	1%	13,135
Regional administrations and local authorities	748,637	71,000	748,637	35,500	-	0%	-
Public sector entities and other non-profit public institutions	48,203	400,000	48,203	200,000	24,385	10%	1,951
Institutions	1,649,919	79,998	1,611,787	15,606	519,800	32%	41,584
Corporates	640,743	78,998	640,743	37,204	565,298	83%	45,224
Retail	6,693	3,284	6,693	1,620	6,234	75%	499
Exposures secured by mortgages on immovable property	39,117	-	39,117	-	13,691	35%	1,095
Exposures in default	407	-	407	-	407	100%	33
Equity exposures	3,314	-	3,314	-	3,314	100%	265
Other exposures	256,221	-	256,221	-	55,978	22%	4,478
Securitisation exposures	42,336	-	42,336	-	51,243	121%	4,099
Total	**14,533,031**	**633,280**	**14,494,899**	**289,930**	**1,404,537**	**9%**	**112,363**

Thousands of euros

* Net of corrections and provisions
** Fully adjusted exposure value following application of credit-risk mitigation techniques and following the adjustment of exposure corresponding to conversion-factor memorandum account entries.
*** Risk-weighted assets.
**** Density of risk-weighted assets: RWAs / Value of exposure.

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

Risk Category	Exposure classified by the applied risk weight, according to the degree of credit quality of each exposure										
	0%	2%	20%	35%	50%	75%	100%	150%	250%	Otras	Total
Central administrations or central banks	10,966,108	-	-	-	74,925	-	9,530	-	46,878	-	11,097,441
Regional administrations and local authorities	784,137	-	-	-	-	-	-	-	-	-	784,137
Public sector entities and other non-profit public institutions	200,219	-	-	-	47,198	-	786	-	-	-	248,203
Institutions	-	80,548	929,569	-	570,001	-	47,275	-	-	-	1,627,393
Corporates	-	113,816	7	-	11,183	-	543,967	8,974	-	-	677,947
Retail	-	-	-	-	-	8,313	-	-	-	-	8,313
Exposures secured by mortgages on immovable property	-	-	-	39,117	-	-	-	-	-	-	39,117
Exposures in default	-	-	-	-	-	-	407	-	-	-	407
Equity exposures	-	-	-	-	-	-	3,314	-	-	-	3,314
Other exposures	179,339	-	-	-	-	-	54,232	-	-	22,650	256,221
Securitisation exposures	-	-	-	-	-	-	-	-	-	42,336	42,336
Total	**12,129,803**	**194,364**	**929,576**	**39,117**	**703,307**	**8,313**	**659,511**	**8,974**	**46,878**	**64,986**	**14,784,829**

Thousands of euros

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

Risk Category	2021 RWAs	2021 Capital requirm.	2020 RWAs	2020 Capital requirm.
Central administrations or central banks	164,187	13,135	228,568	18,285
Regional administrations and local authorities	-	-	-	-
Public sector entities and other non-profit public institutions	24,385	1,951	10,779	862
Institutions	519,800	41,584	402,662	32,213
Corporates	565,298	45,224	524,472	41,958
Retail	6,234	499	5,965	477
Exposures secured by mortgages on immovable property	13,691	1,095	13,679	1,094
Exposures in default	407	33	1,135	91
Equity exposures	3,314	265	2,951	236
Other exposures	55,978	4,478	60,126	4,811
Securitisation exposures	51,243	4,099	44,499	3,560
Total	**1,404,537**	**112,363**	**1,294,836**	**103,587**

Thousands of euros

3.2.2. Capital requirements for trading book price risk

The table below shows the requirements for price risk of positions held in the bank's trading book at 31 December 2021, based on the method applied in its calculation:

Method applied	Capital requirement
Position risk of debt instruments in the trading book calculated in accordance with the terms of Part Three, Title IV, Chapter 2, Section 2 of Regulation (EU) No. 575/2013	32,136
- General risk (*)	27,262
- Specific risk:	4,874
Position risk in equity instruments calculated in accordance with Part Three, Title IV, Chapter 2, Section 3 of Regulation (EU) No. 575/2013	2,468
Total capital requirements for trading book price risk	**34,604**

Thousands of euros

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

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

The table below shows the amount of the bank's capital requirements at 31 December 2021 for exchange rate risk and gold position risk. The calculation was performed in accordance with the standard method, as defined in Part Three, Title IV, Chapter 3 of Regulation (EU) no. 575/2013.

Capital requirements for exchange rate risk and gold position risk	1,402

Thousands of euros

3.2.4. Capital requirements for operational risk

The table below shows the amount of capital requirements for operational risk at 31 December 2021. The calculation was performed with the standard method, as defined in Part Three, Title III, Chapter 3 of Regulation (EU) No. 575/2013.

Equity requirements for operational risk and amounts of risk weighted exposures

	a	b	c	d	e
	Relevant indicator			Own fund requirements	Amount of risk exposure
Banking activities	Year-3	Year-2	Last year		
1 Banking activities subject to the basic indicator approach	-	-	-	-	-
2 Banking activities subject to the standardised approach or the alternative standardised approach	214,526	251,086	312,696	40,874	510,925
3 All portfolios subject to the standardised approach	214,526	251,086	312,696	40,874	510,925
4 Subject to the alternative standardised approach:	-	-	-	-	-
5 Banking activities subject to advanced calculation approaches	-	-	-	-	-

Thousands of euros

3.2.5. Procedures applied in order to assess internal capital adequacy

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

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

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

For the purposes of this Report, it was decided to generally employ the simplified options proposed by the supervisor in the aforementioned ICAAP Guidelines, which generate prudent additional capital requirements and facilitate the supervisory review process. Nonetheless, the bank 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 bank produces more demanding capital needs than those defined by the supervisor.

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

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

4. Information on credit risk and dilution risk

4.1. Credit risk exposure as at 31 December 2021

As of 31 December 2021, the value of the bank's exposures and its annual average credit risk, following the adjustments indicated in Part Three, Title II, Chapter 1 of Regulation (EU) No. 575/2013, of the corresponding impairment value corrections of assets[5], as applicable, of the effects of credit risk mitigation techniques and the application of conversion factors for the entries included in memorandum accounts is presented below, disclosed by risk category:

Risk Category	31 December 2021	2021 ANNUAL AVERAGE	2020 ANNUAL AVERAGE
Central administrations or central banks	11,097,441	11,460,197	5,951,675
Regional administrations and local authorities	784,137	802,182	811,472
Public sector entities and other non-profit public institutions	248,203	247,746	182,664
Institutions	1,627,393	1,686,806	1,399,461
Corporates	677,948	630,332	727,311
Retail	8,312	8,038	8,223
Exposures secured by mortgages on immovable property	39,117	39,084	39,259
Exposures in default	407	699	784
Exposure to institutions and corporates with a short-term credit assessment	-	-	626
Covered bonds	-	38	-
Equity exposures	3,314	3,321	5,911
Other exposures	256,221	217,291	204,918
Securitisation exposures	42,336	44,191	53,138
Total	**14,784,829**	**15,139,925**	**9,385,442**

Thousands of euros

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

4.2. Geographical and counterparty distribution of exposures

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

Geographic region	Amount the exposure
Spain	12,751,672
Other countries in the EU	1,529,263
Other	503,894
Exposure as at 31 December 2021	**14,784,829**

Thousands of euros

4.3. Residual maturity of the exposures

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

	Residual maturity as at 31 December 2021				
Risk Category	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	8,755,963	476,534	853,499	357,477	653,968
Regional administrations and local authorities	33,809	26,006	83,739	329,532	311,051
Public sector entities and other non-profit public institutions	26,264	-	-	221,153	786
Institutions	936,362	2,827	-	106,060	582,144
Corporates	169,986	1,157	9,686	152,458	344,661
Retail	1,352	2	204	1,269	5,485
Exposures secured by mortgages on immovable property	1	1	26	905	38,184
Exposures in default	97	-	-	72	238
Equity exposures	3,314	-	-	-	-
Other exposures	256,221	-	-	-	-
Securitisation exposures	-	-	-	17,649	24,687
Exposure as at 31 December 2021	**10,183,369**	**506,527**	**947,154**	**1,186,575**	**1,961,204**

Thousands of euros

4.4. Counterparty credit risk

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

The details of the exposure to counterparty credit risk through derivative and securities financing operations at 31 December 2021, are set out below:

	Notional Amount	Current market value (CMV), positive	Current market value (CMV), negative	Exposure value
Original exposure method (for derivatives)	-	-	-	-
Simplified SA-CCR (for derivatives)	-	-	-	-
SA-CCR (for derivatives)	29,481,405	1,540,928	1,558,964	319,131
Simple method for financial collateral (for SFT)	-	-	-	-
Comprehensive method for financial collateral (for SFT)	3,221,105	3,329,264		351,472
Total	**32,702,510**	**4,870,192**	**1,558,964**	**670,603**

Thousands of euros

As of June 2021, once the regulatory changes of COREP 3.0 came into force, the exposure of derivatives is no longer calculated by the CEM method (current exposure method) to instead be calculated under the SA CCR methodology (new standard method for calculating counterparty risk requirements).

This new methodology aims to refine sensitivity to the assumed risk. In order to achieve this objective, it focuses mainly 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.

This calculation has meant for Cecabank exposures of derivative transactions higher than those calculated under the CEM methodology, so the result of its implementation implies a higher capital consumption figure than that existing until June 2021.

This increase in consumption for derivatives also occurs in consumption by CVA, as this risk is calculated for OTC derivatives with certain counterparties, and is therefore also affected by the new SA CCR methodology.

4.4.1. Credit derivatives

At the close of 2021, the bank had coverage for one position in its portfolio, through a Credit Default Swap (CDS), totalling €20 million, and five transactions with credit indices. These derivatives are offset through a central counterparty clearing house. In addition, it had 3 TRS (Total Return Swap) for 184 M-Eur.

4.4.2. Impact in collateral in the case of a reduction in the bank'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 the elements contained therein. Of the five contracts that have the Minimum Transfer Amount linked to the rating, three would be amended in the event the bank is at levels Baa1/BBB+ or lower, and two if the investment grade is lost. The impact on liquidity would not be considered relevant in any of these cases.

4.5. Concentration risk

Cecabank's activity as a wholesale bank means the management of risks associated with concentration is particularly relevant. At 2021 year end, two positions exceeded the threshold set to qualify as major risk. 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 40.16% of the total.

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

Level	Rating	% 2021
1 and 2	AAA/AA/A	40.5%
3	BBB	34.6%
Lower than 3	BB-B	7%
Not rated	-	17.9%
Total		**100.0%**

Cecabank's level of specialisation can be seen at both sectoral and geographical levels. In terms of the relevant exposure for the purpose of determining large exposures, financial institutions account for 66.9% and those located in the Eurozone, including Spain, stood at 74.7%.

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

4.6. Impaired exposures

Exposures impaired by counterparty

The following table shows the value of impaired exposures at 31 December 2021, with a breakdown by counterparty type, together with the coverage for credit-risk losses due to insolvency and country risk established at year end, and the amount of provisions accounted for, in net terms, in the 2021 financial year:

Counterparty	Original Impaired Losses	Coverage for non-performing assets	Provisions for the year to cover non-performing assets
Institutions	200	104	- 209
Companies (*)	1,013	-	-
Retail	407	100	- 12
Securitisation exposures	-	-	-
Amounts as at 31 December 2021	**1,620**	**204**	**- 221**

Thousands of euros

(*) "Financial assets not held for trading at fair value through profit or loss" has been included as a non-performing exposure. Credit risk adjustments: Accumulated changes in fair value due to credit risk: 903 thousand.

Impaired exposures by geographical area

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

Counterparty	Original Impaired Losses	Coverage for non-performing assets	Provisions for the year to cover non-performing assets
Spain (*)	1,445	125	- 12
Other countries in the EU	-	-	-
Other	175	79	- 209
Amounts as at 31 December 2021	**1,620**	**204**	**- 221**

Thousands of euros

(*) "Financial assets not held for trading at fair value through profit or loss" has been included as a non-performing exposure. Credit risk adjustments: Accumulated changes in fair value due to credit risk: 903 thousand.

At 31 December 2021 the value of non-performing exposures, net of provisions, stands at €1,416 thousand.

Credit quality of restructured or refinanced exposures

As of 31 December 2021, the bank had the following restructured or refinanced operations:

		a	b	c	d	e	f	g	h
		Gross carrying amount/Nominal amount of restructured and refinanced exposures				Accumulated impairment, accumulated changes in fair value due to credit risk and provisions		Collateral and financial guarantees received on restructured or refinanced exposures	
			Restructured or refinanced 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		1,329	1,329	1,329		- 981	238	238
020	*Central banks*	-	-	-	-	-	-	-	-
030	*Public administrations*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial companies*	-	-	-	-	-	-	-	-
060	*Non-financial companies*	-	1,013	1,013	1,013	-	- 903		
070	*Households*	-	316	316	316	-	- 78	238	238
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	-	1,329	1,329	1,329	-	- 981	238	238

Thousands of euros

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

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

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying / nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: with non-payment
005	Cash balances at central banks and other demand deposits	**8,499,467**	**8,499,467**	**-**	**175**	**175**	**-**	**-**	**-**	**-**	**-**	**-**	**175**
010	Loans and advances	**3,088,862**	**3,088,862**	**-**	**1,445**	**1,301**	**-**	**-**	**3**	**39**	**102**	**-**	**1,445**
020	*Central banks*	16,174	16,174	-	-	-	-	-	-	-	-	-	-
030	*Public administrations*	649,715	649,715	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	2,094,199	2,094,199	-	25	-	-	-	-	-	25	-	25
050	*Other financial companies*	279,387	279,387	-	-	-	-	-	-	-	-	-	-
060	*Non-financial companies*	3,574	3,574	-	1,013	1,013	-	-	-	-	-	-	1,013
070	*Of which SMEs*	1,644	1,644	-	1,013	1,013	-	-	-	-	-	-	1,013
080	*Households*	45,813	45,813	-	407	287	-	-	3	39	77	-	407
090	Debt securities	**3,383,256**	**3,383,256**	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	87,425	87,425	-	-	-	-	-	-	-	-	-	-
110	*Public administrations*	2,662,964	2,662,964	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	174,359	174,359	-	-	-	-	-	-	-	-	-	-
130	*Other financial companies*	127,702	127,702	-	-	-	-	-	-	-	-	-	-
140	*Non-financial companies*	330,806	330,806	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	**633,302**	-	-	-	-	-	-	-	-	-	-	-
160	*Central banks*		-	-	-	-	-	-	-	-	-	-	-
170	*Public administrations*	471,000	-	-	-	-	-	-	-	-	-	-	-
180	*Credit institutions*	68,679	-	-	-	-	-	-	-	-	-	-	-
190	*Other financial companies*	16,431	-	-	-	-	-	-	-	-	-	-	-
200	*Non-financial companies*	73,908.00	-	-	-	-	-	-	-	-	-	-	-
210	*Households*	3,284	-	-	-	-	-	-	-	-	-	-	-
220	***Total***	**15,604,887**	**14,971,585**		**1,620**	**1,476**	-	-	**3**	**39**	**102**		**1,620**

Thousands of euros

Of the total number of non-performing exposures, 9% have been due for more than a year, while 91% have been due for less than 90 days.

Performing and non-performing exposures and related provisions

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying / nominal amount						Accumulated impairment, accumulated changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures: accumulated impairment loss and provisions			Non-performing exposures - Accumulated impairment, accumulated changes in fair value due to credit risk and provisions					
			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	Accumulated partial write-off	On performing exposures	Non-performing exposures
005	Cash balances at central banks and other demand deposits	**8,499,467**	**8,499,467**	-	**175**	-	-	-	-	-	-	-	-	-	-	
010	Loans and advances	**3,088,862**	**3,088,862**	-	**1,445**	-	**1,445**	**- 188**	**- 188**		**- 1,028**	-	**- 1,028**		**1,210,929**	**307**
020	*Central banks*	16,174	16,174	-	-	-		-	-		-	-	-	-	-	-
030	*Public administrations*	649,715	649,715	-	-	-		-	-	-	-	-	-	-	-	-
040	*Credit institutions*	2,094,199	2,094,199	-	25	-	25	-	-		- 25	-	- 25		1,106,801	
050	*Other financial companies*	279,387	279,387	-	-	-	-	-	-	-	-	-	-	-	13,570	
060	*Non-financial companies*	3,574	3,574	-	1,013	-	1,013	-10	-10	-	- 903	-	- 903	-	-	-
070	*Of which: SME*	1,644	1,644	-	1,013	-	1,013	-10	-10	-	- 903	-	- 903	-	-	-
080	*Households*	45,813	45,813	-	407	-	407	- 84	- 84	-	-100	-	-100	-	40,558	307
090	Debt instruments	**3,383,256**	**3,371,438**	**11,818**	-	-	-	**- 4,519**	**- 1,893**	**- 2,625**		-	-	-	**22,838**	-
100	*Central banks*	87,425	87,425	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*Public administrations*	2,662,964	2,662,964	-	-	-	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	174,359	174,359	-	-	-	-	-	-	-	-	-	-	-	-	-
130	*Other financial companies*	127,702	125,950	1,752	-	-	-	- 735	- 559	- 176	-	-	-	-	-	-
140	*Non-financial companies*	330,806	320,740	10,066	-	-	-	- 3,784	- 1,334	-2,449	-	-	-	-	22,838	-
150	Off-balance-sheet exposures	**633,302**	**633,302**	-	-	-	-	**-262**	**-262**		-	-	-	-	**24,013**	-
160	*Central banks*			-	-	-	-	-	-	-	-	-	-	-	-	-
170	*Public administrations*	471,000	471,000	-	-	-	-	-	-	-	-	-	-	-	-	-
180	*Credit institutions*	68,679	68,679	-	-	-	-	-	-	-	-	-	-	-	18,944	-
190	*Other financial companies*	16,431	16,431	-	-	-	-	- 41	- 41	-	-	-	-	-		-
200	*Non-financial companies*	73,908	73,908	-	-	-	-	- 197	- 197	-	-	-	-	-	5,069	-
210	*Households*	3,284	3,284	-	-	-	-	- 24	- 24	-	-	-	-	-	-	-
220	***Total***	**15,604,887**	**15,593,069**	**11,818**	**1,620**	-	**1,620**	**- 5,078**	**- 2,452**	**- 2,625**	**- 1,107**	-	**- 1,107**	-	**1,257,780**	**307**

Thousands of euros

Of the total exposures at the close of 2021, non-performing exposures represent 0.01%.

Collateral obtained through takeover and enforcement processes

During 2021, no collateral was obtained through takeover or enforcement processes.

4.7. Changes during the 2021 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 2021 financial year in coverage of losses from credit risk due to insolvency and country risk comply with the terms of Regulation (EU) no. 575/2013, both in the type of coverage and the methodology applied to the calculation thereof (see Annex II).

The detail of the changes in non-performing assets in 2021 is as follows:

Coverage of non-performing assets

Balance at 31 December 2020	425
Provisions charged to income statement	7
Recovery credited to results	-228
Balance at 31 December 2021	**204**

Thousands of euros

With regard to coverage of standard risk and risk under special monitoring, the summary of changes in 2021 is shown in the following table:

Coverage of standard risk and risk under special monitoring

Balance at 31 December 2020	9,267
Provisions charged to income statement	801
Recovery credited to results	- 5,186
Uses	-
Effect of the differences in foreign currency exchange	196
Balance at 31 December 2021	**5,078**

Thousands of euros

4.8. Credit rating agencies used

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

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

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

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

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

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

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

The following table shows all risk-weighted exposures for 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:

	Risk-weighted exposure		
Risk Category	TOTAL	Of which: with credit rating awarded by an ECAI	Of which: with credit rating from central administrations
Central administrations or central banks	164,187	-	37,463
Regional administrations and local authorities	-	-	-
Public sector entities and other non-profit public institutions	24,385	10,577	13,808
Institutions	519,800	414,006	84,721
Corporates	565,298	355,305	-
Retail	6,234	-	-
Exposures secured by mortgages on immovable property	13,691	-	-
Exposures in default	407	-	96
Equity exposures	3,314	-	-
Other exposures	55,978	-	-
Securitisation exposures	51,243	51,243	-
TOTAL	**1,404,537**	**831,131**	**136,088**

Thousands of euros

4.9. Securitisation transactions

The following breakdown shows the securitisation positions held on 31st December 2021, classified by the risk-weighting bands to which they are assigned:

								Weight
	Original exposure	Original exposure *	Value of the Exposure **	Level 3	Level 4	Level 7	Level 11	Risk-weighted exposure
On-balance-sheet items	42,336	42,336	42,336	10,802	6,847	22,935	1,752	51,243
Derivatives and off-balance-sheet items	-	-	-	-	-	-	-	-
Total investor position exposure	**42,336**	**42,336**	**42,336**	**10,802**	**6,847**	**22,935**	**1,752**	**51,243**

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 2021 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 and, residually, providing liquidity facilities to securitisation funds.

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

4.10. Credit-risk mitigation techniques

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

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

Cecabank acknowledges the following credit-risk mitigation techniques:

Contractual netting agreements

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

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

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

Collateral

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

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

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

Personal guarantees and credit derivatives

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

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

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

The following details indicate the distribution of credit risk exposure on 31 December 2021, 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	13,998,584
B) Exposures to which a credit-risk mitigation technique is applied	786,245
- 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	656,332
- Collateral	57,076
- Other collateral	-
- Hedging based on personal guarantees	72,837
- Hedging through credit derivatives	-

Thousands of euros

Central Clearing Houses and Organised Markets

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

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

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

4.11. Encumbered assets

Assets which, as at 31 December 2021, are committed (contributed as collateral or guarantee against certain liabilities) and any unencumbered assets are detailed below:

	Book value of encumbered assets	Fair value of the encumbered assets	Book value of unencumbered assets	Fair value of the unencumbered assets
Assets of the declaring bank	**2,138,318**	**-**	**15,059,356**	**-**
Loans on demand	-	-	8,499,455	-
Equity instruments	-	-	300,080	217,037
Debt securities	1,800,068	1,800,908	1,909,702	1,877,230
Loans and advances other than loans on demand	338,250	-	2,750,841	-
Other assets	-	-	1,599,278	-

Thousands of euros

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

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

Exposure type	Fair value of collateral received or of own encumbered debt securities issued	Fair value of collateral received or of own debt securities issued available for encumbrance
Collateral received by the declaring bank	**708,912**	**732,745**
Equity instruments	-	149,733
Debt securities	708,912	366,606
Other collateral received	-	216,406
Own debt securities issued other than covered bonds or securitisation bonds for own assets	-	-

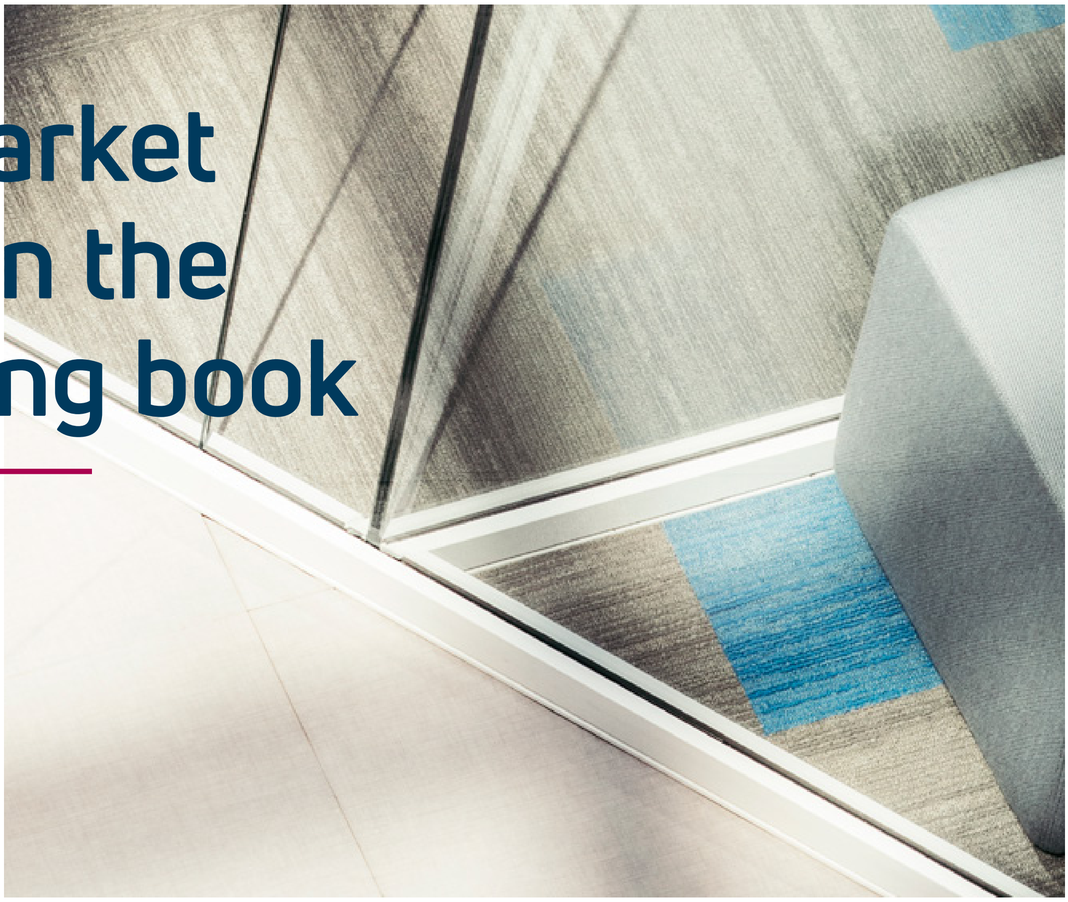
Thousands of euros

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

At 31 December 2021, the total financial liabilities associated with different assets/guarantees committed in financial operations is shown below:

Exposure type	Corresponding liabilities, contingent liabilities, or securities loaned	Assets, collateral received, and own debt securities issued other than secured bonds and securitisation bonds for encumbered assets
Book value of selected financial liabilities	3,536,931	2,567,708
Other sources of encumbrance	279,523	279,523
TOTAL SOURCES OF ENCUMBRANCE	**3,816,454**	**2,847,231**

Thousands of euros



5. Market risk in the trading book

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

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

The details of financial assets included in the trading book are set out below as defined previously, classified by accounting portfolio and type of instrument at 31 December 2021.

Financial assets for trading

Held-for-trading financial assets	1,414,378
Derivatives	781,544
Equity instruments	292,528
Debt securities	340,306
Financial assets not held for trading at fair value through profit or loss	28,584
Equity instruments	4,550
Debt securities	23,924
Loans and advances	110
Total financial assets in the trading book	**1,442,962**

Thousands of euros

The following table shows the amount of the capital requirements associated with the trading portfolio on 31st December 2021:

Capital requirements in the trading book

Position risk requirements	34,604
Counterparty credit risk requirements	12,121
Total capital requirements	**46,725**

Thousands of euros

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

Position risk requirements

Requirements for position risk in equity instruments	2,468
General Risk	977
Specific Risk	1,491
Requirements for position risk in fixed-income instruments	32,136
General Risk	27,262
Specific Risk	4,874
Own funds requirements for securitisation instruments	223
Total capital requirements	**34,604**

Thousands of euros

As mentioned previously, within the positions of the trading book fixed-income portfolio, there are securitisation positions with capital consumption requirements of €223,000.

6. Equity instruments not included in the trading book

Equity instruments not included in the trading book include participations in the permanent portfolio ("strategic investments") which have been held at fair value through changes in other comprehensive income. Notes 2 and 7 of the 2021 Individual Report include a description of the accounting portfolios into which these equity investments and instruments owned by the bank are classified, together with the accounting criteria for the registration and measurement applied to each of them. These notes also indicate the models and assumptions applied for determination of the value of instruments included in this portfolio.

The permanent portfolio is made up of the holdings in other entities in which, to a greater or lesser extent, it its 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 bank's strategy and objectives. At 31 December 2021, strategic investments totalled €3,002 thousand euros.

The following table shows a breakdown of these exposures:

	Amount the exposure
Equity instruments listed on organised markets	-
Equity instruments not listed on organised markets	3,002
Total	**3,002**

Thousands of euros

Gains, net of the tax impact, without impairment, at 31 December 2021 and associated with the various investments in equity instruments included in the trading book and those which are consolidated amounted to €1,602 thousand.

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

	Amount the exposure	Cost	Unrealised capital losses	Unrealised capital gains[6]
Equity instruments listed on organised markets	-	-	-	-
Equity instruments not listed on organised markets	3,002	714	-11,539	13,827
Total	**3,002**	**714**	**-11,539**	**13,827**

Thousands of euros

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

Classification by issuer	
Credit institutions	-
Other financial companies	1,367
Non-financial companies	1,635
Total	**3,002**

Thousands of euros

6. The amount corresponds to the unrealised capital gains in the portfolio, which include €134,372.80 corresponding to outstanding payments, and are therefore not included in equity.

7. Information on Operational Risk

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

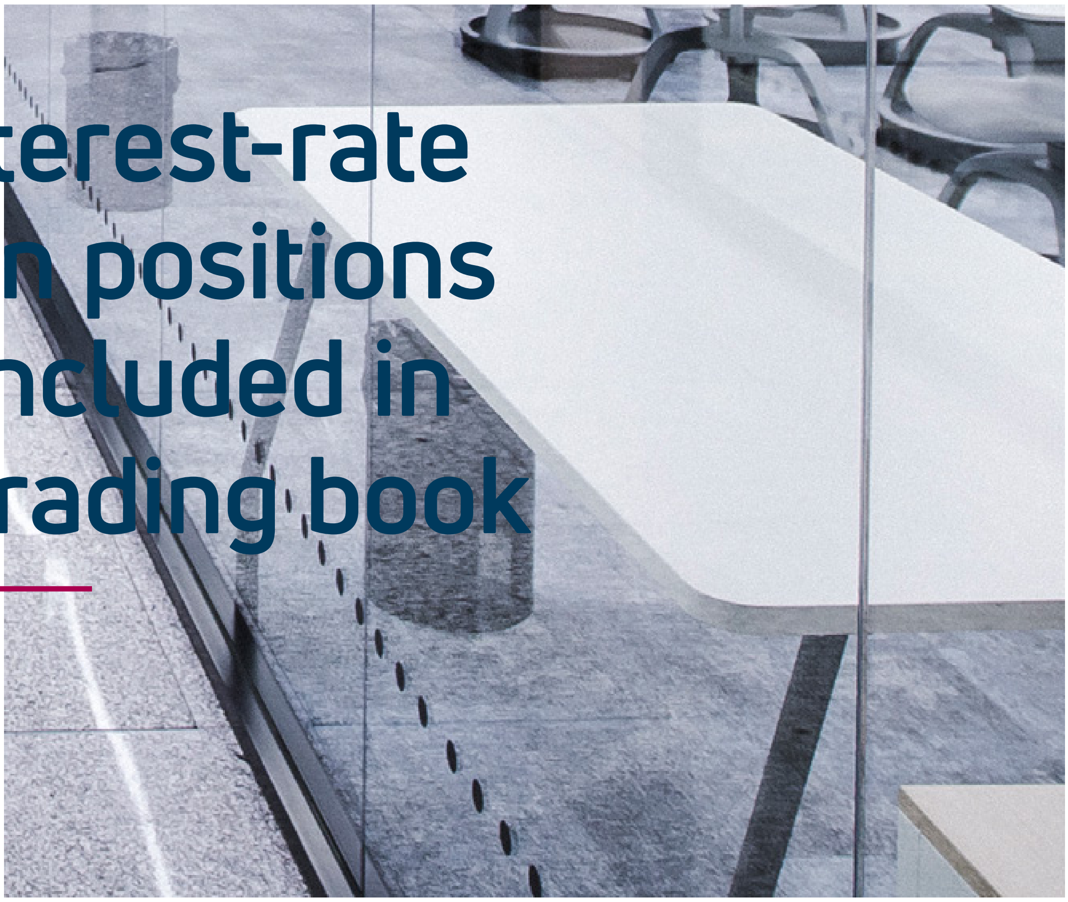
- Determination of relevant revenue.
- Assignment of relevant revenue to business lines.
- Application of weight to the business lines.
- Calculation of capital consumption.

The following table indicates the capital consumptions at the close of 2021 for each business line:

Line of business	Weight	Requirements
Trading and sales	18%	7.990
Commercial banking	15%	13,321
Retail banking	12%	45
Asset management	12%	-
Payment and settlement	18%	3,666
Agency services	15%	15,686
Retail brokerage	12%	-
Business funding	18%	166
Total		**40,874**

Thousands of euros

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



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

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

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

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

Gap analysis indicates the exposure to interest-rate risk on the basis of the maturity structure and/or repricing of positions. This analysis enables the distribution of interest risk along different terms, and also aims to ascertain where potential impacts may affect the financial margin and equity. Management data at 2021 year-end are set out in the following table:

	0<=1M	1<=2M	2<=3M	3<=4M	4<=5M	5<=6M	6<=12M	1<=2Y	2<=5Y	5<=10Y	10<=20Y	20<=30Y
ASSETS	**14,766**	**237**	**402**	**457**	**25**	**20**	**545**	**216**	**728**	**1,035**	**14**	**3**
1. Cash and balances with central banks	8,577											
2. Available-for-sale financial assets	1,288	222	386	444			475	49	412	906	14	
2.1 Debt securities	1,288	222	386	444			475	49	412	906	14	
2.2 Equity instruments												
3. Loans and receivables	1,504	5	6	3	25	10	70	167	286	81		
3.1 Debt securities	46	1	2		3	8	64	167	286	81		
3.2 Customer credit	22	4	3	3	22	2	6					
3.3 Credit institution deposits	1,436		1									
4. Amortised cost									30	48		
5. Hedging derivatives	3,397	10	10	10		10						
6. Investments												3
LIABILITIES	**14,471**	**109**	**386**	**428**	**2**	**8**	**563**	**169**	**737**	**789**	**16**	
1. Fin liabilities amortised cost and FV thr. P&L	**3,496**	**2**	**2**		**1**		**18**					
1.1 Credit institution deposits	1,508	2	2		1		18					
1.2 Temporary assignment of assets	1,988											
2. Customer deposits	**10,592**								**132**			
3. Hedging derivatives	383	107	384	428	1	8	545	169	605	789	16	
GAP	**295**	**128**	**16**	**29**	**23**	**12**	**-18**	**47**	**-9**	**246**	**-2**	**3**
ACCUMULATED GAP	**295**	**423**	**439**	**468**	**491**	**503**	**485**	**532**	**523**	**769**	**767**	**770**

Data in millions of euros

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

Indicator	Indicator description	
Economic Value	The relationship between the economic value and the highest quality eligible capital.	180.06%
Sensitivity to Economic Value with respect to Tier I and II	Percentage of eligible capital that would be represented by the loss in Economic Value caused by a sudden change of 200 b.p. on the yield curves.	7.69%
Sensitivity to Economic Value with respect to EVC	Percentage of economic value that would be represented by the loss caused by a sudden change of 200 b.p. on the yield curves.	4.31%
Net Interest Margin Sensitivity	Sensitivity of the one-year financial margin projections to sudden changes of 100 b.p. on the yield curves.	12.78%
VaR - Banking Book	Percentage of Tier 1 capital committed to the VaR of the Banking Book.	0.28%

Average data for the year

9. Structural liquidity risk

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

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

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

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

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

Indicators

LCR (Liquidity Coverage Ratio)	Year-end data	165%
Average LCR for the year	Average monthly LCR values	156%
Average total liquid assets for the year	Average monthly total liquid assets (millions of euros)	9,541,750
Average net liquidity outflows for the year	Average net monthly liquidity outflows (millions of euros)	6,132,378
NSFR (Net Stable Funding Ratio)	Year-end data	286%
Available stable funding	Year-end data (millions of euros)	4,587,026
Required stable funding	Year-end data (millions of euros)	1,601,119

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

Cecabank's liquidity management follows a centralised model, monitoring the concentration of its financing channels when guaranteeing access to the necessary liquidity. Cecabank's financing structure is therefore composed of deposits in current customer accounts, which represents around 67% of total liabilities. The rest of the sources of financing are mainly temporary asset disposals, with a maturity of no more than one month, as well as other deposits.

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

At the end of 2021, the balance of this reserve of liquid assets to deal with potential liquidity needs was €11.449 billion, predominantly comprised of the cash balance and assets eligible for discounting with the European Central Bank (91%).

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

9.1. Procedures applied for the assessment of liquidity adequacy

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

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

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

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

Further information on liquidity requirements is provided in Annex VI.

10. Leverage

Another factor that demonstrates Cecabank's level of solvency is the leverage ratio. As shown below, the calculation made for December 2021 was 11.12%.

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

In September 2020, the European Central Bank allowed a temporary easing of the leverage ratio of credit institutions, after declaring that exceptional circumstances were occurring as a result of the pandemic. The option allowed credit institutions to exclude exposures to central banks from this ratio. Companies could benefit from this option until 27 June 2021.

On 18 June 2021, the European Central Bank extended the easing of the leverage ratio to March 2022, considering that exceptional macroeconomic circumstances continued to occur. This measure is in force until the end of March 2022.

Since September 2020, Cecabank has taken advantage of this option, excluding exposures to central banks from the calculation of the ratio. If this exemption is not applied, the bank's leverage ratio would be 4.93% at the end of 2021.

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

The following table shows the elements taken into consideration in the leverage ratio calculated at 31 December 2021.

	2021	2020
CET1 (full-loaded)	**740,219**	**654,420**
CET1 (phase-in)	**743,373**	**644,600**
Total exposure (fully-loaded)	**6,682,900**	**6,601,652**
Total exposure (phase-in)	**6,686,054**	**6,591,833**
Derivatives	386,992	377,336
Securities lending and financing	605,699	736,820
Off-balance sheet items	293,719	290,045
Other assets	14,241,690	10,113,621
Regulatory adjustments* (fully-loaded)	- 456,354	-501,328
Regulatory adjustments (phase-in)	- 453,200	-511,147
Excluded exposures (**)	- 8,388,846	-4,414,842
Leverage ratio (fully-loaded)	**11.08%**	**9.91%**
Leverage ratio (phase-in)	**11.12%**	**9.78%**

Thousands of euros

* Assets deducted from Tier 1 Capital
** Excluded exposures under Article 429a (1) (n) of the CRR

11. Information on remuneration

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

11.1. Remuneration of Cecabank personnel

11.1.1. Remuneration Committee

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

The Remuneration Committee has regulations specifying the following:

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

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

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

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

    d. Directly supervise 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 bank's shareholders, investors, and other stakeholders, as well as the public interest.

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

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

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

In 2021 the Remuneration Committee held three meetings.

At its meetings of 27 April 2021 and 20 July 2021, at the proposal of the Remuneration Committee, the Board of Directors approved the General Remuneration Policy applicable to the entire workforce resulting from the new regulatory requirements on Cecabank.

11.1.2. General principles of the remuneration policy

The remuneration policy must be understood as an instrument of internal governance and risk management at the bank, and as a result, the main objective in this regard is to align the objectives of the employees themselves with the long-term interests of the bank. 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 principles governing this remuneration policy are as follows:

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

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

11.1.3. Risk-adjusted identified group

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

- Group 0: Members of the Board of Directors without executive roles.
- Group 1: Members of the Steering Committee, including the CEO.
- Group 2: Employees belonging to the Trading Division (Madrid and London) and Equity Sales Division.
- Group 3: Heads of key control functions and other functions not included in the previous groups.

Situation as at 31/12/2021	Number of people
Group 0	9
Group 1	8
Group 2	34
Group 3	20

11.1.4. Relationship with the bank’s profit

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

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

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

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

Therefore, variable remuneration for the Trading and Equity Sales Divisions is determined by whether 80% of the annual budget for each Division has been met or exceeded.

11.1.5. Characteristics of the remuneration system of the identified group

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

- **Fixed remuneration:**

  The fixed remuneration constitutes the basic element of the Remuneration Policy. This concept is, in essence, linked to the content of the positions and is established based on the level of responsibility of the occupied position, as well as the experience, performance and training of the person occupying it (functional level and position appraisal system). Members of the Board of Directors without executive roles do not receive any fixed remuneration, so no corresponding adjustments are made.

- **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.

Identified groups 1 and 3

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

Group 2

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

- **Other elements of the remuneration package**

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

Ex-post remuneration adjustments

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

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

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

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

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

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

In particular, the circumstances under which a member of the identified staff in Cecabank must repay part or all of the variable remuneration received to the 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 bank.
2. In the event that the payment of the variable remuneration was based on objectives which were achieved as a direct or indirect consequence of:

   (i) A fraudulent activity by the individual;

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

   (vi) The increase in the capital requirements of the bank or its unit that is not foreseen when generating exposures.

Remuneration system deferral clauses

Identified groups 1 and 3

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

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

Group 2

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

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

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

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

11.1.6. Ratio between fixed and variable remuneration

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

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

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

The General Assembly of Shareholders of 23 March 2021 approved a level of variable remuneration of up to 200% of fixed remuneration for certain positions.

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

Broadly speaking, all members of the identified group that accrue variable remuneration will receive 50% accrued in 2021 in non-pecuniary instruments, which will be subject to a withholding period of one year, except for the CEO and Director, whose withholding period will be two years.

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

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

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

11.1.8. Main parameters and purpose of the variable remuneration plans

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

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

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

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

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

Possible payments due to early termination of a contract

At the end of 2021, there is no member of the identified group whose employment contract provides for the payment of any amount corresponding to remuneration above that established by labour law.

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

During 2021, there were no terminations of employment contracts for personnel considered as a Cecabank identified group.

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

No employee received remuneration of €1 million or more for the financial year.

Annex VII includes more information on the bank's remuneration policy.

Annex

ANNEX I: Risk Management and Control Policies and Objectives

Below, in accordance with the information advanced in Title 2 of this document, this Annex includes detailed information on the management objectives and policies connected with each of the risks having a significant impact, included in the bank's various documents, including the Financial Risk Management Guide and the bank's General Control Framework[7].

1. Credit risk

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

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

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

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

Credit Risk Processes and Management

This is one of the basic risks to which Cecabank is exposed through its various business units.

Credit Risk is defined as the risk which affects or could affect results or capital as a result of a breach by a borrower of the commitments set out in any contract, or the possibility that it might not act as agreed. This category includes:

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

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

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

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

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

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

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

7. Annex VIII.

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

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

Credit Risk Analysis

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

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

Credit Risk Control and Monitoring

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

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

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

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

Risk limit structure

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

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

Credit risk measurement methodology

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

Furthermore, for products subject to counterparty risk, since the end of the first half of 2021, the entity 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 new 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.

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

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

Counterparty risk

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

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

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

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

Concentration risk

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

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

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

Contractual netting and financial guarantee contracts or „collateral“

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

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

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

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

The cash collateral provided under contractual clearing contracts is remunerated at the standard daily interest rate used by the market in euros. Work has been underway to replace the EONIA for the €STR either by convention between the parties or by legislative amendment.

Credit risk exposure in accordance with the credit ratings

At 31 December 2021, some 82.1% of exposure (without taking into consideration investments in the public sector, nor central counterparties (CCP) with direct or indirect access) has been given a rating granted by one of the credit rating agencies recognised by the Bank of Spain.

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

Level	Rating	Percentage
1	AAA-AA	2.8%
2	To	46.4%
3	BBB	42.2%
4	BB	7.9%
5	B	0.7%
6	CCC and lower	0%
	Total	100%

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

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

Market risk management objectives, policies, and processes

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

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

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

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

Interest-rate risk

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

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

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

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

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

- **Spread and illiquidity risk**

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

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

Currencies

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

- **Exchange rate risk**

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

- **Interest-rate margin risk**

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

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

Equity

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

Volatility risk

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

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

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

- **Delta risk**

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

- **Gamma risk**

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

- **Vega risk**

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

- **Theta risk**

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

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

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

Measurement of market risk

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

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

Value at risk

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

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

VaR by historical simulation

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

- Time horizon: 1 day.
- Confidence level: 99%.
- Decay factor of 0.97.
- Depth of series of 255 business days.

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

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

The mean distribution of the Trading Book VaR by desk for 2021 and 2020:

	2021	2020
Funding Desk and DPV	654	283
Forex Desk	142	319
Debt Desk	60	44
Equity Desk	231	286
Derivatives Desk	110	220
Credit Desk	157	319
Banknotes	13	36

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.**

Parametric VaR

With the aim of increasing the control over the VaR historical simulation model, the parametric VaR is calculated and reported 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.

Back-testing

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

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 sensitivity: Sensitivity of the NPV of foreign currency positions in the portfolio to changes in exchange rates.
- Price sensitivity: Sensitivity of the NPV of equities positions in the portfolio to changes in the prices of the portfolio securities.
- Volatility sensitivity: Sensitivity of the NPV of options positions in the portfolio to changes in the volatility of the underlying factors (Vega risk).

Stress testing

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

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

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

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

Limits on market risk

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

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

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

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

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

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

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

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

3. Operational risk

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

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

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

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

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

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

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

Operational Risk Management Policies

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

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

3.1. Identification of operational risk

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

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

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

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

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

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

3.2. Self-assessment and measurement of operational risk

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

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

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

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

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

3.3. Monitoring operational risk

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

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

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

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

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

3.4. Mitigation of operational risk

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

- Improvement actions, which aim to reduce the potential impact on the bank 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 banks, for example by means of insurance of any risks which the bank may face over a period of time.
- Coverage or insurance of the risks, for example by means of the use of provisions to cover the impacts of the risks or financial hedging at the point of impact.
- Acceptance of the current situation, having deemed that the risk profile is aligned with the situation desired by senior management.

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

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

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

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

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

5. Interest-rate risk in the banking book

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

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

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

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

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

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

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

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

Measurement of interest-rate risk in the banking book

- **Repricing gap analysis**

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

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

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

- **Simulation of the financial margin**

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

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

- **Sensitivity of the Economic Value of Capital**

  In order to analyse the sensitivity of economic value, the impact of the usage of a number of stressed rate curves on the net present value (NPV) is analysed, calculated on the basis of the zero-coupon curve data.

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

Interest-rate risk limits

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 performed both for the net interest margin and the economic value.

6. Liquidity risk

Liquidity risk is defined as:

- The uncertainty of succeeding in financing at a fair price the commitments assumed, at times when recourse to external financing would be problematic for a given period.

- The maintenance or generation of the liquidity levels required to finance the future growth of the business.

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

Objectives, policies, and management processes for liquidity risk

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

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

Liquidity Risk Measurement

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

- **Liquidity gap**

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

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

This is reported on a monthly basis.

- **Liquidity Inventory**

  A list is drawn up in order to monitor available liquid assets so as to identify potential sources available in the event of a liquidity contingency.

Liquidity ratios

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

- **LCR (Liquidity Coverage Ratio):** This is the statutory ratio used to measure whether adequate funds are available in terms of unencumbered high-quality liquid assets (HQLA), which can easily and immediately by converted into cash on the markets, in order to cover liquidity requirements in the event of liquidity problems of 30 calendar days.

- **NSFR (Net Stable Funding Ratio):** This ratio is defined as the amount of available stable funding relative to the amount of required stable funding and aims to ensure the balance sheet is kept balanced and stable funding requirements are financed by stable liabilities. In other words, the aim is for banks to finance their assets in the medium and long term with stable long-term resources (such as equity, stable current accounts, etc.) and reduce the excessive dependence on financing from capital markets.

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

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

The short-term liquidity ratio is calculated as follows:

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

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

- **Structural liquidity ratio.** The purpose of this ratio is to identify the funding mismatch, indicating the structure of liquidity generation and financing/investment by term.
- **Survival ratio.** This ratio estimates the term over which liquidity commitments can be met in the event of a lack of access to the interbank market or alternative sources of funding, for a period of 30 days. Various scenarios are combined for non-availability of access to the sources of funding covered by this calculation, along with the immediate withdrawal of customer positions classified as stable.

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

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

Liquidity risk limits

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

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

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

7. Other risks

7.1. Compliance risk

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

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

- **Risk maps,** identifying obligations for which compliance is controlled with an incorporated methodology to assess risks on the basis of objective criteria (possible penalty applied by the supervisory authority, and probability of reputation impact as a result of publication of the penalty).
- **Control map,** setting out the controls to cover the risks identified on the risk map.
- **Design of an information or reporting system,** by means of which the results

obtained from the controls are reported to the AMCLFT Committee and the Compliance and Operational Risk Committee, in order for appropriate corrective measures to be adopted. The annual reports on compliance activities are also presented to the Audit Committee.

7.2. Reputational risk

EBA/GL/2014/13 defines reputational risk as the current or future risk to the bank's profits, own funds or liquidity arising from damage caused to its reputation. This risk comes from a wide variety of sources, including economic and financial, strategic, operational and liability related, and its understanding is highly variable depending on the interest group. This causes it to have an approach, management model and control that is different from other risks, even if it is integrated in a coordinated manner with respect to other financial and non-financial risks through the Coordination and Cross-Cutting Risks Unit.

The reputational risk control function has a Reputational Risk Procedure Manual in place, which was approved by the Compliance and Operational Risk Committee. This establishes the methodology for measuring this risk and the monitoring and reporting procedure.

In addition, in 2021 the Compliance and Operational Risk Committee updated the reputational risk assessment guide for customers (legal entities within the predefined categories) who request products or services in their objective scope, coordination with other areas, risk monitoring, format and inclusion of control mapping.

According to this new procedure, if the final assessment of the qualitative report (overall risk assessment and assessment of product/service sensitivity) is Medium-High or High, the result would be put forward to the Compliance and Operational Risk Committee to approve the counterparty as a prerequisite for admission. Reports produced over the year have also served for reference in the process of the bank's measuring of general reputational risk.

7.3. Criminal risk

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

- "The offences committed in their name or on their behalf, and for their direct or indirect benefit, by their legal representatives or those that, acting individually or as members of a legal entity's body, are authorised to make decisions on behalf of the legal person or have the authority to organise and control them".

- "The offences committed, in the exercise of social activities and on behalf of and for the direct or indirect benefit thereof, by those who, being subject to the authority of the natural persons mentioned in the previous paragraph, have been able to carry out the events because they have seriously failed to perform the duties of supervision, surveillance and control of their activity, given the specific circumstances of the case".

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

7.4. Business risk

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

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

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

All these risks are taken into account when the Board of Directors sets the bank'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 bank 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 bank 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 bank, in order to reduce “key person” risk.

The monitoring structure established is based on three levels:

- The Units with business responsibilities are given the task of monitoring the objectives set out in the Strategic Plan and reporting on any aspect or contingency which could jeopardise the achievement of these objectives.

- Senior management oversees the evolution of the business lines, the levels of concentration and distribution of revenue, the assessment of risks which could prevent the achievement of strategic objectives, and the volatility of the income statement.

  It is also responsible for adopting any mitigation measures which might be required, and for identifying those elements and scenarios which could jeopardise the achievement of the specific objectives of each business line.

- The Board, with the support of the Risk Committee, receives information on compliance with of the Strategic Plan, as a cornerstone of establishing the focus of the bank’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 bank’s strategy. Perception of the brand and the quality of services provided is also assessed, to the extent that these could affect customer decisions.

7.5. Environmental, social and governance risk

In compliance with the sustainability plan, the bank carries out different activities, including measuring and reducing carbon footprint, with the short-term goal of becoming a carbon-neutral entity, and applying measures and good practices to continuously reduce consumption. On the other hand, it works on establishing new sustainability goals and seeking business opportunities. This plan is implemented through the Sustainability Committee.

Similarly, the bank takes into account how climate change and the transition to a low emissions economy can generate risks that need to be managed, not only as a new type of risk, but as a manifestation of the existing risk categories, and is seeking this integration into the risk management of the bank’s different risk units.

With regard to social and governance risks, the company highlights:

- It has a corporate social responsibility policy that it develops through its own plan, compliance with which is reported through the Social Responsibility Committee

- It fosters ethical and transparent behaviour and seeks equal opportunities between men and women. To that end ,it has an Equality and Diversity Policy that fosters the presence of the less represented sex in decision-making positions or functions, improving women’s access to leadership positions, reducing inequalities and promoting work-life life balance.

- It has a reporting procedure through the non-financial information statement.

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

The classification of operations based on credit risk due to insolvency is as follows:

A. **Standard risk:** considers all operations that do not comply with the requirements to be classified in other categories.

B. **Standard risk under special monitoring:** this category is composed of all operations that, without complying with the criteria to be classified as non-performing risk or write-offs, show significant credit risk increases from the initial recognition.

C. **Non-performing risk (deteriorated) due to non-payment by the holder:** this comprises the amount of the debt instruments, whatever their holder and guarantee, that have any overdue amount of principal, interest or contractually agreed expenses that are over 90 days old, unless they should be classified as write-offs. This category also includes guarantees granted when a guaranteed operation has entered into non-payment due to the party guaranteed.

   This category also includes all of a holder's operations when the sums that are more than 90 days overdue are higher than 20% of the amount outstanding. Solely for the purposes of determining the percentage outlined, the numerator is considered the gross book value of the operations deemed non-performing due to default with the sums overdue. The denominator is considered the gross carrying amount for the total of all debt instruments granted to the holder. If this percentage exceeds 20% both the debt instruments and the off-balance exposures involving credit risk will be transferred to non-performing due to default.

D. **Non-performing risk other than due to non-performing loans of the holder:** this comprises debt instruments, whether subject to late payment or not, although the circumstances for them to be considered write-offs or non-performing due to late payment on the part of the holder have not occurred, in which there are reasonable doubts about whether they will be fully repaid (principal and interest) within the contractually agreed period; as well as off-balance exposures not classified as non-performing due to holder default where it is probable that they will be paid by the bank and doubtful that this will be recovered.

   This category will include, among others, operations whose full recovery is doubtful and which do not have any amounts overdue for more than 90 days.

   In addition, if any of the following factors used for automatic classification are observed they will be necessarily included in this category:

   i. Operations with reclaimed balances or operations which it has been decided will be repaid through legal means by the bank, although they are guaranteed, as well as operations on which the debtor has raised a dispute, the resolution of which depends on its payment.

   ii. Transactions in which the collateral enforcement process has begun, including financial lease operations and operations with a purchase with subsequent lease in which the seller-lessee has the control of the leased asset for which the bank has decided to terminate the contract to recover possession of the asset.

   iii. Operations of holders who have sought or have signalled that they wish to seek bankruptcy proceedings without any settlement request.

   iv. The guarantees granted to guarantors declared bankrupt at a creditors' meeting who have declared or are going to declare themselves in the winding-up stages or suffer a noticeable impairment in their solvency which is unlikely to recover, although the beneficiary of the guarantee has not reclaimed their payment.

   v. Refinancing or restructuring which is refinanced or restructured during the test period, or where overdue amounts are more than 30 days late.

E. Write-off risk: this category includes debt instruments, in arrears or not, which, for which after individual analysis it is considered that there is a remote chance of recovery due to a noticeable impairment or unrecoverable impairment of the solvency of the operation or holder. Classification in this category will entail the recording in the results of losses for the amount in gross book value of the operation and the total write-off of the asset.

Loss coverage by credit risk due to insolvency:

A. Coverage for non-performing risk (impaired):

a. Non-performing risk due to non-performing loans of the holder:

Banks will evaluate assets classified as non-performing due to holder default in order to estimate loss coverage for credit risk, taking into account the age of the overdue amounts, the collateral and personal warranties received and the financial situation of the holder and guarantors. Coverage for non-performing operations will be subject to an individual or collective estimate.

The coverage for the following non-performing operations must be subject to an individual estimate.

i. Coverage for non-performing operations due to default deemed significant by the bank.

ii. Coverage for non-performing operations that were identified as low credit risk.

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

b. Non-performing risk other than due to non-performing loans of the holder:

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

B. Coverage for standard risk (includes special monitoring): Coverage for operations classified as standard risk will be subject to collective estimates and operations classified as standard risk under special monitoring will be subject to an individual estimation or collective estimation. The coverage for the following standard operations under special monitoring must be subject to individualised estimates:

i. Coverage for standard operations under special monitoring that the bank deems significant.

ii. Coverage for operations classified as standard under special monitoring as a result of an individual analysis of the operation in which a factor other than the automatic factors has had a critical influence.

iii. Coverage for standard operations under special monitoring that do not belong to a homogeneous risk group and, therefore, for which the bank cannot develop internal methodologies to give a collective estimate of the credit losses of these operations.

Coverage for all operations for which an individual estimate is not required will be subject to a collective estimate. Therefore, the following operations will be subject to a collective estimate:

i. Those classified as non-performing due to default (other than those identified as low credit risk) not considered significant, including those classified as non-performing due to default caused by the accumulation of overdue amounts in other operations with the same account holder.

ii. Operations classified as non-performing for reasons other than default (other than those identified as low credit risk) and only automatic classification factors are considered.

iii. Those classified as standard operations under special monitoring that the bank does not deem significant.

iv. Operations classified as standard under special monitoring as a result of an individual analysis of the operation in which only automatic classification factors are considered, or in which no factor other than the automatic factors has had a critical influence. This is the case, among others, for operations classified in this category because the account holder has outstanding amounts over thirty days old.

v. Those classified as standard operations under special monitoring due to belonging to a group of operations with similar credit risk characteristics ("homogeneous risk group"). This is the case, among others, for groups of operations classified in this category due to the account holder belonging to groups, such as geographical areas or economic activity sectors in which weaknesses are observed.

vi. Those classified as standard risk.

Credit risk due to country risk

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

Operations will be grouped according to the following:

a) Group 1. This group will include operations where the parties bound reside in:

   i) Countries in the European Economic Area.

   ii) Switzerland, the United States, Canada, Japan, Australia, New Zealand and the United Kingdom, aside from in the event of a significant deterioration of the country's country risk profile, in which case they will be classified according to that.

b) Group 2. This group will include operations where the parties bound reside in low risk countries, in terms of their strong ability and commitment to pay.

c) Group 3. This group will include, at least, operations where the parties bound reside in countries showing significant macroeconomic deterioration, which it is believed could affect the country's payment capacity.

d) Group 4. This group will include, at least, operations where the parties bound reside in countries showing far-reaching macroeconomic deterioration, which it is believed could affect the country's payment capacity. This group will include operations charged to countries in group 3 which are experiencing a worsening of the indicators mentioned in the previous group.

e) Group 5. This group will include, at least, operations where the parties bound reside in countries showing prolonged issues with resolving their debt, with the possibility of repayment considered to be doubtful.

f) Group 6. This group will include operations for which it is considered there is a remote chance the sums will be recovered, due to circumstances attributable to the country. In all cases, this group will include operations where the parties bound reside in countries that have renounced their debts or who have not attended to depreciation and amortisation nor interest payments for a period of four years.

At 31 December 2021 the bank applies the estimation percentages and criteria established in Annex IX of Bank of Spain Circular 4/2017, of 27 November, of the Bank of Spain (which came into force on 1 January 2018).

ANNEX III: Composition of Cecabank's Committees

There follows a list of the members of each of the Committees mentioned in section 2.2.1. as of 31 December 2021:

- **Members of the Audit Committee**

  Chairperson:
  Dª. MARÍA DEL MAR SARRO ÁLVAREZ

  Members:
  D. SANTIAGO CARBÓ VALVERDE
  D. FRANCISCO BOTAS RATERA
  Dª. CARMEN MOTELLÓN GARCÍA
  D. VÍCTOR MANUEL IGLESIAS RUIZ

  Secretary (non-member):
  D. FERNANDO CONLLEDO LANTERO

- **Members of the Risk Committee**

  Chairperson:
  Dª. CARMEN MOTELLÓN GARCÍA

  Members:
  D. VÍCTOR MANUEL IGLESIAS RUIZ
  Dª. JULIA SALAVERRÍA MONFORT
  D. FRANCISCO JAVIER GARCÍA LURUEÑA
  Dª. MARÍA DEL MAR SARRO ÁLVAREZ

  Secretary (non-member):
  D. FERNANDO CONLLEDO LANTERO

- **Members of the Appointments Committee**

  Chairperson:
  Dª. JULIA SALAVERRÍA MONFORT

  Members:
  D. FRANCISCO JAVIER GARCÍA LURUEÑA
  D. JAVIER PANO RIERA
  D. SANTIAGO CARBÓ VALVERDE

  Secretary (non-member):
  D. FERNANDO CONLLEDO LANTERO

- **Members of the Remuneration Committee**

  Presidente:
  D. SANTIAGO CARBÓ VALVERDE

  Members:
  Dª. MARÍA DEL MAR SARRO ÁLVAREZ
  D. FRANCISCO BOTAS RATERA

  Secretary (non-member):
  D. FERNANDO CONLLEDO LANTERO

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

Template EU KM1 - Key indicator template

		a	e
		2021	2020
	Available equity (amounts)		
1	Common Equity Tier 1 capital	743,373	644,600
2	Tier 1 capital	743,373	644,600
3	Total capital	743,373	644,600
	Amounts of risk weighted exposures		
4	Total amount of the risk exposure	2,470,839	2,422,288
	Capital ratios (expressed as a percentage of risk-weighted exposure amount)		
5	Common tier 1 capital ratio (%)	30.09	26.61
6	Tier 1 capital ratio (%)	30.09	26.61
7	Total capital ratio (%)	30.09	26.61
	Additional equity requirements to address risks other than excessive leverage risk (as a percentage of the risk-weighted exposure amount)		
EU 7a	Additional equity requirements to address risks other than excessive leverage risk (%)	1.73	1.73
EU 7b	Of which: will be composed of Common Equity Tier 1 capital (percentage points)	56.25	100
EU 7c	Of which: will be composed of tier 1 capital (percentage points)	75	100
EU 7d	Total SREP capital requirements (%)	9.73	9.73
	Combined buffer and overall capital requirement (expressed as a percentage of risk-weighted exposure amount)		
8	The capital conservation buffer (%)	2.5	2.5
EU 8a	Conservation buffer due to macroprudential or systemic risk observed in a Member State (%)	-	-
9	Institution-specific countercyclical capital buffer (%)	0.007	-
EU 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institutions buffer (%)	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-
11	Combined Buffer Requirement (%)	2.507	2.5
EU 11a	Global capital requirements (%)	12.237	12.23
12	Ordinary tier 1 capital available after complying with the SREP total capital requirements (%)	20.36	16.88
	Leverage ratio		
13	Measurement of total exposure	6,686,054	6,591,833
14	Leverage ratio (%)	11.12	9.78
	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 (%)	3.62	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 (%)[1]	3.62	3
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (average weighted value)	9,916,769	6,823,500
EU 16a	Cash outflows — Total weighted value	7,349,836	5,883,517
EU 16b	Cash inflows — Total weighted value	1,412,257	1,538,799
16	Total net cash outflows (adjusted value)	5,937,579	4,344,718
17	Liquidity coverage ratio (%)	167.09%	157.88%
	Net stable funding ratio		
18	Total available stable funding	4,507,692	4,156,822
19	Total required stable funding	1,535,334	1,584,689
20	Net stable funding ratio (%)	293.72%	262.29%

1 Recalibrated requirement (temporary exclusion of exposures with the Bank of Spain)

Template EU OV1 — Overview of total risk exposure amounts

		Total amount of risk exposure (TARE)		Own fund requirements
		a	b	c
		2021	2020	2021
1	Credit risk (excluding credit counterparty risk)	1,022,879	927,254	81,830
2	Of which: with the standard method	1,022,879	927,254	81,830
3	Of which: with the basic internal ratings based approach (F-IRB)	-	-	-
4	Of which: with the allocation method	-	-	-
EU 4a	Of which: securities with the simple risk weighting method	-	-	-
5	Of which: With the advanced internal rating-based method (A-IRB)	-	-	-
6	Credit counterparty risk (CCR)	435,720	370,169	34,858
7	Of which: with the standard method	435,720	370,169	34,858
8	Of which: with the internal model method (IMM)	-	-	-
EU 8a	Of which: exposures to a central counterparty	-	-	-
EU 8b	Of which: credit valuation adjustment (CVA)	105,306	47,088	8,424
9	Of which: another counterparty risk	-	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures of the investment portfolio (after applying the upper limit)	51,243	44,499	4,099
17	Of which: the SEC-IRBA method	-	-	-
18	Of which: the SEC-ERBA method (including the internal assessment method	51,243	44,499	4,099
19	Of which: the SEC-SA method	-	-	-
EU 19a	Of which: 1250% / deduction	-	-	-
20	Position, exchange rate and commodities risks (market risk)	450,072	605,977	36,006
21	Of which: with the standard method	450,072	605,977	36,006
22	Of which: with the internal model method (IMM)	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	510,925	474,388	40,874
EU 23a	Of which: with the basic indicator method	-	-	-
EU 23b	Of which: with the standard method	510,925	474,388	40,874
EU 23c	Of which: with the advanced measurement method	-	-	-
24	Amounts below the deduction thresholds (with a 250% risk weighting)	-	-	-
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	Total	2,470,839	2,422,286	197,667

ANNEX V: Disclosure of own funds

Template EU CC1 - Composition of regulatory own funds

		a)	b)
		Amounts	Source based on balance sheet reference numbers or letters in the regulatory consolidation group
Capital de nivel 1 ordinario instrumentos y reservas			
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	388,891	g)
	Of which: Type 3 instrument	24,859	h) plus i)
2	Retained earnings	-	-
3	Other cumulative comprehensive results (and other reserves)	-	-
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-5 a	Provisional profits verified independently, net of any possible costs or expected dividend.	55,074	j)
6	**Common Equity Tier 1 before regulatory adjustments**	1,196,574	sum of e), f), g), h), i) and j)
Common Equity Tier 1 capital regulatory reductions			
7	Additional value adjustments (negative amount).	- 5,748	
8	Intangible assets (net of tax debt) (negative amount).	- 446,601	a)
9	Not applicable.	-	-
10	Deferred tax assets depending on future revenues, excluding those arising from temporary difference (net of the corresponding tax liability where the conditions in CRR Article 38 (3) are met) (negative amount).	-	-
11	Reserves at fair value related to losses or gains on hedge of cash flows of financial instruments not measured at fair value	-	-
12	The negative amounts resulting from calculating expected losses.	-	-
13	Any increase in net worth resulting from securitised assets (negative amount).	-	-
14	Losses or gains on liabilities measured at fair value arising from changes in the credit quality of the asset.	-	-
15	Pension fund assets with defined benefits (negative amount).	- 4,006	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-25 a	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 bank's additional tier 1 elements (negative amount)	-	-
27a	Other regulatory adjustments.	3,154	
28	**Total regulatory adjustments for Common Equity Tier 1**	-453,201	
29	**Common Equity Tier 1 capital**	743,373	
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 bank (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)**	743,373	
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 entities where the institution has a significant investment in those entities (more than the 10% threshold and 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)**	743,373	
60	**Total amount of risk exposure.**	2,470,839	
Capital ratios and requirements, including buffers			
61	Common Equity Tier 1 capital	30.09%	
62	Tier 1 capital	30.09%	
63	Total capital	30.09%	
64	General requirements for the institution's common equity tier 1 capital.	7.98%	
65	Of which: capital conservation buffer requirement.	2.50%	
66	Of which: countercyclical capital buffer requirement.	0.007%	
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 (%).	0.97%	
68	**Common equity tier 1 capital (by percentage of the amount of exposure to risk) available once minimum capital requirements have been met**	24.62%	
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).	8,144	
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).	46,878	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in the Tier 2 capital with respect to exposures subject to the Standardised Approach (before the application of the cap).	-	-
77	Cap on inclusion of credit risk adjustments in T2 under the Standardised Approach.	-	-
78	Credit risk adjustments included in the tier 2 capital with respect to exposures subject to the ratings based method (before the application of the cap).	-	-
79	Cap on inclusion of credit risk adjustments in T2 under the internal ratings based method.	-	-

Capital instruments subject to phase-out provisions (only applicable between 1 January 2014 and 1 January 2022)			
80	Current limit for Common Equity Tier 1 instruments subject to gradual exclusion provisions.	-	-
81	Amount excluded from Common Equity Tier 1 due to the limit (excess over the limit after repayments and maturities).	-	-
82	Current limit for additional tier 1 capital instruments subject to gradual exclusion provisions.	-	-
83	Amount excluded from the additional tier 1 capital due to the limit (excess over the limit after repayments and maturities).	-	-
84	Current limit for tier 2 capital instruments subject to gradual exclusion provisions.	-	-
85	Amount excluded from tier 2 capital due to the limit (excess over the limit after repayments and maturities).	-	-

Template EU CC2 - Conciliation of regulatory own funds with the balance sheet of the audited financial statements

		a	b	c
		Balance as per the financial statements published	In the regulatory area of consolidation[1]	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	446,601	-	a) Note 13.1 of the Cecabank Individual Report "Intangible assets"
2	Pension fund assets with defined benefits	5,723	-	b) Note 14.1 of the Cecabank Individual Report "Other assets"
	Total assets	452,324	-	
Liabilities - *Breakdown by liability class according to the balance sheet of the published financial statements*				
1	Deferred tax liabilities linked to pension fund assets with defined benefits	1,717	-	c) Individual Public Balance Sheet - Net Equity PI.1.2 under "Deferred tax liabilities"
	Total liabilities	1,717	-	
Equity				
1	Paid-up capital	112,257	-	e) Individual Public Balance Sheet - Equity PI.1.3.a under "Paid-Up Capital"
2	Share premium	615,493	-	f) Individual Public Balance Sheet - Equity PI.1.3a. under "Share Premium"
3	Retained earnings from previous years	388,891	-	g) Individual Public Balance Sheet-Equity PI.1.3a. under "Retained Earnings"
4	Other reserves	14,889	-	h) Individual Public Balance Sheet - Equity PI.1.3.a under "Other reserves"
5	Other accumulated overall result	9,970	-	i) Individual Public Balance Sheet - Equity PI.1.3.a under "Accumulated other comprehensive income"
6	Profit/loss for period - voluntary reserve	55,074	-	j) Note 3 of the Cecabank Individual Report
	Total capital	1,196,574	-	

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

ANNEX VI: Disclosure of liquidity requirements

Quantitative information on the liquidity coverage ratio

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending (DD Month YYYY)	31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2021	30/09/2021	30/06/2021	31/03/2021
EU 1b	Number of data points used to calculate averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high quality liquid assets (HQLAs)					9,916,769	10,698,990	9,538,448	8,012,794
CASH OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	92,794	89,615	91,119	91,682	6,148	5,886	6,058	6,025
3	*Stable deposits*	62,627	61,512	61,087	62,871	3,131	3,076	3,054	3,144
4	*Less stable deposits*	30,167	28,102	30,032	28,811	3,017	2,810	3,003	2,881
5	Unsecured wholesale funding	12,023,130	12,605,462	11,634,131	9,855,160	5,793,481	6,800,247	6,200,573	5,159,979
6	*Operational deposits (all counterparties) and deposits in cooperative bank networks*	8,029,816	7,470,811	6,946,907	6,050,476	2,007,454	1,867,703	1,736,727	1,512,619
7	*Non-operational deposits (all counterparties)*	3,993,314	5,134,651	4,687,224	3,804,684	3,786,027	4,932,544	4,463,846	3,647,360
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	773,488	777,988	781,184	757,530	259,542	253,791	262,680	257,540
11	*Outflows related to exposure to derivatives and other collateral requirements*	202,437	195,547	205,068	201,948	202,437	195,547	205,068	201,948
12	*Outflows related to loss of funds on debt products*	-	-	-	-	-	-	-	-
13	*Lines of credit and liquidity*	571,052	582,442	576,115	555,582	57,105	58,244	57,612	55,591
14	Other contractual funding obligations	1,257,367	1,616,109	2,529,826	3,038,682	1,247,200	1,605,942	2,519,660	3,028,515
15	Other contingent funding obligations	43,464	44,908	45,785	55,130	43,464	44,908	45,785	55,130
16	TOTAL CASH OUTFLOWS					7,349,836	8,710,773	9,034,754	8,510,578
CASH INFLOWS									
17	Secured loans (e.g., reverse repurchase agreements)	900,047	1,198,267	1,079,586	1,265,400	4,553	1,125	17,090	13,185
18	Fully performed exposure entries	1,304,861	1,173,336	1,231,090	1,180,575	141,455	75,782	87,518	93,995
19	Other cash inflows	1,266,249	1,542,669	2,680,714	3,158,488	1,266,249	1,542,669	2,680,714	3,158,488
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)					-	-	-	-

Annex

EU 19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	3,471,157	3,914,271	4,991,390	5,604,462	1,412,257	1,619,576	2,785,321	3,265,667
EU 20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU 20c	*Inflows subject to 75% cap*	3,471,157	3,914,271	4,991,390	5,604,462	1,412,257	1,619,576	2,785,321	3,265,667
TOTAL ADJUSTED VALUE									
EU 21	LIQUIDITY BUFFER					9,916,769	10,698,990	9,538,448	8,012,794
22	TOTAL NET CASH OUTFLOWS					5,937,579	7,091,197	6,249,434	5,251,303
23	LIQUIDITY COVERAGE RATIO					167.09%	150.85%	153.02%	153.04%

Annex

Net stable funding ratio (December 2021)

		a	b	c	d	e
		Unweighted value by residual maturity				
(amount in foreign currency)		Not matured	< 6 months	6 months to < 1 year	One year or more	Weighted amount
Available stable funding						
1	Equity elements and instruments	-	-	-	743,373	743,373
2	*Own funds*	-	-	-	743,373	743,373
3	*Other equity instruments*	-	-	-	-	-
4	Retail deposits	-	20,339	8,311	70,596	97,311
5	*Stable deposits*	-	13,195	5,391	45,799	63,457
6	*Less stable deposits*	-	7,144	2,919	24,797	33,854
7	Wholesale financing:	-	12,053,917	228,693	-	3,736,844
8	*Operational deposits*	-	6,918,241	0	-	3,459,120
9	*Other wholesale funding*	-	5,135,676	228,693	-	277,723
10	Interdependent liabilities	-	0	0	-	-
11	Other liabilities:	-	2,315	62	9,468	9,499
12	*NSFR derivative liabilities*	-	-	-	-	-
13	*All other liabilities and equity not included in the above categories*	-	2,315	62	9,468	9,499
14	**Total available stable funding**	-	-	-	-	4,587,026
Required stable funding						
15	Total high quality liquid assets (HQLAs)	10,502,772	-	-	-	279,998
EU-15a	Assets encumbered for more than 12 months in cover pool	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	952,896	471,599	1,225,087	1,271,092
18	*Performing securities financing transactions with financial customers guaranteed by HQLA at level 1 subject to a 0% valuation haircut*	-	-	-	-	-
19	*Performing securities financing transactions with financial customers secured by other assets and loans and advances to financial institutions*	-	875,039	400,018	-	287,513
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns and PSEs, of which:*	-	58,115	67,071	521,730	410,485
21	*With a risk weighting of 35% or less under the Basel II standard method for credit risk*	-	41,789	64,254	477,895	363,653
22	*Performing residential mortgages, of which:*	-	1,588	1,498	41,578	-
23	*With a risk weighting of 35% or less under the Basel II standard method for credit risk*	-	-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and on-balance sheet trade finance products*	-	18,155	3,012	661,779	573,095
25	Interdependent assets	-	-	-	-	-
26	Other assets	-	39,847	-	-	22,592

27	*Physical traded commodities*	-	-	-	-	-
28	*Assets contributed as initial spread for derivative contracts and contributions to the funds for non-payments of CCPs*	-	25,750	-	-	21,888
29	*NSFR derivative assets*	-	-	-	-	-
30	*Derivative liabilities as calculated according to NSFR before deducting variation margin posted*	-	14,097	-	-	705
31	*All other assets not included in the above categories*	-	-	-	-	-
32	Off-balance sheet items	-	548,728	-	-	27,436
33	**Total required stable funding**	-	-	-	-	1,601,119
34	**Net stable funding ratio (%)**	-	-	-	-	286.49%

ANNEX VII: Disclosure of information on remuneration policy

Template EU REM1 - Remuneration awarded for the financial year

			a	b	c	d
			Supervisory function of the management body	Function of the Management Committee	Other members of senior management	Other identified staff
1	Fixed remuneration	Number of members of the identified staff	**9**	**1**	**7**	**54**
2		Total fixed remuneration	343,449	443,496	1,045,132	4,811,976
3		Of which: in cash	343,449	306,651	1,010,481	4,621,845
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: equivalent shares or ownership interests	-	-	-	-
5		Of which: Instruments linked to shares or equivalent non-pecuniary instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other modalities	-	136,845	34,652	190,131
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of members of the identified staff	**9**	**1**	**7**	**54**
10		Total variable remuneration	-	138,930	457,375	2,365,379
11		Of which: in cash	-	95,000	305,019	1,763,661
12		Of which: deferred	-	64,200	163,701	941,717
EU-13a		Of which: equivalent shares or ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: Instruments linked to shares or equivalent non-pecuniary instruments	-	43,930	152,356	601,718
EU-14b		Of which: deferred	-	10,513	92,615	548,653
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other modalities	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration (2 + 10)		343,449	582,425	1,502,507	7,177,355

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

		a	b	c	d
		Supervisory function of the management body	Function of the Management Committee	Other members of senior management	Other identified staff
	Guaranteed variable remuneration awarded				
1	Guaranteed variable remuneration granted — Number of staff members identified	-	-	-	-
2	Guaranteed variable remuneration awarded — Total amount	-	-	-	-
3	Of which: Guaranteed variable remuneration awarded and paid during the year which is not 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	2
5	Severance pay awarded in prior years and paid during the financial year — Total amount	-	-	46,663	21,187
	Redundancy indemnities awarded during the financial year				
6	Severance pay granted to personnel from the identified staff during the financial year — Number of identified staff	-	-	-	-
7	Severance pay awarded during the financial year — Total amount	-	-	-	-
8	Of which: paid during the year	-	-	-	-
9	Of which: deferred	-	-	-	-
10	Of which: severance pay paid during the year which is not taken into account in the limitation of premiums	-	-	-	-
11	Of which: highest indemnity granted to a single person	-	-	-	-

Annex

Template EU REM3 - Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and withheld remuneration	Total amount of deferred remuneration granted in respect of previous earnings periods	Of which: that is consolidated in the fiscal year	Of which: that will be consolidated in subsequent years	Amount of the adjustment for results applied in the year to deferred compensation to be consolidated in the year	Amount of the performance adjustment applied in the year to the deferred compensation to be consolidated in future periods	Total amount of the adjustment during the financial year due to implicit ex-post adjustments (i.e. changes in the value of deferred remuneration due to changes in the prices of the instruments)	Total amount of deferred remuneration granted before the financial year and actually paid in the financial year	Total amount of deferred remuneration granted in respect of previous earnings periods that has been consolidated but is subject to withholding periods
1	Supervisory function of the management body								
2	In cash	-	-	-	-	-	-	-	-
3	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
4	instruments linked to shares or equivalent non-pecuniary instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other modalities	-	-	-	-	-	-	-	-
7	Function of the Management Committee								
8	In cash	58,882	-	58,882	-	-	-	64,200	-
9	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
10	Instruments linked to shares or equivalent non-pecuniary instruments	58,882	-	58,882	-	-	-	33,417	33,417
11	Other instruments	-	-	-	-	-	-	-	-
12	Other modalities	-	-	-	-	-	-	-	-
13	Other members of senior management	-	-	-	-	-	-	-	-
14	In cash	193,124	-	193,124	-	-	-	163,700	-
15	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
16	Instruments linked to shares or equivalent non-pecuniary instruments	193,124	-	193,124	-	-	-	59,740	92,615
17	Other instruments	-	-	-	-	-	-	-	-
18	Other modalities	-	-	-	-	-	-	-	-
19	Other identified staff								
20	In cash	809,770	-	809,770	-	-	-	941,717	-

Annex

21	Equivalent shares or ownership interests	-	-	-	-	-	-	-	-
22	Instruments linked to shares or equivalent non-pecuniary instruments	809,770	-	809,770	-	-	-	53,065	548,653
23	Other instruments	-	-	-	-	-	-	-	-
24	Other modalities	-	-	-	-	-	-	-	-
25	Total amount	2,123,552	-	2,123,552	-	-	-	1,315,840	674,686

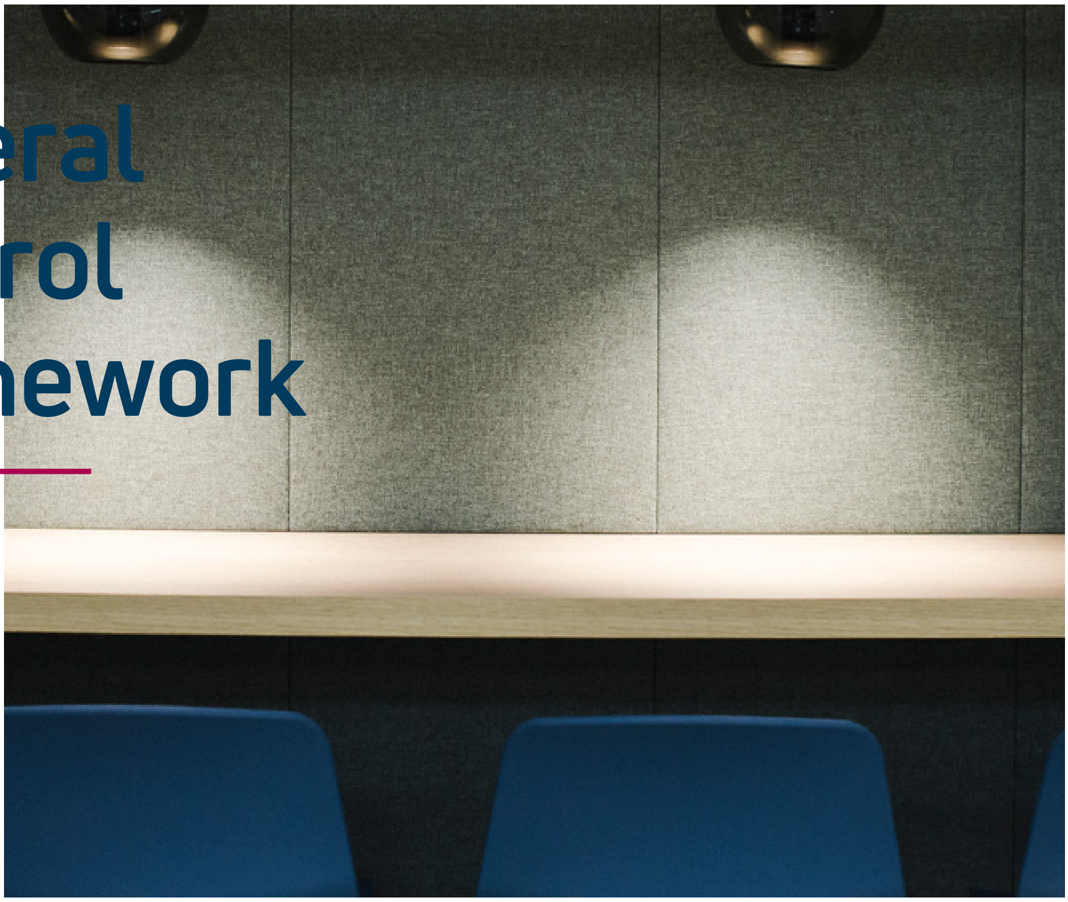
Template EU REM4 - Remuneration of 1 million EUR or more per year

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

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

		a	b	c	d	e	f	g	h	i	j
		Remuneration of the Management Committee			Business areas						
		Supervisory function of the management body	Function of the Management Committee	Total management committee	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff	16	1	17	34	-	-	8	9	3	71
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	-	-	-	34	-	-	8	9	3	54
5	Total remuneration of identified staff	1,845,956	582,425	2,428,382	4,822,756	-	-	1,029,922	990,345	334,331	9,605,736
6	Of which: variable remuneration	457,375	138,930	596,305	1,993,475	-	-	203,845	110,485	57,573	2,961,684
7	Of which: fixed remuneration	1,388,581	443,496	1,832,077	2,829,281	-	-	826,077	879,860	276,758	6,644,053

General Control Framework



ANNEX VIII: General Control Framework

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