

Annual Report 2021





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01. Introduction



At 31 December 2021, Cecabank not only closed a year to start a new one, but also completed its 2017-2021 Strategic Plan. We concluded an era that brought about a significant evolution for the company and involvement at all levels: shareholders, board members, employees, managers and customers.

Closing a cycle, a process that we all go through on several occasions and in different areas of our life, offers the possibility of starting again and brings feelings of enthusiasm and excitement for what is to come. Like people, companies close different cycles throughout a lifespan marked by significant events that transcend important milestones.

The strategic plan that we completed has been the roadmap that has guided our activity and set the pace over the last few years. It is a key instrument that has helped implement the change in the bank by promoting growth, innovation and sustainability.

We construct our strategic plan on a very solid foundation, and we design our strategy with due diligence and ensure it remains in full effect by working to provide support to financial institutions and other corporations using our experience as a wholesale Spanish bank with international exposure. The aspiration we wanted to achieve has been fulfilled, and we are proud to be able to say that **Cecabank is the benchmark custodian bank in Spain and Portugal**. We have demonstrated this over the past five years as *Best Custodian Bank 2021 Spain* by *Global Banking & Finance Review* thanks to our excellence and quality of service. Since its creation in 2012, Cecabank has been able to adapt to market changes and the needs of our customers, which has enabled us to be the main depositary in the Iberian Peninsula and a benchmark supplier of B2B financial and technological services.

Despite the pandemic, Cecabank has made progress in its strategic plan, and we have capped off 2021 by beating our own forecasts. We have opted for consolidation projects and strategies that incorporate innovation and digitalisation processes into the business, also linking sustainability to several of our products and services. We have always done so by focusing on customer guidance and maintaining a high degree of specialisation, offering innovative and tailor-made financial proposals for our customers and supporting them in their projects to achieve their business objectives. Along the way, we build lasting relationships so that each decision is the result of mutual trust.

All of this has led us to complete the development of our strategy by exceeding the goals set five years ago: gross income exceeds 300 million euros, largely supported by the development of our Securities Services business. Cecabank has consolidated its leadership as a benchmark partner in the market; the efficiency ratio stands at 41.2%, both due to the favourable evolution of the financial margin and due to the efforts made to contain costs; profitability stands at 10.1% due to the level of results achieved, the strong business growth and the constant strengthening of shareholders' equity; and solvency exceeds the established maximum threshold of 25% based on a high level of eligible own funds compared to assets that are characterised by their moderate risk profile.

We do not know what events are to come, but we do know that the fulfilment of our goals and the closing of a new cycle depend to a large extent on all of us who form part of Cecabank. We already know the keys to success; they are the same ones that got us here: perseverance with exceptional customer service, expert knowledge and commitment from all of us who are part of the bank, and transformation in line with context provided by our new work models.

Our customers and members of Cecabank's Board of Directors rate our performance highly, but the role of the real protagonists in this achievement is played by those of us who work at the bank. People's trust is key to creating long-term value. For this reason, at Cecabank, we not only work to grow as a business, but we help companies and society in general to face the main global challenges. In short, we continue to evolve in line with the future we want.

02. About Cecabank



2.1. Key figures

These are Cecabank's key figures at December 2021

Individual figures

Total assets
17,197,674
thousands of euros

Total equity
1,210,718
thousands of euros

Own funds
1,200,748
thousands of euros

Result for the financial year
69,218
thousands of euros

CET1
30.1%

Balance sheet (thousands of euros)

2021

Total assets	17,197,674
Held-for-trading financial assets	1,414,378
Financial assets at fair value through other comprehensive income	3,238,947
Held-for-trading financial liabilities	1,085,136
Financial liabilities at amortised cost	14,726,825
Total equity	1,210,718
Own funds	1,200,748

Income statement (thousands of euros)

2021

Net interest income	6,374
Gross income	305,292
Profit before tax	93,736
Profit for the year	69,218

Solvency and liquidity

2021

CET1	30.1%
Own funds	1,200,748
Basic capital resources (core capital)	743,373
LCR	165%

Cecabank rating

2021

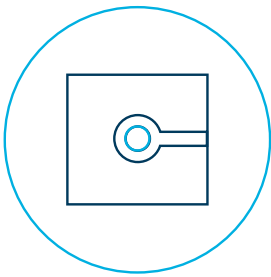
	Short-term	Long-term	Outlook
Moody's	P-2	Baa2	Stable
Fitch	F-3	BBB-	Stable
Standard & Poor's	A-2	BBB+	Stable

2.2. Our activity

Cecabank is the benchmark custodian bank in Securities Services in Spain and Portugal and a provider of specialised solutions in Payments and Treasury Management.

We work to provide support to financial institutions and other corporations using our experience as a wholesale Spanish bank with international exposure. We offer innovative and tailor-made financial proposals to our

customers, supporting them in their projects to achieve their business objectives and building long-lasting relationships, so that every decision is the result of mutual trust.



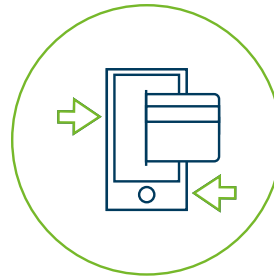
Securities Services

- Depository
- Securities Custody and Settlement
- Asset Distribution Platform
- Settlement of Derivatives in Organised Markets



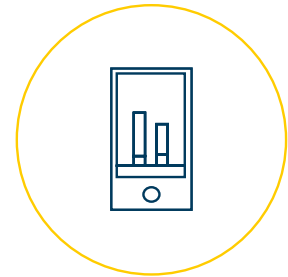
Treasury management

- Financial Markets
- Equities Sales
- Debt Capital Markets
- Banknotes



Payments

- Card Payment Processing Solutions
- Instant Payment Processing Solutions
- Payment Infrastructures and Services

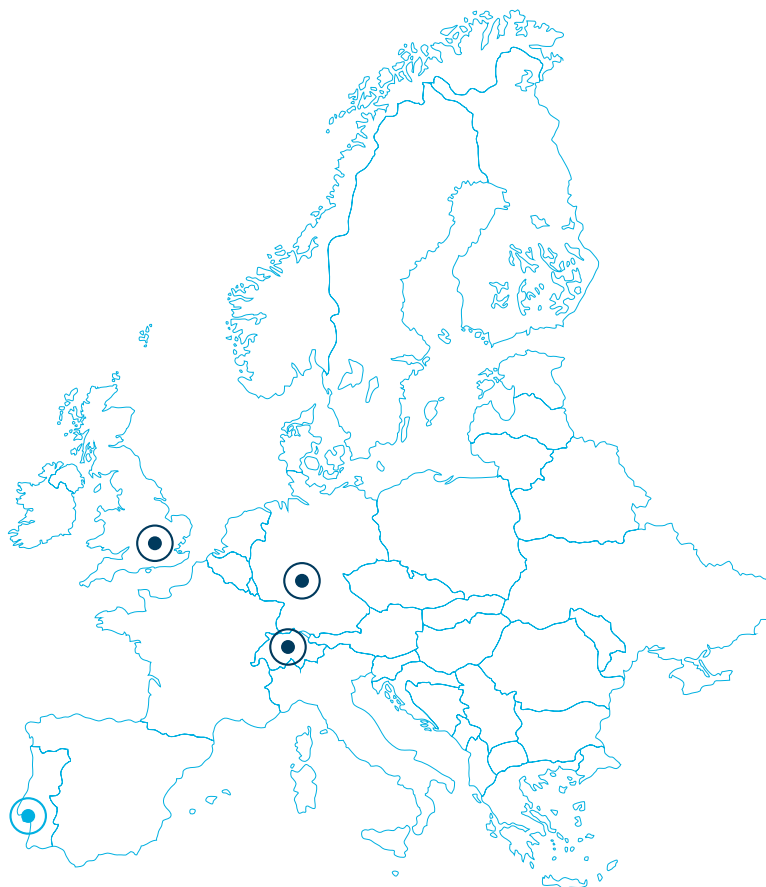


Digital solutions

- Digital Banking
- Trading and Risk Platform
- Reporting
- Technological Outsourcing

2.3. Cecabank's presence

Cecabank is present in the main European financial markets, providing it with an international dimension and enabling it to foster the services it offers outside of Spain.



Branch Office

Portugal

Avenida da Liberdade, 190-1ª
1250-147 Lisbon

Representation offices

Germany and Switzerland

Darmstädter Landstraße, 116
D-60598 Frankfurt am Main

United Kingdom

14 Curzon Street
London W1J5HN

2.4. Shareholders and shareholder structure

Cecabank's General Shareholders' Meeting is the highest representation and participation body of the institution's shareholders.

Cecabank's shareholders are comprised by the following entities:

Entity	No. of Shares	% stake
CECA	100,000,000	89.08%
CaixaBank, S.A.	5,907,921	5.26%
Kutxabank, S.A.	1,352,325	1.20%
Unicaja Banco, S.A.	2,188,398	1.95%
Ibercaja Banco, S.A.	765,561	0.68%
Abanca Corporación Bancaria, S.A.	712,677	0.63%
Banco Bilbao Vizcaya Argentaria, S.A.	644,683	0.57%
Banco Sabadell, S.A.	574,171	0.51%
C.A. y M.P. Ontinyent	57,920	0.05%
Caixa D'Estalvis de Pollença	52,884	0.05%

At the close of 2021, Cecabank's shareholder structure, aimed at achieving the bank's

targets, is made up of the following (solely stakes above 1%):

Company name	Current percentage
TRIONIS SCRL	100.00 %
EUFISERV PAYMENTS, SCRL	23.81 %
LICO LEASING SA	9.84 %
EURO 6000 SL	9.40 %
SOCIEDAD DE BANCOS ESPAÑOLES PARA COLABORACION EN PAGOS SL	8.33 %
SOCIEDAD ESPAÑOLA DE SISTEMAS DE PAGO	6.92 %
SISTEMA DE TARJETAS Y MEDIOS DE PAGO SA	1.29 %

2.5. Presence in forums

Cecabank is present in a multitude of important industry forums in Spain and around the globe. This brings prominence to its professionals who are recognised for their experience and their in-depth knowledge of the sector.



Since its creation in 2012, Cecabank has become the main Spanish depository and a leader in Securities Services and other banking services. Its specialisation, thanks to its extensive network of experts in various fields, has made it a leading **partner in the financial arena**.

Its activity is also present in a multitude of important industry forums in Spain and around the globe. This brings prominence to its professionals who are recognised for their experience and their in-depth knowledge of the sector.

Another differential aspect of Cecabank's activity is its **high level of dialogue with national and international authorities** which promote public-private collaboration. Likewise, it has been able to establish close partnerships with sectoral associations, private institutions and stakeholders from different fields. This activity that has been reinforced despite the pandemic and has allowed Cecabank to become part of the

solution to mitigate the economic and social consequences of COVID-19. In doing so, it has been committed to protecting the treasury management business and fostering innovation in the field of banking services, placing its **technology at the forefront of digital and payment solutions**. While consolidating and expanding its business in the field of Securities Services.

The year 2021 has been marked by the start of the economic recovery, which, to a large extent, depends on the proper management of the risks related to the pandemic, the effectiveness of economic policy measures and the adoption of reforms.

In this sense, the correct implementation of the *Next Generation EU* programme is particularly relevant for the immediate and medium-term future of our economy. This plan is the aid package with which Brussels wants to accelerate the recovery and the ecological and digital transformation of the European Union after the serious crisis brought on by

02. About Cecabank

COVID-19. The Spanish Government and the European Committee signed an operational contract at the end of 2021, which will disburse 69,500 million euros in direct transfers, agreed by the Executive and Brussels within the Spanish Recovery and Resilience Plan. These funds will be distributed until 2026, and together with the loans made available, they total 140,000 million euros.

In this area, Cecabank will help to seek the financing that the *Next Generation EU* Recovery Fund needs. This support will be made possible by the fact that the bank has obtained the green light from the European Commission to join its **network of primary underwriters** in its macro debt issuance plan.

In 2021, Cecabank has also been incorporated by the MEFF futures market as the **first**

market maker for institutional customers in the financial sector, specifically in the xRolling FX contract (a perpetual futures contract on 17 currency pairs, traded on MEFF and settled on BME Clearing). This product was initially intended for the retail market. With the incorporation of Cecabank as a pricing provider, trading is extended to institutional customers, large and medium-sized asset managers and insurance companies.

In order to present this product and support Administrators and institutions in their day-to-day decision-making on portfolio risk management as it concerns changes in foreign exchange rates, Cecabank, in collaboration with Spanish Stock Exchanges and Markets (BME - Bolsas y Mercados Españoles), organised an informative event last October.



02. About Cecabank

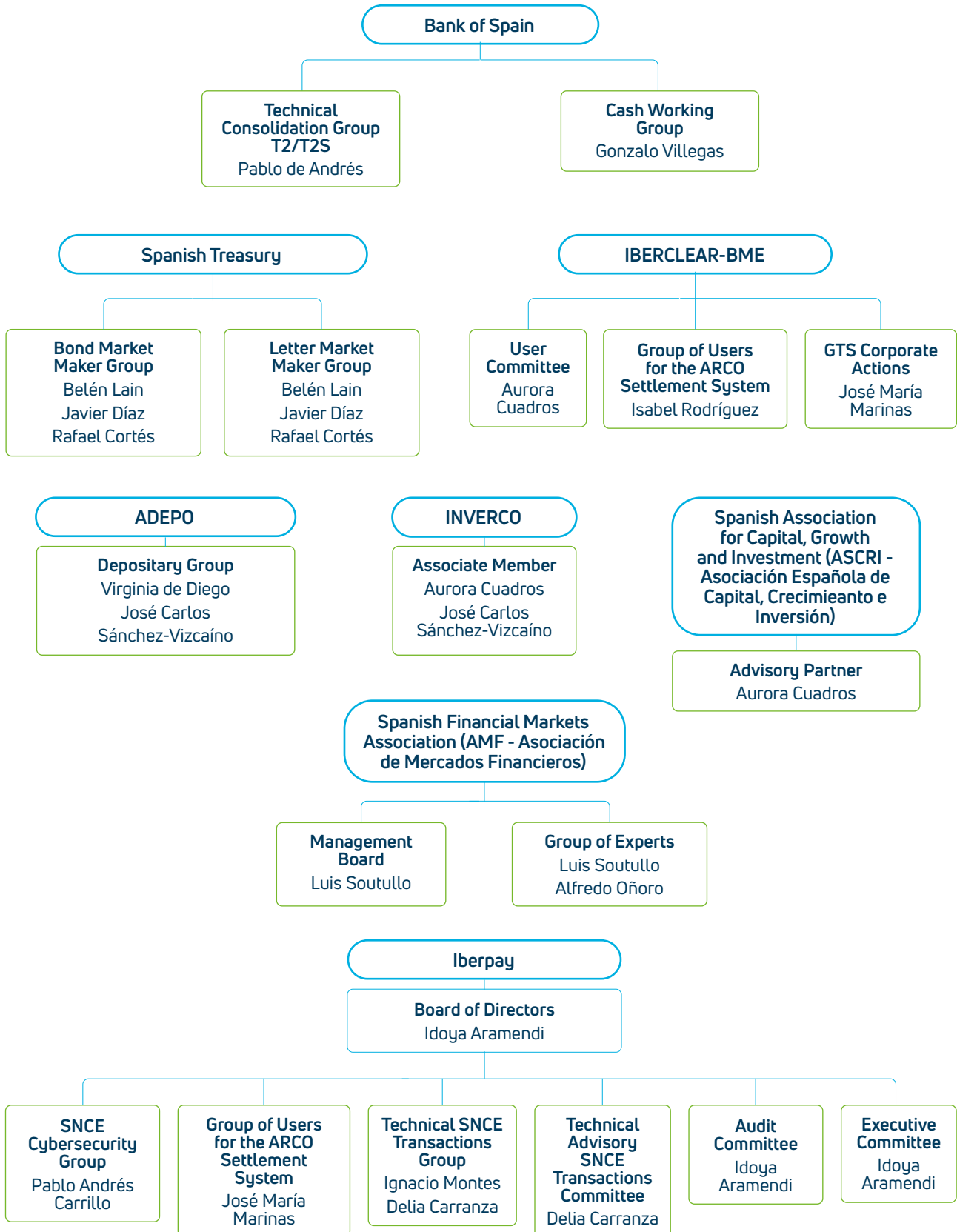


The session covered key variables affecting exchange rate hedging, as well as examples of currency hedging applied in portfolio management. Emphasis was also placed on the advantages of trading with an instrument listed on MEFF and with the guarantee of BME Clearing as counterparty.

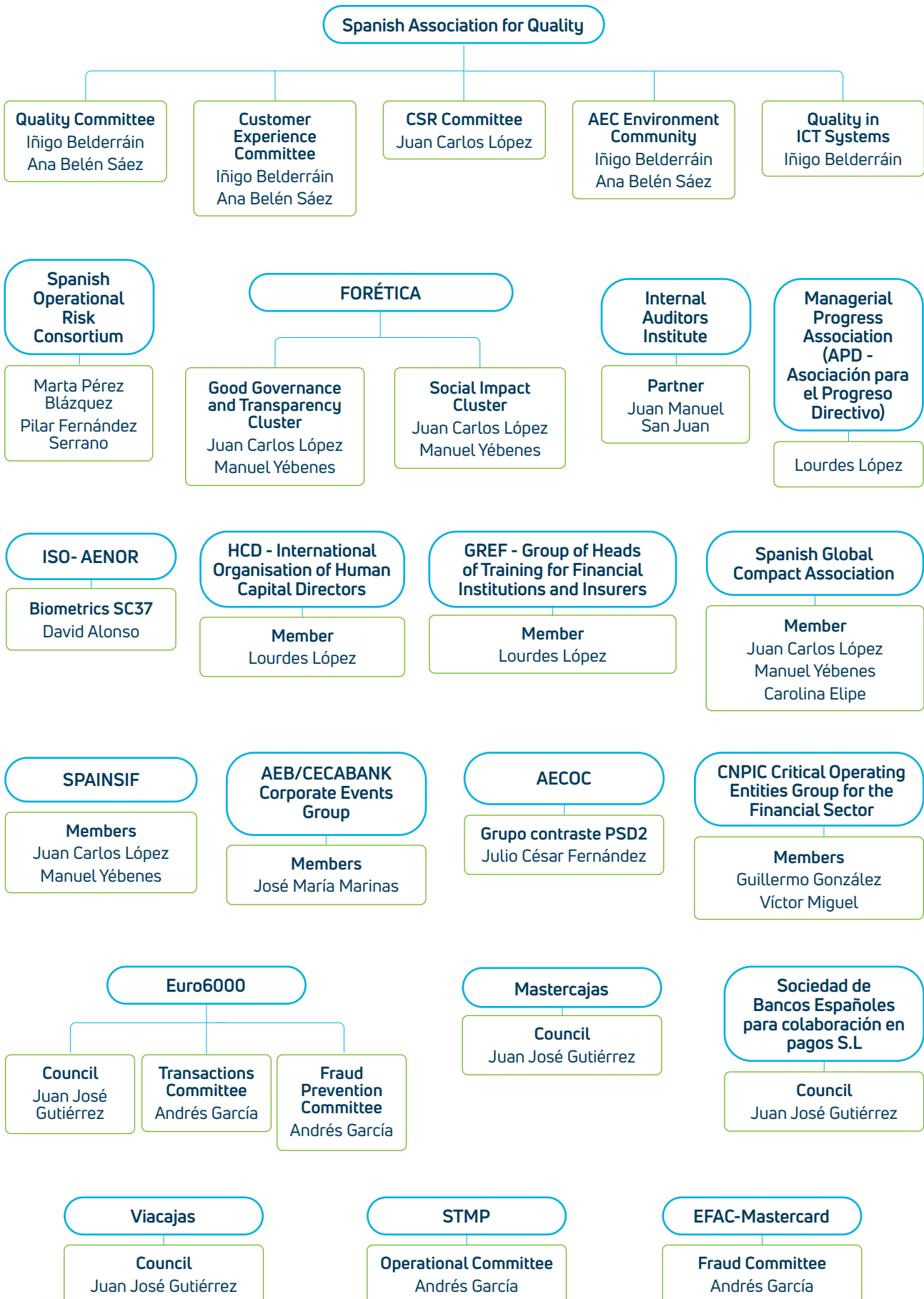
Once again, Cecabank has been a sponsor of the Spain Investors Day (SID), with the 11th edition taking place in 2021. This prestigious international economic forum brought together Spain's major

listed companies last January and was attended by H.M. the King, among other prominent figures. The conference was marked by a desire to address the challenges facing Spain. Thus, against the backdrop of COVID-19, it was stressed that this is a year of recovery and profound economic transformation, thanks, in part, to the funds coming from the *Next Generation EU* programme. Likewise, the different parties highlighted the need for a stable regulatory framework and to move towards a more sustainable and digital economic model.

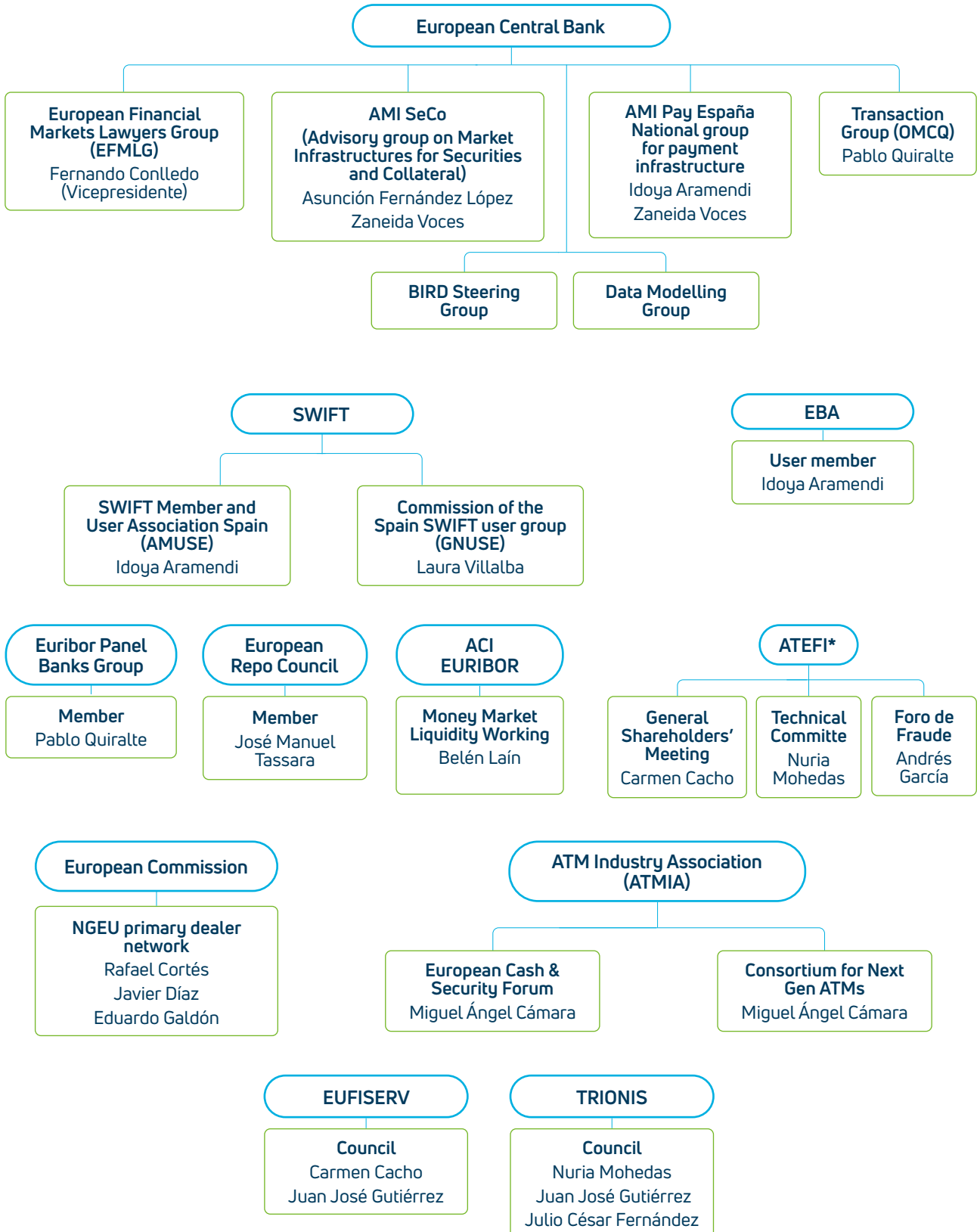
National Representation Forums



02. About Cecabank

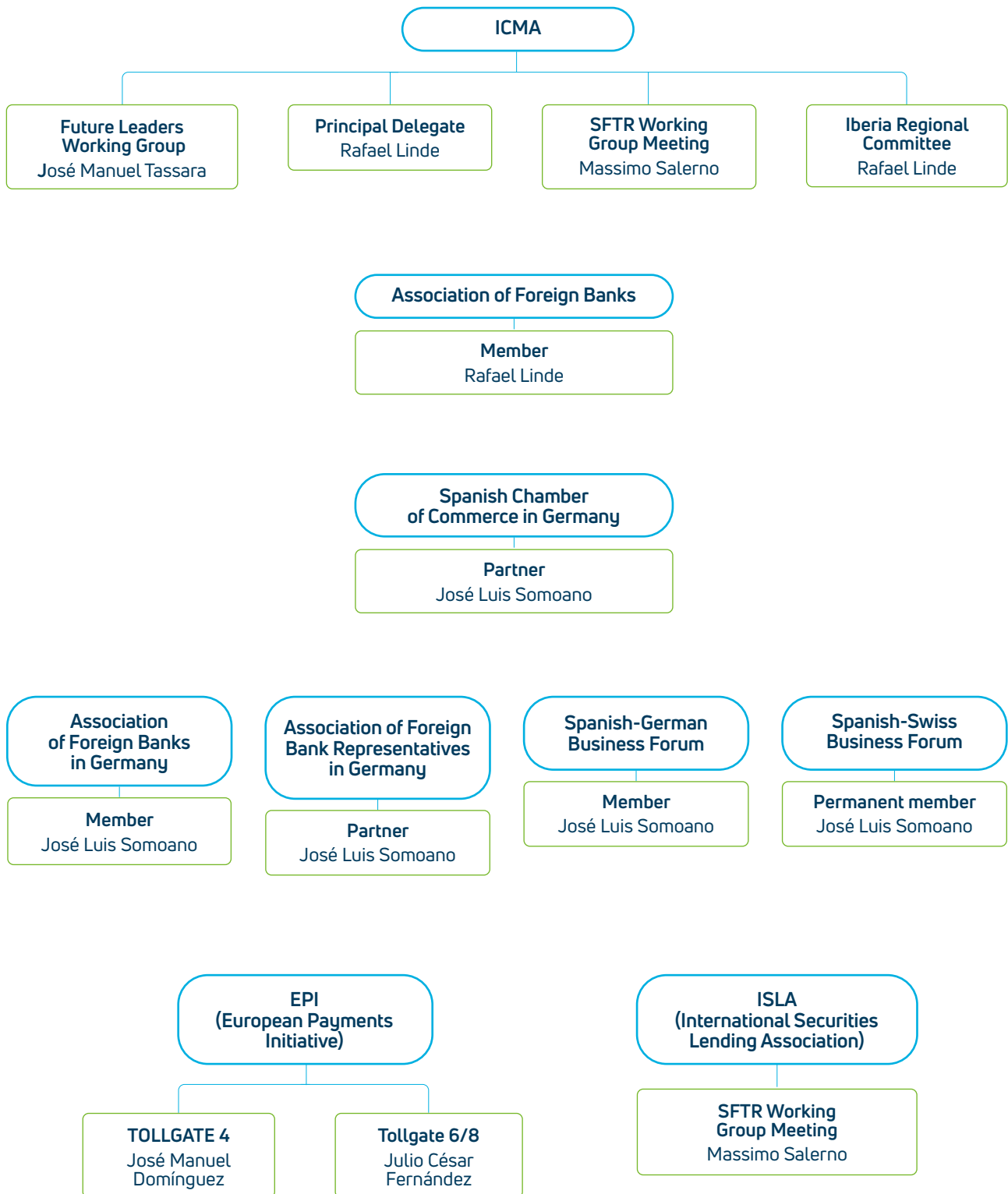


International Representation Forums



* Latin American Association of Electronic Transfer of Information Sources Service Operators.

02. About Cecabank



2.6. International Business

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



This international presence fulfils the dual purpose of extending Cecabank’s services to companies outside of Spain while relentlessly searching for trends and needs that are emerging in our industry. Subsequently, sharing this information with the bank’s other departments helps to adapt and develop our offering of services and products.

Being close to official bodies, regulators and supervisors also allows us to adapt our commercial catalogue to the current regulations, as well as to detect future outsourcing needs by other financial institutions that allow us to propose scalable solutions to our customers. During 2021, despite the difficulties caused by the delay in the recovery of trade flows due to

COVID-19, we have managed to increase the **volume of business** and, therefore, the profit from the activity of the External Network.

The bank has continued to increase the volume of international payments with existing customers channelling their cross-border payments through our Global FX Payments service. This service has comfortably exceeded its target revenue for the strategic plan completed in 2021.

The Lisbon branch continues to support the day-to-day operations of depositary services while ensuring compliance with the control and reporting obligations before supervisors and regulators.

2.7. Close of the 2017-2021 Strategic Plan

Cecabank has successfully completed the Strategic Plan launched in 2017. Initially, the plan was to run until 2020, but in view of the economic context and the uncertain environment in the financial sector in the first months of 2020, the Board of Directors approved its extension for one more year until 2021.

Despite the instability and the outbreak of the pandemic, the strategy defined at the end of 2016 has been fully valid and has successfully

achieved the objectives set. This strategy is based on three core pillars:



Strengthening recurring revenue to ensure a more cycle-resistant business model.



Increasing the customer base to reduce the impact of the sector's concentration.

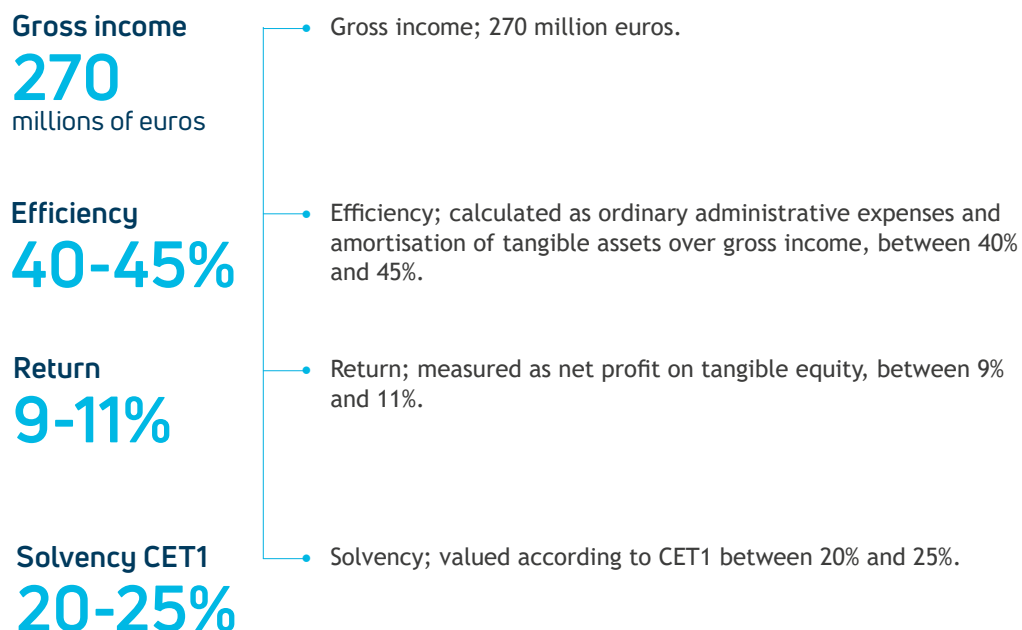


Consolidating our leadership in the Securities Services market.

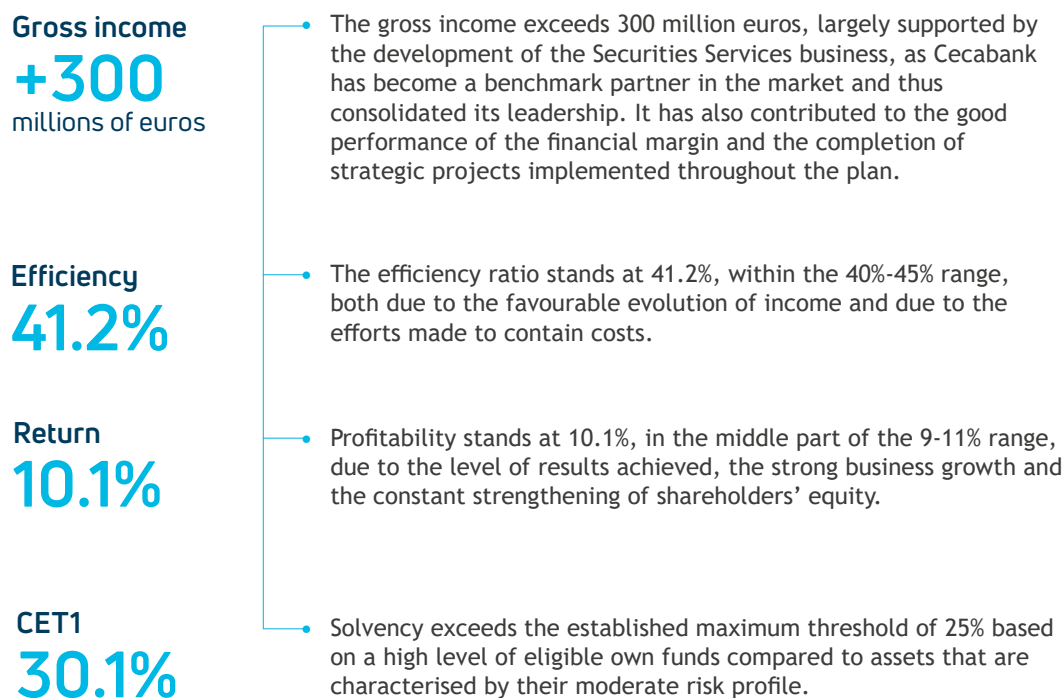


2017-2020/2021 Strategic Plan

The specific objectives defined in the Strategic Plan 2017-2020/21 were:

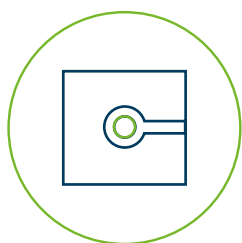


In 2021, the roll-out on this strategy has been completed, and the targets set five years ago have been achieved or even surpassed. In detail:



02. About Cecabank

The business model included in the 2017-2020/21 Strategic Plan was structured in 3 main lines, for which specific strategies were designed and implemented throughout the period:



Securities Services

Focused on maintaining leadership in the depository business through commercial action and taking advantage of business acquisition opportunities arising in the domestic market, expanding long-term relationships with existing customers, complementing the Securities Services value chain service offering and exploring opportunities to enter other markets.



Treasury management

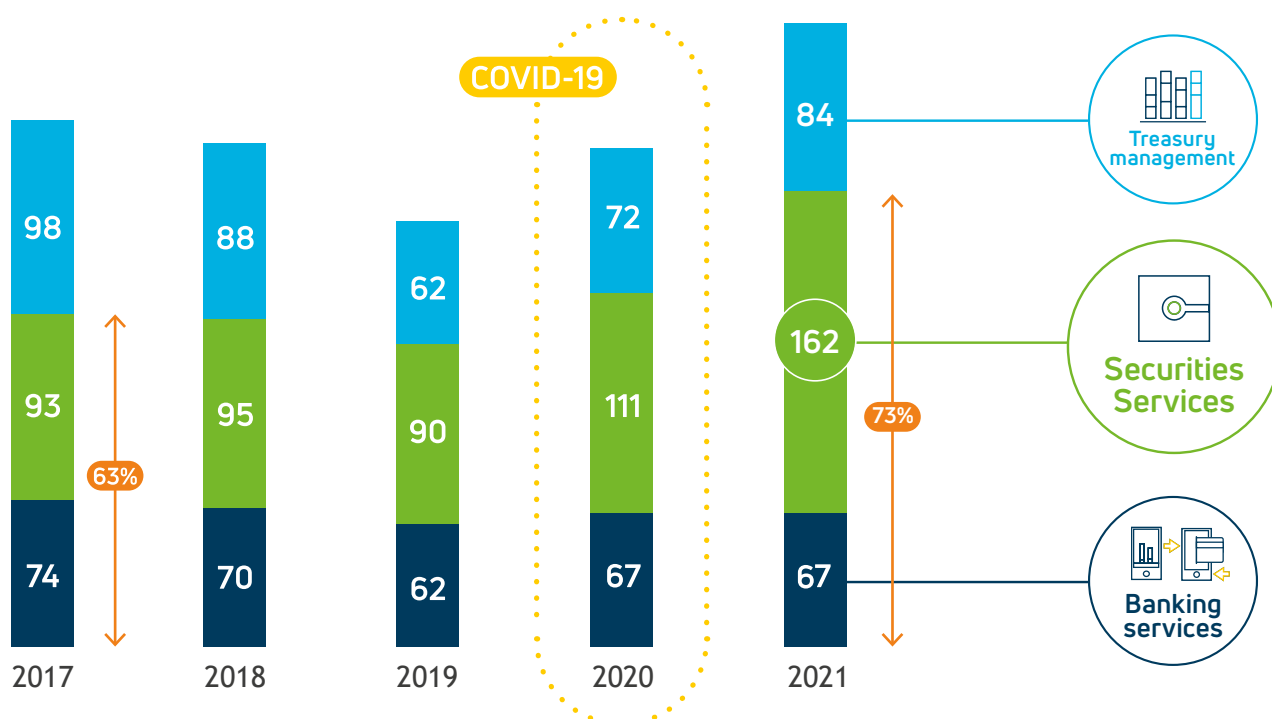
Focused on increasing profitability, despite the difficult interest rate context, supplementing the offering with new services and maintaining its leading position in the Banknote business in España.



Banking services

It provides the market with multiple solutions in a mature business conditioned by the emergence of new players and regulatory changes. The objective of this line of business has focused on capturing and increasing the degree of customer loyalty, generating economies of scale and establishing collaborative models to capture new business.


Gross income contribution of each business line 2017-2021





Does not include contribution to the SRF


02. About Cecabank

In addition, for each of the core businesses, the Strategic Plan presents different components:

- 


Services that form part of the **central scenario** of each of the three business lines and whose main objective is to uphold and consolidate traditional business.
- 


Incremental initiatives: in 2016, the bank identified a total of nine initiatives focused on business growth. Over the years, these initiatives have developed heterogeneously, and some of them have even reoriented their initial strategy to adapt to market changes and customer interests. In addition, new initiatives have been created to respond to changing market needs and new business opportunities. Over the course of these five years, initiatives have been incorporated into the services of the central scenario, others have become new services, and some will continue to be developed in the new 2022-2024 Strategic Plan.
- 


Initiatives aimed at the **cultural transformation** of the company, such as adapting spaces, talent management, agile methodologies or the digital workplace.
- 


Disruptive levers: In this section, the strategic plan provides for a continuous analysis of potential corporate opportunities.

Overall, in 2021, the evolution of following components of the Strategic Plan was notable:

- 

Central Scenario: The year has been characterised by a progressive recovery of activity levels and an economic recovery in homes and companies, leading to an increase in savings and investment. Against this backdrop, one of the main investment vehicles was investment funds, which recorded exceptional growth in assets during the year, supported by net subscriptions and portfolio appreciation, which generated higher profits from the Securities Services line. The increase in activity also benefited other services such as payments, while the Treasury Management line successfully took advantage of the fluctuations in the financial markets. All this enabled us to end the year with a gross income above the forecasts set forth in the strategic plan.
- 

Incremental initiatives have developed unevenly. Almost all of them have been closed, either as part of existing services or as new services, except for three (Crypto-asset Custody; *Securities Lending*; and Strategic Agreements on Payment Methods) which will be further developed in the new 2022-2024 Strategic Plan.
- 

In terms of **Transformation Initiatives**, over the past four years, we have worked intensively on digital transformation plans and have made significant progress in their implementation and maturity. The progress made during the first years of the plan in terms of digitalisation and transformation has been crucial to managing the COVID-19 crisis over the last two years without negatively affecting operations. In this regard, the extension of a culture focused on the customer's vision, together with measures such as remote working, virtualisation of teams, implementation of agile methodologies, use of collaborative tools and transformation of the spaces that accompany these new ways of working, have been crucial in transforming Cecabank into an increasingly agile and flexible institution, capable of adapting to any context quickly without impacting the level and quality of the service provided to our customers.
- 

With regard to **Disruptive Levers**, a total of 44 potential corporate operations were analysed across all of Cecabank's business areas throughout the strategic plan. This component of the plan will continue its course in the new 2022-2024 Strategic Plan and function as normal.

02. About Cecabank



03. People



3.1. Commitment to talent

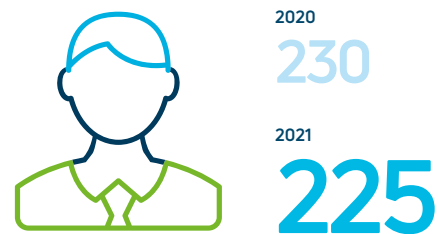
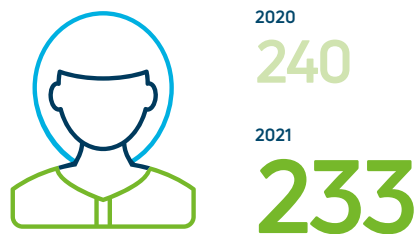
3.1.1 Our employees

One of the lines of action set forth in Cecabank’s Sustainability Plan is the responsible and sustainable management of talent.

This refers to the different policies relating to talent management set forth the equality, integration and non-discrimination policies in

the workplace. Cecabank had 458 employees in Spain and 3 in the foreign branch network (1 employee in Frankfurt, 1 employee in London and 1 employee in Lisbon) at the end of 2021.

Cecabank’s employees in Spain are broken down as follows:



3.1.2 Social benefits

Cecabank offers social benefits to its employees with a view to motivate, retain and build

loyalty among workers. The main social benefits are as follows:

- Preferential financial terms and conditions.
- Pension Plan for all staff members.
- Collective life insurance.
- Healthcare policy for staff members.
- Childcare and training allowances for children of staff.
- Allowances for employee training.
- Christmas present for the children of staff.

The investment per employee in social benefits made by the bank in 2021 amounts to a total of 1,706.80 euros.

Furthermore, since 2018 Cecabank has maintained a **flexible remuneration plan** for

staff members that allows them to purchase products and services with preferential conditions (e.g., childcare vouchers, transport cards, meal cards or medical insurance for immediate family) and in some cases with tax benefits, when tax regulations so provide.

3.1.3 Work-life Balance



Within the Human Resources Plan linked to the 2017-2021 Strategic Plan, Cecabank has encouraged the implementation of a system with flexible schedules and remote working.

Until the end of October 2021, as a result of the impact of COVID-19, remote working was the predominant method of service provision under the “Me Cuida” [Cares for Me] plan put in place by the Spanish government. In accordance with the provisions of the sectoral collective bargaining agreement, Cecabank has provided its staff members with the necessary material, as well as a financial allowance for the provision of services through remote working.

The bank signed a new remote working agreement with all employee representatives at the end of 2021. The agreement has been adapted to all requirements of the Remote Working Act; Cecabank will apply all necessary adaptations regardless of whether or not the remote working modality exceeds 30% of the workday.

This agreement also establishes the right to digital disconnect, which was first regulated by a collective agreement of Savings Banks and Financial Institutions for the period 2019-2023 and which entered into force on 3 December 2020.

Cecabank also has the Cecabank Employees’ Cultural Association or “Business Group”. The purpose of this Association is to create and organise all types of activities aimed at promoting leisure and education in members’ free time and that of their families through cultural, sports, children’s, family and tourist activities.

3.1.4 Occupational risk prevention

In accordance with applicable legislation, the responsibility for the implementation, application and integration of the Occupational Risk Prevention System falls to the company's management. At Cecabank, the resources necessary for the development of preventive activities have been organised in accordance with the External Prevention Service modality, which covers the preventive specialities of: Industrial Hygiene and Ergonomics and Applied Psychosociology, Occupational Medicine and Occupational Safety.

Cecabank has contracted the speciality of **Occupational Medicine** with the External Prevention Service of QUIRON PREVENCIÓN, S.L.U., whose activities include monitoring the health of workers in relation to occupational risks, analyses, medical examinations and epidemiological studies of the results of health examinations, with the aim of investigating and analysing potential relationships between exposure to occupational risks and damage to

health. In addition, the company has a doctor and other external personnel subcontracted by the External Prevention Service at the work centre, where it offers medical care.

Work-related injuries and occupational illnesses are covered by the mutual insurance company for occupational accidents and diseases MC Mutual.

Cecabank, within the framework of the 2017-2021 Strategic Plan, drew up the **Plan ckbe-Well**, which includes a series of actions to promote healthy behaviours and habits that seek to improve the well-being of our employees. Since its inception, a physiotherapy service has been put in place to improve health through the prevention and treatment of work-related injuries, as well as a nutrition and dietetics service for employees. Elsewhere, courses have been given at the Back School, training in healthy eating, and others.



3.2. Developing people

Cecabank’s training is aimed at promoting specialisation and the development of new professional competences.



We are driving the transformation of the bank through new working methodologies and acquiring digital skills.

In line with our philosophy of continuous improvement, we revise and adapt our training annually to meet the needs of the people who work at Cecabank, leaving them prepared to optimise customer service and meet the demands of a changing market.

The Annual Development and Training Plan incorporates different areas of knowledge that range from standards and regulations, finances, technology, digital skills and IT to management, and health and well-being.

During 2021, we have continued with a training and development plan adapted to remote working, with a greater weight of remote training and webinars, compared to face-to-face courses, which were resumed in September in compliance with the necessary safety measures.

For the second consecutive year, we have chosen to prioritise the emotional health of workers with tailored content. We have also focused on our managers, providing them with training to manage uncertainty and lead teams who work remotely, as well as skills for appropriate feedback.

At the technical level, we have worked on new programming languages and specialised training for in-house areas of Risk and Compliance, Operational Services and Legal Advising.

Cecabank also has an onboarding programme to welcome new hires. This programme brings together a series of mandatory and voluntary online training sessions on aspects such as the Code of Conduct, Cybersecurity, Occupational Risk Prevention, Energy Efficiency, Gender Equality and Diversity, among others, as well as an in-person session. The latter includes a team-building activity to work on collaboration, managing uncertainty and high-performance teams.

As another new development, the bank has signed on to the **Empowering Women’s Talent programme**, whose main objective is to raise awareness throughout the company on the richness of having a diverse workforce, as well as to promote female talent in positions of responsibility.

In addition, we have strengthened our in-company specialisation programmes by increasing the range of content on offer and demonstrating that this approach results in greater adaptation to our needs, a reduction in training hours and an increase in budget efficiency, without reducing the quality of the programmes or the level of student satisfaction.

In 2021, the company launched the **CRECE + Plan** as part of the Human Resources Transformation Plan within the current Strategic Plan. It integrates different lines with the aim of advancing the different phases of the Human Resources management cycle, favouring the growth and professional development of its employees, giving them the possibility of learning new ways of working, acquiring knowledge in different areas and enhancing their internal employability.

The incorporation of new talent, including 33 people this year, has been one of the goals of the year, attracting and integrating **new versatile and digital profiles**, with skills and competences that guarantee: excellence, innovation, commitment and enthusiasm.

3.3. Equality, diversity and inclusion

Cecabank has introduced a **Gender Equality Plan** and work-life balance measures.

In the years since 2017, the year of its modification, detailed studies have been drawn up on gender equality (wage gap, updated analysis of the situation and work-life balance measures), and work has been done on diversity training for the entire workforce.

The equality plan regulates the Equality Committee's functions, establishes affirmative action measures and includes the improvements agreed between workers' representatives and the company on balancing family and professional life.

Elsewhere, Cecabank has a protocol for action in the event of a complaint of harassment at work, sexual harassment and harassment on grounds of sex. This labour agreement was

signed by all workers' representatives and regulates, for the first time, workplace harassment.

Amongst the main goals of the Equality Plan are guaranteeing the effective implementation of the principle of gender equality, promoting the presence of the least represented gender in decision-making positions or functions, improving women's access to leadership positions, reducing inequalities and promoting the family, personal and professional life balance. In addition, it guarantees training plans that equally facilitate the development of skills and competences irrespective of gender.

Cecabank also has the following agreements on this matter:



Labour agreement on remote working and the right to digital disconnect.



Flexible schedule agreement.



Practical guide to inclusive language.



Guide to measures, assistance and benefits.



In an effort to gain recognition in this area as prescribed by the Action Plan, we successfully obtained the **Family-Responsible Company Certification**, awarded by the Masfamilia Foundation, in 2021.

Cecabank has also joined the **Diversity Charter (Fundación Diversidad)** and the **Empowering Women's Talent programme**.



3.4. Social impact

Cecabank pursues its social commitment through initiatives in line with its corporate characteristics and objectives.



Tú Eliges Award Ceremony 2021

The bank and its staff are made aware of social problems, specifically those that affect the most disadvantaged. For this reason, the bank has implemented concrete contribution actions, which also foster a sense of belonging among employees.

Cecabank annually renews its “Tú Eliges” programme, where staff members present various projects in the social, environmental or cultural field. After an internal voting process, Cecabank funds the selected projects.

On the occasion of the 7th edition of the programme in 2021, a total of 19 projects were presented by various associations (14 social, 4 environmental and 1 cultural). Cecabank showed its support with assistance worth 97,000 euros.

This edition saw 77.2% participation, which demonstrates once again not only Cecabank’s commitment to its Social Action Plan, integrated in the Sustainability Policy, but also the commitment of all its employees to promoting the well-being of society and their impact on the community.



Beneficiary associations

The finalist projects of the Tú Eliges programme are set out below

Social ALEPH-TEA 15,000 €	Social Fundación Madre de la Esperanza 13,000 €	Social Asociación Española Contra el Cáncer (AECC) 10,000 €
Social APROMAR 7,500 €	Social ACTAYS 7,500 €	Social Fundación el Arca de Madrid 7,500 €
Environment GREFA 7,500 €	Environment Fundación CBD-HÁBITAT 5,000 €	Social Fundación SENARA 5,000 €
Social Kyrios 5,000 €	Social COMUNIDAD DEL CORDERO 5,000 €	Environment Asociación Peluditos Urbanos 3,000 €
Social ADISLI 3,000 €	Social Fundación Esperanza y Alegría 3,000 €	Total Help 97,000 €



In 2021, Cecabank received the award for the social project “Empleo post covid: una oportunidad para vivir” [Post-covid employment: an opportunity to live] that, together with the Integra Foundation, has allowed 23 people in social exclusion, affected by the COVID-19, to improve their employability through a personal and employment strengthening programme. Of the participants, 45% joined the labour market at the end of the project. The project, funded by the Tú Eliges Programme, was implemented in Madrid, Barcelona and Valencia. The initiative was aimed at groups whose situation of exclusion was aggravated by the pandemic: women victims of gender-based violence, homeless people, former drug addicts, former inmates, prostitutes or trafficked women, young people at risk, among others.

03. People

We also wish to highlight the following initiatives carried out in 2021:



Humanitarian emergencies

Cecabank has maintained a collaboration agreement with the Spanish Emergency Committee since 2018. This Committee is made up of 5 NGOs (Action Against Hunger, Oxfam Intermón, Médecins du Monde, Plan International and World Vision).

The main humanitarian action this year has been the emergency campaign following the earthquake in Haiti. On 14 August, a 7.2 magnitude earthquake struck the poorest nation in the western hemisphere, killing more than 2,100 people and injuring more than 10,000: Cecabank joined the Emergency Committee’s initiative to attend to the needs of those affected by the earthquake by contributing 4,385 euros in a special campaign among employees, which, added to the same amount that Cecabank matched, brought the total amount of aid to 8,770 euros.



Solidarity Market

The Solidarity Market is a much-anticipated and much-loved event by Cecabank staff, inviting some associations and foundations known from previous years that were not able to apply for the “Tú Eliges” Programme this year. As on other occasions, the various associations and foundations were able to sell their products and developments with which they partly finance their activities. This year, we wish to highlight Fundación Bobath, Asociación Brizal and Menudos Corazones.



Both the Solidarity Market and the blood donation campaign were held on Cecabank Solidarity Day, taking advantage of the Tú Eliges Programme award ceremony.



Photography exhibition with Médecins du Monde

A photography exhibition was held at Cecabank’s facilities for the 24th Luis Valtueña International Photography Award. This initiative is promoted by Médecins du Monde and is organised with the intention of highlighting human values and denouncing all types of violations of people’s rights while recognising and celebrating quality photojournalism. The exhibition showed the loneliness and structural problems of elderly care homes in Spain, Venezuelan migration, police abuse during Chile’s peaceful demonstrations and terrorism and gender violence in Nigeria.



03. People



Blood donation campaign with Cruz Roja

On Solidarity Day, employees organised a blood donation campaign. According to the transfusion centre of the Public Health Service of Madrid and Cruz Roja, the campaign saved 69 lives.



Operation Kilo for the Banco de Alimentos food bank

Cecabank, together with the Banco de Alimentos de Madrid food bank, has put together several “Operation Kilo” campaigns in 2021. The first half of the year brought us the Emergencies Campaign for Business, while the Christmas Campaign, where Cecabank employees were able to make a charitable purchase to benefit families in need in the Community (homeless, elderly, children, unemployed, etc.), came later on. This year, employees collected a total of 7,321 euros. This amount has been doubled by Cecabank for a total of 14,642 euros, or 13,311 kg of food.



Collaboration with Banco de Alimentos de Madrid [food bank]

Cecabank has maintained a strong commitment to Banco de Alimentos food bank since its inception and has collaborated with this organisation by sponsoring “Calle Cecabank” at its headquarters, located at the San Fernando Educational Centre. Given the shared history and bond of both entities since 2020, Calle Cecabank was replaced by Avenida Cecabank, and Avenida Cecabank was changed to Plaza Cecabank, bringing immense pride to the Bank. In 2021, the company has continued its collaboration and increased the amount to 14,000 euros



Madre Coraje Clothing and Footwear container

Since 2019, the bank has mobilised a container for employees to donate clothes and shoes. More than 243 kg has been donated in 2021. This association is responsible for giving a second life to the products by donating them to communities, selling them at charity markets or handing them over to external companies in order to generate funds for social, educational and cooperation-based associations.



IT classrooms sponsored by Cecabank

The bank is committed to financial education, digitalisation and social action.

Since 2019, it has collaborated with the Sanders Foundation and the Community of Madrid in the construction of IT classrooms for this purpose. In 2021, Cecabank donated 3,000 euros to organise and maintain training sessions intended for the most disadvantaged groups in these classrooms.

The first IT classroom is at the Royal Oratory of Caballero de Gracia intended for elderly people, immigrants and the unemployed.

The second IT classroom is at the Fundación Bobath school, intended for people with varying degrees of cerebral palsy, both children and adults.

Several associations are awaiting the donation of computer equipment, a process which will be finalised in the first quarter of 2022.

04. Prosperity



4.1. Solvency

One characteristic that identifies Cecabank is its **high level of solvency**. Upholding a high level of solvency is one of the bank’s strategic goals. Its speciality in Securities Services requires these levels to maintain the trust of its customers: management companies and financial institutions.



4.2. Quality and excellence with the customer

Cecabank provides services to over 300 customers, including financial institutions, banks, management firms and other companies, extending a customer-oriented culture focused on ongoing improvement throughout the organisation.

01

During 2021, the bank has continued developing the following three lines of work:

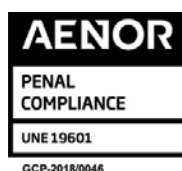
Implementing and developing quality management systems in the areas where certification carries a differential value.

In 2021, we have renewed the certification of the Pyramid Services and the Banking Training School and maintained the certification of the Securities and Depositary Services and the Collection and Payments Services, all under the criteria of standard ISO 9001:2015.

Within the four areas certified by the ISO 9001:2015 standard, Cecabank has focused further on ongoing improvement and the development of the standard’s principles beyond the fulfilment of the standard’s requirements.

In these four certified areas, we have also made progress in improving the quality management system by simplifying workflows and adopting agile methodologies.

The bank has supported and upheld certification of other certified management systems for all of Cecabank:



Criminal Compliance Management System certificate in accordance with standard UNE 19601:2017.



Energy Management System certificate in accordance with standard ISO 50001:2011.



Support has been given to obtaining certification as a Family-Responsible Company.

04. Prosperity

Cecabank has upheld its three distinctions (Compliance Measures, Extraordinary Measures and Charitable Action) offered by “Garantía Madrid” for the measures it adopted, the extraordinary commitment it demonstrated and the charitable activity it held to prevent and minimise the risks caused by COVID-19.

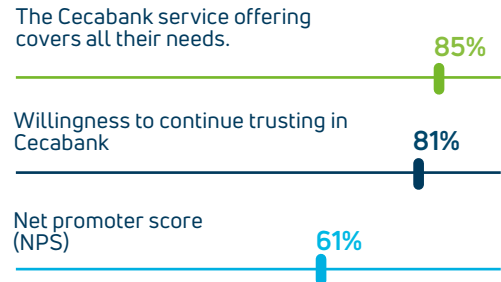
Cecabank has systematised and optimised its greenhouse gas footprint (GHG) measurement process, and AENOR carried out and verified the measurement corresponding to 2020.



02 Measuring and analysing the customer’s voice, considering customer information as a key aspect of the business when it comes to making decisions.

The bank has broadened the development and implementation of the customer experience measurement model, seeking to influence the defined and validated customer journey with our customers in order to achieve improvement plans perfectly suited to each service.

In 2021, the satisfaction rate of our customers stood at 8.4 out of 10, the Net Promoter Score (NPS) was 61%, and 81% of our customers state they will continue to trust in Cecabank for new solutions. Furthermore, 85% of our customers state that the Cecabank service offering covers all their needs.



Eighty-five percent of our customers state that the Cecabank service offering covers all their needs.

03 Draft improvement plans aimed at the quality of our processes and customer experience, as this is the basis for establishing long-lasting and trusting relationships.

The bank has reviewed the quality assessment process for services executed by suppliers to integrate it within the corporate approval and assessment processes.

In its commitment to quality and the customer experience, Cecabank is a member of the Spanish Association for Quality, having increased and diversified its activity during 2021.



4.3. Digital innovation and development

Cecabank is committed to innovation, as we are convinced that it is the way to provide differential value to our customers.

During 2021, we continued promoting innovative initiatives that were already underway. In addition, the Digitisation and Technology

Committee has continued to promote digitalisation, adoption of new technologies and innovation in the bank.

4.3.1 Innovative initiatives

Niuron



In 2021, the blockchain finance consortium Niuron organised 4 thematic conferences, alongside studies on some of the most relevant topics in the area of blockchain and cryptoeconomics:

- **DeFi Insurance Session**

This conference addressed DeFi insurance and its main applications, as well as which startups are offering the best experiences in this field.

- **Crypto Portfolio Management Session**

Participants reflected on why the ability to generate passive returns with cryptocurrencies makes these securities an element to consider when setting up investment portfolios and what could be the future of passive investment products in banking. A session was then held on the tokenisation of the economy.

- **ETH session 2.0**

During this conference, participants analysed the impact of the transition to ETH 2.0 on the Ethereum ecosystem from different perspectives (miners, business model, developer community, applications, technical and security implications, challenges, etc.), the implementation roadmap, the main expected benefits and the risks of this evolution of the open-source platform on which a large part of DeFi protocols are based.

- **CBDC (Central Bank Digital Currencies) session**

Central Bank Digital Currencies (CBDCs) have captured the interest of supervisors, regulators, policymakers and the general public in recent years. The number of central banks involved in research, piloting and even the launch of virtual coins in real production is almost 90%.

This study aimed to analyse the current landscape of central bank-issued digital currency initiatives, their founding principles, the design choices that exist and the technological substrate on which they are implemented, as well as to understand the risks and opportunities that central banks face in the delicate task of creating these new-generation monetary instruments that can have a disruptive effect on the global economy.

04. Prosperity



Agile branch

During 2021, Cecabank made progress in its process of extending agile methodologies within the framework of its cultural transformation project launched in 2018, based on the following levers of action:

01

Accompanying teams by inserting experienced agile coaches into teams to promote transformation from within.

02

Training at all levels of the bank, from general to specialised training.

Since its launch in 2019, the Agile Branch has managed to extend business agility to the teams. At the close of 2021, more than 30% of Cecabank’s staff employ agile principles in their work at different levels depending on the specific needs of each team.

One of the basic principles of the Agile Branch has been the adaptation of methodologies to Cecabank’s reality and the needs of the teams in order to **maximise their benefits in each of the areas.**

To extend the use of agile methodologies, Agile Office members work directly with team members on all the necessary components of cultural transformation.

In addition to the methodological consultancy and guidance, the Agile Office also participates in projects by providing its experience in software development and introducing improvements and latest technologies. In this respect, the following are of note:

- Implementation of automated software testing.
- Automatic deployments. Agile and automated deliverables.

ck-Lab



In 2021, ckLAB has continued to promote innovation and cooperation between entities of different profiles through its sponsorship agreement with the Spanish Fintech and Insurtech Association (AEFI - Asociación Española de Fintech e Insurtech), leading Cecabank to take part in the creation of the bank book Regtech.

The year 2021 has seen much transformation of digital banking services and especially in payments. Cecabank has participated in the European Payments Initiative (EPI) as a shareholder of the Interim Company through a consortium of Spanish banks and through the appointment of two representatives (SPOC - Single Point of Contact) for the entire Spanish banking community in the working groups on product, business and third-party relations. This participation has allowed Spanish companies working on the project to make their own decisions when participating in this European scheme.

Inizia



Work has continued throughout 2021 on Cecabank’s new, innovative investment model, which is based on driving change, diversification and disruption and continuously analyses opportunities to invest in companies through a unique programme designed to collaborate specifically with fintechs working in areas similar to Cecabank’s activity.

Our collaboration with 2Gether has been ongoing in 2021, leading to Inizia’s first strategic alliance in the design of its roadmap in the crypto-world, which also provides analysis for Cecabank in its approach to crypto-assets.

However, we have observed a decrease in the volume of viable opportunities since the second half of 2020, mainly as a consequence of the effects of the COVID-19 crisis on the fintech ecosystem. Activity levels are expected to resume pre-pandemic volumes once the situation has been stabilised.

4.3.2 Digital development

In 2019, the bank created the **Digitalisation and Technology Committee**. This body is responsible for:

- Defining and promoting within the framework of strategic plans, digitisation, the use of technology and innovation.
- Supporting the Management Committee in making decisions relating to technology strategy and investment, as well as in advising on innovation and trends in the technological field.
- Maintaining alignment with the different business units and with the Planning Area.

It has a broad representation of the different areas and promotes and supports different working groups to get all the necessary specialists involved.



4.4. Business at Cecabank



4.4.1 Economic and regulatory environment

4.4.1.1 Political context

We welcomed 2021 with the doors and windows open, airing out a virus which, for the first time, seemed to be on its way out thanks to the vaccine. A few days before, optimism had entered the home of everyone in the form of Araceli, the first Spanish woman vaccinated at the age of 96. Before us, the promise of the beginning of the end started to take hold.

However, little by little, global events cast an icy chill over our optimism. First, there were the hordes that assaulted the Capitol on January 6. Barbarism became visible in the midst of people dressed in horns and skins, who did not accept Donald Trump's defeat in the presidential elections on 3 November 2020.

Polarisation, disinformation and the loss of institutional credibility led up to Joe Biden's inauguration as the 46th President of the United States on 20 January. The Democrats arrived at the White House promising the return of the United States to global institutions. In their opinion, the beacon for liberal democracy in the world had returned.

During these days of political transition in the United States, Spain was left even more chilled by storm Filomena.

From 6 to 11 January, the streets of Madrid and the centre of the peninsula were coated in white, forcing us to go back into lockdown for a few days. Ice and unimaginable landscapes made us reflect on climate change and the impact it will have on our lives in the short term.

As the months progressed, we saw our elderly becoming the first to get vaccinated. Loneliness gave way to reunions, and we closely monitored the evolution of the numbers of vaccinated people. First doses, age ranges, self-scheduled appointments: a vocabulary that became familiar to us and that united us as a society in the fight against the virus. But in March, Delta arrived. More ice.

The new variants reminded us that the fight had not ended. We still had a long way to go. Exhausted, at times taking one step forward and two steps back, the evolution of the virus had caught us off guard.

However, economic forecasts offered hope. The global economy grew as activity resumed, the amount of people on temporary workforce reduction was dropping, and, in general, we felt a sense of optimism. Nevertheless, there were some clouds on the horizon.

04. Prosperity

First came issues in the global supply chain and, later, the shortage of raw materials and the increase in energy costs, which led to inflation.

Faced with the unknown, the world powers rushed to sow certainty through their recovery plans. The European Commission hastened to sign the *operational agreement*—contracts with the member states regulating the disbursement of *Next Generation* funds to comply with the reforms and investments—so that the funds could begin helping the battered domestic coffers of the EU-27. At the same time, the European Commission made clear its intention to make the EU a world leader in regulatory matters, taking the “one in, one out” as its slogan and strengthening its green policies by promoting the *Fit for 55* plan.

On the other side of the Atlantic, Biden announced the implementation of the Infrastructure Plan (\$1.2b) and *Build Back Better*—which still faces hurdles in the US Senate—to channel the national economy towards the ecological transition and to unite a country which is more divided than ever.

The divide grew even bigger in August with the withdrawal from Afghanistan. The ice returned, in the midst of the summer heat, as the world saw images of people whose only option was to cling to the wing of an aeroplane to escape the barbarity. Forty years on, Saigon had returned to the public’s imagery. The United States was once again experiencing a loss as painful as Vietnam. While 200,000 people escaped, many others did not have the opportunity.

But time does not stop in any part of the world. While the curtain of dictatorship fell once again in Afghanistan, just a few weeks before, citizens in Cuba and Nicaragua demanded the end of the dictatorship. Protests also spread to democracies such as Colombia amidst a feeling of lack of consensus: repression had to stop, and politics had to prevail.

The protests grew silent, but the coming years will tell whether they have dissipated. What will not dissipate is the figure of Angela Merkel. Elections were held on 26 September 2021, bringing an end to 16 uninterrupted years of Merkel in office. This represented a paradigm shift not only in German policy, but throughout the European Union: the door opened to a rebalancing of power within the EU-27.

Victory was for the socialist Olaf Scholz, who, together with Greens and Liberals, built a government with a spotlight on Orthodox

hawks such as Christian Linder, the new Finance Minister. The so-called traffic light coalition would be responsible for taking on major economic and financial challenges, such as the construction of the third pillar of the Banking Union, the EDIS. It also plans to make progress on other issues such as the reduction of Non-Performing Loans (NPLs) by banks and tax harmonisation in the EU.

It was also in September that the Cumbre Vieja volcano on the Canary Island of La Palma woke up. The rivers of lava flowed through the news cycle for days, only mitigated by other breaking news, such as the meeting between the Presidents of the United States and China. On 12 November, Biden and Xi Jinping spoke of their intention to establish a simple and direct commercial relationship which would not lead to conflict. However, US foreign policy will continue to defend Taiwan’s autonomy despite Beijing’s demands for reunification.

At the same time, China’s focus in 2021 has been on calming its appetite to be the world’s trading centre. To this end, it will invoke the figure of Marco Polo and his Silk Road so that states continue to see it as a provider of almost unlimited resources. However, it wants to put an end to the association of its products with fast-moving, low-quality consumer goods and become a hub of technological innovation.

COP26 was also held in Glasgow from 31 October to 12 November. Disagreement after disagreement, minimum commitments were made, such as reducing methane emissions by at least 30% by 2030 or the joint proposal by the US and China to increase cooperation to reduce CO2 emissions.

At the end of the year, on 22 November, a new variant was announced in South Africa: Omicron. The news reports stopped the lava flows, and the curve and the cumulative incidence was back on the air. The ice returned. Infections shot up again, and we were drawn back into some of the worst months of the pandemic. However, we began to hear talk about the loss of virulence and milder symptoms: the endemic had replaced the pandemic.

Twelve months after Araceli became the first Spaniard to be vaccinated, we welcomed the new year with open doors. We distanced ourselves so that we could continue to be together and faced new unknowns, but with the feeling that the layer of ice was less thick: the heat of science and people had not stopped melting it.



4.4.1.2 Economic framework and the state of the markets

The progress in vaccination, together with the support from economic policy, has brought about a significant improvement in the global economy in 2021. Thus, following the sharp drop in world GDP in 2020 (-3.1%), the latest forecasts by the International Monetary Fund show a significant improvement for 2021 to the tune of 5.9%.

However, the recovery has lost steam, and there has been a notable increase in uncertainty in the second half of the year fuelled by several factors. Firstly, the rapid expansion of the Omicron variant at the end of the year has led to renewed mobility restrictions in a large number of countries. Second, the so-called “bottlenecks” in manufacturing, together with the tensions in commodity markets, have led to a generalised rise in inflation to the highest levels of the last decade, especially in the US (7% in December).

In this context, the Spanish economy grew by 5% in 2021 as a whole (after shrinking by 10.8% in 2020), which was less than expected at the beginning of the year. This was mainly due to a weaker recovery of private consumption and a more negative evolution in investment, both because of the impact of bottlenecks on manufacturing and a lesser implementation of EU funds than initially expected.

In contrast to the moderate GDP growth, employment grew dramatically in 2021, with

an increase in people contributing to Social Security in December (including people under the temporary workforce reduction scheme) of 8.8% and a drop in the unemployment rate to 13.3% at the close of the year (compared to 16.1% in December 2020). But the most notable phenomenon in the Spanish economy in 2021 was the strong rise in inflation, after starting the year at rates close to zero and ending up with 6.7% rates in December. The increase in prices came from energy in the first half of the year, but from the summer onwards, higher electricity and food prices pushed up core inflation (to 2.1% in December), reflecting the pass-through of production costs to the end customer.

With inflationary pressures persisting, the major central banks hardened their stance on monetary policy at their December meetings. On the one hand, following the decision taken by other central banks (Bank of England and Norges Bank), the Fed anticipates a rise in interest rates starting in June 2022, noting the robustness of the US economy and the more persistent nature of inflation.

On the other hand, both the ECB and the Fed have announced the normalisation of their monetary policy, which entails a reduction in government bond purchases in 2022. In particular, at its December meeting, the ECB announced the completion of the Pandemic Emergency Purchasing Programme (PEPP) at the end of March and the absence of new targeted longer-term refinancing operations (TLTRO) starting in June 2022, although it will boost the Asset Purchasing Programme (APP)

04. Prosperity

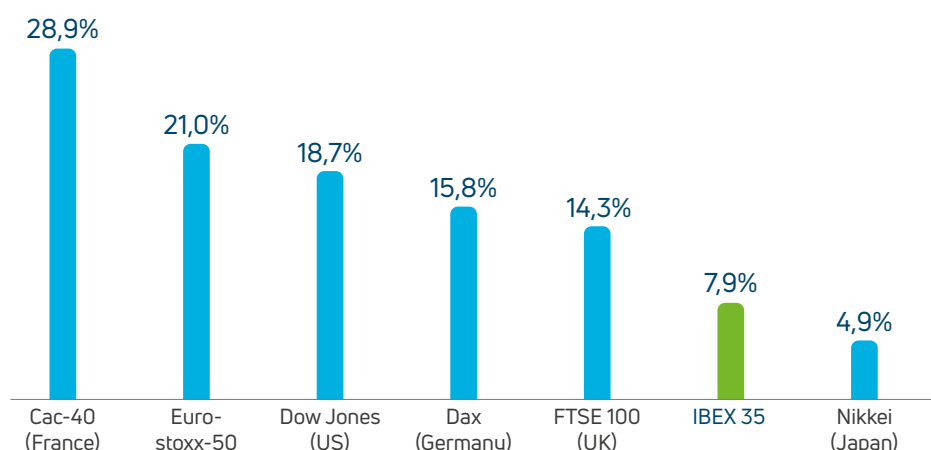
in effect since 2014, with the aim of guaranteeing adequate financing in the markets in the medium term.

Despite the heightened uncertainty caused by the expansion of the omicron variant and the tightening of monetary policy at the end of the year, the world's major stock markets closed with gains. In the United States, stock markets have been driven by technology stocks and the recovery in corporate earnings, leading the Dow Jones to post a 19% gain for 2021 as a whole. Similarly, European stock markets ended the year up across the board, with the Eurostoxx gaining 21%: The biggest gains were found in the French CAC 40 (28.9%), followed by the German DAX (15.8%)

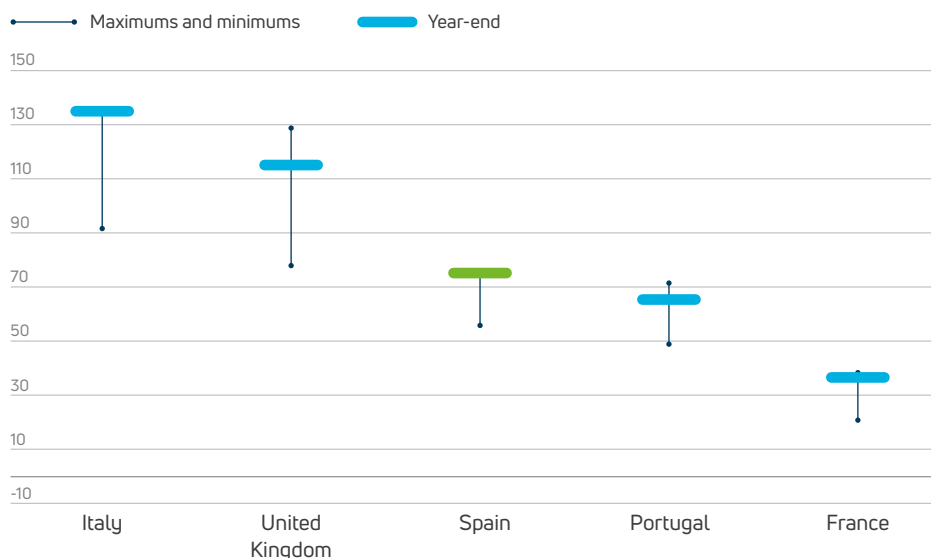
and the British FTSE (14.3%). For its part, the IBEX 35, where we see a strong weighting of cyclical stocks such as tourism and banking, ended 2021 with gains, but below the main European indices and far from the 10,000 points recorded before the pandemic.

In the bond markets, after a year of some stability, yields on the main sovereign bonds rose across the board in the final stretch of the year. In the US, the yield on the 10-year bond rose above 1.5%, while the German bond closed the year close to positive territory with a yield of -0.1%. In Spain, the yield on the 10-year bond sits above 0.5%, and the risk premium recorded annual highs in December, sitting slightly above 70 b.p.

International share indexes. Annual performance in 2021



Risk premiums compared to Germany. Evolution in 2021








4.4.1.3 Regulatory Agenda

The main events in the regulatory framework in 2021 were the following:









Nacional

Q1

- 
Royal Decree-Law 1/2021, of 19 January, on the protection of consumers and users in situations of social and economic vulnerability.
- 
Bank of Spain Circular 1/2021, of 28 January, amending Circular 1/2013, of 24 May, on the Central Credit Register and Circular 5/2012, of 27 June, to credit institutions and payment service providers on transparency of banking services and responsibility in the granting of loans.
- 
Bank of Spain Circular 2/2021, of January 28, amending Bank of Spain Circular 8/2015, of 18 December, to the institutions and branches assigned to the Deposit Guarantee Fund for Credit Institutions, on information to determine the calculation base of the contributions to the Deposit Guarantee Fund for Credit Institutions.
- 
Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in response to the COVID-19 pandemic.
- 
Law 2/2021, of 29 March, on urgent prevention, containment and coordination measures to deal with the health crisis caused by COVID-19.

Q2

- 
Law 5/2021, of 12 April, amending the consolidated text of the Capital Companies Act, approved by Royal Decree-Law 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.
- 
Circular 1/2021, 25 March, of the National Securities Market Commission, on accounting standards, annual accounts and financial statements of Investment Services Companies and their consolidable groups, Management Companies of Collective Investment Institutions and Management Companies of Closed-Ended Entities.
- 
Royal Decree-Law 6/2021, of 20 April, adopting supplementary measures to support businesses and the self-employed people affected by the COVID-19 pandemic.
- 
Royal Decree-Law 7/2021, of 27 April, transposing EU directives in the areas of competition, prevention of money laundering, credit institutions, telecommunications, taxation measures, prevention and remedy of environmental damage, sending workers to provide transnational services and consumer protection.
- 
Bank of Spain Circular 3/2021, of 13 May, amending Circular 5/2012, of 27 June, to credit institutions and payment service providers on transparency of banking services and responsible lending as regards the definition of the Euro short-term rate reference rate (€STR).
- 
Law 7/2021, of 20 May, on climate change and energy transition.

Q3

- **Royal Decree-Law 16/2021**, of 3 August, adopting social protection measures to address situations of social and economic vulnerability.

Q4

- **Circular 2/2021, of 28 September**, of the Spanish National Securities Market Commission, on statistical information requirements for the European Union's money market funds.
- **Circular 3/2021, of 28 September**, of the National Securities Market Commission, amending Circular 4/2013, of 12 June, which establishes the models for the annual remuneration report for directors of listed public limited companies and members of the board of directors and the supervisory committee of savings banks that issue securities admitted to trading on official securities markets; and Circular 5/2013, of 12 June, which establishes the models for the Annual Report on Corporate Governance of listed limited companies, savings banks and other entities that issue securities in official securities markets.
- **Royal Decree-Law 21/2021**, of 26 October, extending social protection measures to address situations of social and economic vulnerability.
- **Royal Decree-Law 24/2021**, of 2 November, on the transposition of European Union directives in matters related to covered bonds, cross-border distribution of collective investment undertakings, open data and re-use of public sector information, exercise of copyright and related rights applicable to certain online transmissions and to radio and television broadcasts, temporary exemptions for certain imports and supplies, for consumers and for the promotion of clean and energy-efficient road transport vehicles.
- **Royal Decree 970/2021**, of 8 November, amending Royal Decree 1644/1997, of 31 October, on the rules for administrative authorisation and solvency requirements for counterguarantee companies; Royal Decree 2660/1998, of 14 December, on the exchange of foreign currency in establishments open to the public other than credit institutions; and Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions.
- **Royal Decree-Law 27/2021**, of 23 November, extending certain economic measures to support the recovery.
- **Royal Decree 1041/2021**, of 23 November, amending Royal Decree 2606/1996, of 20 December, on deposit guarantee funds for credit institutions; and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment services companies, and amending Royal Decree 2606/1996, of 20 December, on deposit guarantee funds for credit institutions.
- **Bank of Spain Circular 4/2021**, of 25 November, to credit institutions and other supervised institutions, on model confidential statements on market conduct, transparency, customer protection and recording complaints.
- **Bank of Spain Circular 5/2021**, of 22 December, amending Circular 2/2016, of 2 February, to credit institutions on supervision and solvency, completing the adjustment of Spanish legal order to Directive 2013/36/EU and EU Regulation no. 575/2013.
- **Bank of Spain Circular 6/2021**, of 22 December, amending Circular 4/2017, of 27 November, to credit institutions on public and confidential financial reporting standards and model financial statements; and Circular 4/2019, of 26 November, to financial credit institutions on public and confidential financial reporting standards and model financial statements.

04. Prosperity



International

Q1

- 

Commission Regulation (EU) 2021/25, of 13 January 2021, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16
- 

Regulation (EU) 2021/168 of the European Parliament and of the Council of 10 February 2021 amending Regulation (EU) 2016/1011 as regards the exemption of certain third-country spot foreign exchange benchmarks and the designation of replacements for certain benchmarks in cessation, and amending Regulation (EU) No 648/2012.
- 

Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.
- 

Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021 amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries and Directive 2004/109/EC as regards the use of the single electronic reporting format for annual financial reports, to support the recovery from the COVID-19 crisis.
- 

Directive (EU) 2021/338 of the European Parliament and of the Council of 16 February 2021 amending Directive 2014/65/EU as regards disclosure requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms in order to contribute to the recovery from the COVID-19 crisis.

Q2

- 
Regulation (EU) 2021/557 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation to help the recovery from the COVID-19 crisis.
- 
Regulation (EU) 2021/558 of the European Parliament and of the Council of 31 March 2021 amending Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis.
- 
Commission Delegated Regulation (EU) 2021/923, of 25 March 2021, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive.
- 
Decision (EU) 2021/1074 of the European Central Bank, of 18 June 2021, on the temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic and repealing Decision (EU) 2020/1306 (ECB/2021/27).

Q3

- 
Commission Regulation (EU) 2021/1080, of 28 June 2021, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 16, 37 and 41, and International Financial Reporting Standards 1, 3 and 9.
- 
Commission Delegated Regulation (EU) 2021/1253, of 21 April 2021, amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms.
- 
Commission Delegated Regulation (EU) 2021/1255, of 21 April 2021, amending Delegated Regulation (EU) No 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Administrators.
- 
Commission Delegated Regulation (EU) 2021/1257, of 21 April 2021, amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products.
- 
Commission Delegated Directive (EU) 2021/1269, of 21 April 2021, amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations.
- 
Commission Delegated Regulation (EU) 2021/1270, of 21 April 2021, amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS).
- 
Commission Regulation (EU) 2021/1421, of 30 August 2021, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 16.

Q4

- 

Commission Implementing Regulation (EU) 2021/1847, of 14 October 2021, on the designation of a statutory replacement for certain settings of CHF LIBOR.
- 

Commission Implementing Regulation (EU) 2021/1848, of 21 October 2021, on the designation of a replacement for the benchmark Euro overnight index average.
- 

Commission Regulation (EU) 2021/2036, of 19 November 2021, amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17.
- 

Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU.
- 

Regulation (EU) 2021/2259 of the European Parliament and of the Council of 15 December 2021 amending Regulation (EU) No 1286/2014 as regards the extension of the transitional arrangement for management companies, investment companies and persons advising on, or selling, units of undertakings for collective investment in transferable securities (UCITS) and non-UCITS.
- 

Directive (EU) 2021/2261 of the European Parliament and of the Council of 15 December 2021 amending Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS).
- 

Commission Delegated Regulation (EU) 2021/2139, of 4 June 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.
- 

Commission Delegated Regulation (EU) 2021/2178, of 6 July 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

4.4.2 Lines of business



4.4.2.1 Securities Services

Cecabank closes another year as the main provider of Securities Services in Spain. Its differential position is based on **independence**, as it does not belong to any banking group with an integrated management company, meaning all customers receive the service of a depository with optimised management of conflict of interests; on **neutrality**, as it does not have end customers, nor does it sell investment products; and on **specialisation**, focusing its efforts on services where it brings greater added value to its customers.

Cecabank ensures that **excellence and quality of service** continue to be one of the foundations of its Securities Services unit. This has been recognised for the fifth consecutive year by the magazine Global Banking & Finance Review, which named Cecabank Best Custodian Bank 2021 Spain.

Furthermore, and as a result of this effort to offer its customers the best service, Cecabank holds **AENOR certification** for Collection and Payment, Securities and Depository Services, in accordance with the criteria of standard ISO 9001:2015, and for the Information Security Management System for SEPA Direct Debits and Transfers, in accordance with the criteria of standard ISO 27001:2014.

Cecabank has a recognised and outstanding degree of experience in the **field of regulations**. There are two core goals to the regulatory wave of recent years: to unify the rules of collective investment, and thus increase the shareholder's protection and the sector's transparency.

The aim of the current financial regulations is to simplify the management of banking crises and minimise their impact on public finances (BRRD). The existence of a depository, especially if it is independent, enables company assets to be clearly separated from their customer's assets. This favours the interests of investors in the event of crises.

Our presence in all national and international specialised forums and our experience in the market help us provide added value to our customers and keep a close collaboration with the authorities in implementing the new regulation. Following on from this, the bank is represented on:

- The Technical Advisory Committee of Iberclear.
- The Securities Committee, AEB and CECA.
- The CLR Group (CNMV).
- The Bank of Spain - AMI-SeCo Group.
- European Central Bank AMI-SeCo (Advisory Group on Market Infrastructures for Securities and Collateral).
- European Savings Banks Group (ESBG) - Group of Securities Experts.
- Securities Market Practices Group.
- European Committee for Standardisation.
- Crypto Technology EBA Group.



04. Prosperity

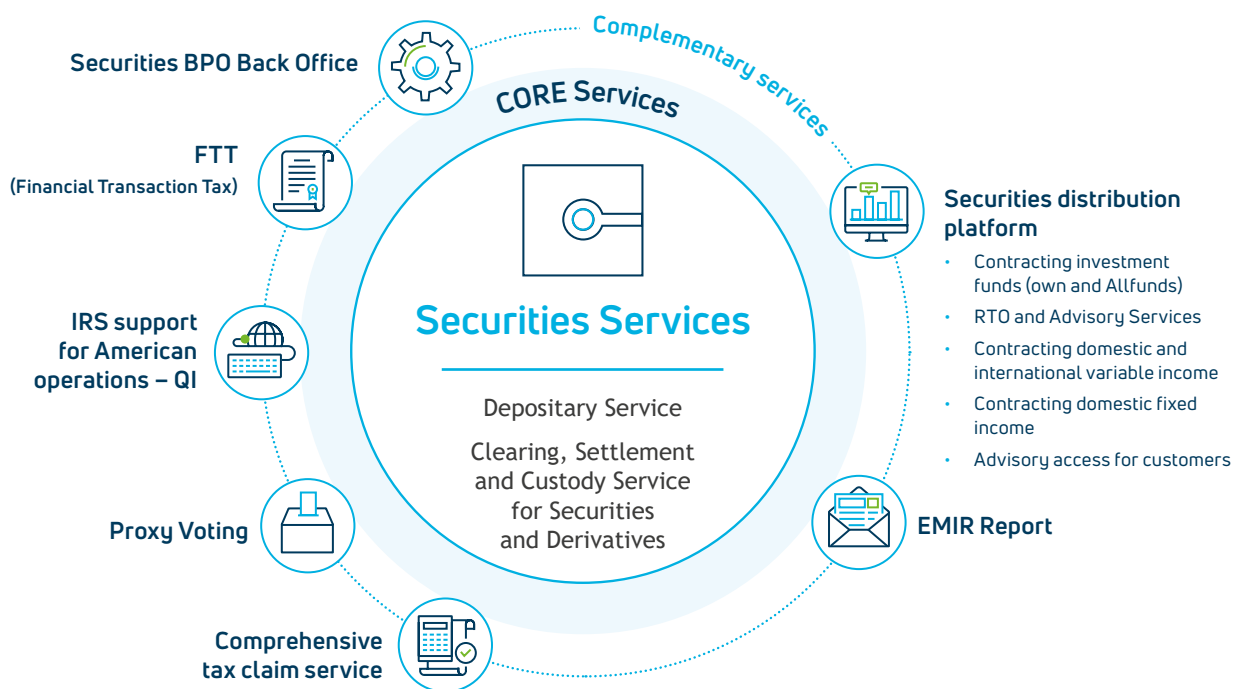


The Securities Services business has focused on boosting innovation with operational and regulatory changes and new technologies that make processes more efficient and suited to customers' needs. Custodians and depositaries must face a new reality and undertake a digital transformation process aimed at **increasing transparency** towards employees, suppliers and customers and adapting their products to

the new needs. Given its importance, Cecabank has successfully undertaken a major **digital transformation of its Securities Services** business, thus **strengthening its value chain** by taking advantage of the opportunities presented by the new market realities and **providing innovative solutions** that respond to the needs of its customers.

In 2021, the following are noteworthy:

- Securities distribution platform, which responds to the requirements established by MiFID II for the marketing of assets on the network and which affects how transactions are arranged and executed in the market, how professionals are trained or the tools used to communicate with customers. We have expanded the customer base and continued to develop commercial action with Investment Services Firms (ESIS - Empresa de Servicios de Inversión), by offering the different services available to us, especially the Portfolio Management Support service. Cecabank offers a series of advantages in each of the outsourcing solutions designed for the different phases of the operational flow that exist in the sale of securities.
- With regard to the **Securities BPO** service, Cecabank has specialised in the provision of services related to the outsourcing of securities service administration tasks linked to the activity of National and International Securities Settlement, Brokerage and Paying Agent services and which include functions derived from the clearing, settlement and custody of securities and other related value-added services.
- Proxy voting is also offered for securities deposited on any market in the world; tax accreditation and tax claims services, based on automated processes through Robotic Process Automation (RPA) and the portfolio management support service through tri-party accounts including the option of digital onboarding.



04. Prosperity



- In the course of the year, the following Securities Services customers joined or extended their business relationship with us: Bankia and its managers, CaixaBank and Vidacaixa, Bankoa, Fineco, Santa Lucía Vida y Pensiones, as well as various management companies, agencies and securities firms.



1. Depositary

At Cecabank we offer our customers, CII and pension funds management companies (individual, associated and employment systems), venture capital firms and voluntary social welfare entities the experience of Spain's leader in depositary services.

We support management companies and marketers in the areas of regulations, operations and business, all on first-rate technological infrastructure, which combines efficiency, solidity, continuity and innovation.

Throughout 2021, the accumulated growth of the sector's assets sat at 15.86% and was favoured by the exceptional performance of the financial markets at the end of the year, which allowed Investment Funds to close the year at 317,545 million euros, 43,501 million euros more than at the end of 2020. In the year as a whole, the market effect contributed 40% of the increase in fund participants' assets.

The assets deposited at Cecabank grew by more than 60,600 million euros this year, reaching a volume of 213,664 million. The main reason behind the increase is the capture of new customers, as happened in February with the incorporation of Bankia's assets and which has continued with the entry of Bankoa, Fineco and several fund Administrators. In addition, the evolution of assets has been favoured by the exceptional performance of the investment fund and pension fund markets in 2021, as they saw significant revaluations in their securities portfolios and became one of the favourite financial instruments for channelling investors' savings against the backdrop of low interest rates.

Cecabank continues another year as the leading national independent depositary for collective investment institutions, pension funds and ESPVs (Voluntary Social Welfare Entities).

Main figures - December 2021

Assets deposited

213,664

millions of euros

Shared by

1,135

(CII-PF-VCF-VSWE)

Managed by

42

companies

2021 Main milestones

01

Transfer of the Bankia group's depositary business → has gone down as one of the largest transfers in a single process in the bank's history.

02

The depositary for Santa Lucía Vida y Pensiones, Bankoa and Fineco has been incorporated.

03

In December, Novo Banco's business was incorporated after its integration into Abanca.



2. Securities custody and settlement

For another year, in 2021, Cecabank continues its leadership as a supplier of settlement and custody services in the Spanish market.

2021 Main milestones

01

The migration of portfolios of **VidaCaixa Seguros** and Unit Linked, as well as the entry of the **CaixaBank US** fixed-income custody.

02

With regard to the **Securities BPO service**, Cecabank has specialised in the provision of services related to the outsourcing of securities service administration tasks, linked to the activity of National and International Securities Settlement, Brokerage and Paying Agent services and which include functions derived from the clearing, settlement and custody of securities and other related value-added services.

03

Proxy voting is also offered for securities deposited on any market in the world; tax accreditation and tax claims services, based on automated processes through Robotic Process Automation (RPA) and the portfolio management support service through tri-party accounts including the option of digital onboarding.

04

There has been a significant increase in the volume of assets held by Wealthtech companies.

05

With regard to the incremental business of **Support for Portfolio Management**, there has been a substantial increase in the volume of the operation.

Main figures - December 2021

Assets under custody above

297,600

millions of euros
(Including own portfolio)

No. of settled operations

1.8
million

Domestic market

742,013

International Market

1,054,864

Assets held in custody

(by cash value expressed in euros)

Domestic market

Equity

19,448
million

Public Debt and Private Fixed-Income-AIAAF

69,133
million

International Market

Fixed Income and Equity

206,339
million

04. Prosperity



3. Assets Distribution Platform

The Assets Distribution Platform is Cecabank’s response to technological changes and operational needs of a new reality that **completes the Security Services value chain**, built through an ecosystem of leading partners on the market to support our customers in their digital transformation processes and market actions. Cecabank has set up a global, flexible, adjustable, agile and efficient solution, which seeks to boost the business model of our customers and, in turn, provide them with most advanced technological and operational tools on the market.

In 2021, we have grown the Comprehensive securities solution on the platform, a service that meets the requirements established by MiFID II for the marketing of assets on the Internet and affects how transactions are arranged and executed in the market, how professionals are trained and the tools used to communicate with customers. This year we have expanded our customer base, in addition to deepening and continuing to develop our commercial activities with Investment Services Firms, offering the different services we have available, especially the Portfolio Management Support service.

4. Settlement of Derivatives in Organised Markets

Cecabank provides its customers with access to the settlement of futures and options, offering an efficient and automated management thereof. This activity is aimed at customers that require access to these products in different currencies and in different types of underlying assets: fixed income, equity, currency, indexes and interest rates.

Cecabank is an Individual Clearing Member of BME Clearing for the Derivatives segment and has access to international markets through agreements signed with Global Clearers. Among the services offered are the delegation of EMIR reporting, the management of execution fees and currency management.

Main figures - December 2021

Number of contracts settled

Over

6.5

million contracts settled

Operational accounts

2,091



4.4.2.2 Treasury Management



1. Financial Markets

The Trading Room carries out operations on the main domestic and international (public and private) bond, currency, equity and derivatives markets. Operations are always carried out according to our guidelines which guarantee a high degree of both liquidity and solvency. Furthermore, Cecabank is the Spanish Treasury Public Debt market maker,

participating actively in tender processes and providing liquidity for the secondary market. In addition, it has been added as a member of Market Makers appointed by the EU to assist in debt issuance under the Next Generation EU programme. The bank is a direct member of the main Central Counterparty Clearing Houses (Meffrepo, LCH Paris and Eurex).

The following milestones are of note for 2021:

01. **Intense activity in the markets**, bringing liquidity and supporting securities and assets during episodes of high volatility. Some members of the corresponding department were present at all times during this activity in order to strengthen security and speed up certain processes.
02. Progress on its path to **innovation and digitalisation**. Its solutions include arrangement of FX operations (SICE platform) or arrangement of Fixed Income (Online).
03. **Improved liability management** to adapt to current interest rate levels and ongoing changes in benchmark indices both in euro (discontinuation of the EONIA) and in other currencies (discontinuation of several IBOR indexes).
04. **Sorting customers** according to type, with an increasing number of non-traditional customers or customers who do not deposit with Cecabank, both in terms of number and income. We offered them a wide range of customised solutions. Large corporations and fund Administrators are particularly noteworthy in this regard.
05. The brokerage business continues to grow, especially in FX where Cecabank is one of the **main providers in the Spanish market**, increasing volume by 20% and providing greater stability and recurrence in revenues and commissions.
06. Commencement of market maker trading in futures in organised markets (BME) of the xRolling FX product.
07. Cecabank's Treasury Management continues to **stand out for its presence in the different forums, working groups and markets**, both domestic and international, allowing it to prepare quickly for the coming changes and to improve the service offered to customers.

04. Prosperity



2. Equities Sales

Brokerage of equities for institutional customers in the main global markets through operational circuits that rely on the infrastructures of global investment banks, providing the desk with the latest technology and adaptation to the requirements of MiFID II. This consolidation has been confirmed by its success in achieving ranking among the 5 largest equity intermediaries in BME in some quarters.



3. Debt Capital Markets

Cecabank has continued to support the refinancing processes of several autonomous communities with which it maintains bilateral operations, both for the short and long term, and took part in the open process to provide the Deposit Guarantee Fund with an extraordinary mechanism for access to liquidity to tackle exceptional market situations.

4. Banknotes

Cecabank is the market leader in Spain for wholesale foreign banknotes in Spain, and we provide services to almost all the country's financial institutions. The bank has a wealth of experience in securities logistics and transportation, at both a national and international level. Thanks to our logistics structure and economies of scale, we can offer customers a highly flexible, top-quality service adapted to their every need. Throughout 2021, Cecabank has accompanied its customers in the gradual recovery of activity by buying and selling foreign currency daily, regardless of the restrictions on mobility. Cecabank takes care of the transport, handling and insurance process, meaning the bank's customers have total flexibility for requesting any type of service and can even ask Cecabank to directly deliver banknotes to their branch network or to take them away, with the corresponding cost savings and improvement in service quality. Over 12,000 bank branches are currently served directly by Cecabank this way.





4.4.2.3 Payments

Cecabank offers flexible and innovative solutions for processing card, e-commerce and mobile payments, backed by more than 30 years’ experience. Its status as a bank guarantees the highest standards of security and regulatory compliance.



1. Card Payment Processing Solutions

Cecabank offers services that cover the entire card payment chain with the necessary quality and customisation, providing added value and efficiency where required, together with the customer’s strategic vision as a partner and companion on the same journey through innovation and change.

During 2021, Cecabank’s has put into production the first entities under the strategic agreement with VISA—an alliance whereby banks and fintechs can process all or part of their transactions through the Visa network—such as Singular Bank for the issuance of its cards or Divilo or Pecunpay in acquiring. Through this agreement, Cecabank has also started to process operations for Abanca Portugal, and it is expected that entities from both the fintech world and the traditional banking sector will continue to join next year.

In the same line of collaboration with the main players in the payment market, Cecabank reached an agreement in 2021 with Diebold-Nixdorf, a leading technology company in financial self-service.

Thanks to this alliance, banks will be able to completely outsource their ATM networks by means of a service that includes each and every one of the elements required by this channel (ATM as a Service): the availability and distribution of cash, the national and international processing of ATM transactions, an acquisition solution (includes the financial application that is loaded on the ATM and remote management application for these ATMs) with all the usual functions available on these devices (such as cash withdrawal, PIN change, cash deposit or balance enquiries) and a family of ATMs that can be easily updated and are future-proofed. This service also offers the **highest standards of security and regulatory compliance** as required by the self-service channel and in which Cecabank, as a banking institution, provides fundamental knowledge and guarantees.

Similarly, Cecabank has continued to incorporate the latest features to the national payment scheme (STMP - Sistema de Tarjetas y Medios de Pago S.A.) and the **Plazox** financing solution at the point of sale, both in person and online. Work is already underway with banks to adapt their systems to the 8-digit BIN changeover in 2022.

During 2021, work continued on improving the acceptance rates for e-commerce transactions under the security standards established by PSD2 and the 3DS 2.2 protocol. Thanks to the application of Transaction Risk Analysis (TRA), supported by its proprietary fraud monitoring tool, the entities served by Cecabank have achieved ratios of over 40% of frictionless purchases.

04. Prosperity



Cecabank, as a provider of e-commerce solutions under the main market standards and certifications, has renewed PCI DSS and PCI PIN certifications for its services in 2021, reflecting

Cecabank's commitment to compliance with the security requirements set forth by the industry.

Main figures - December 2021

Close to
1,100
billion
transactions processed

More than
7
million
cards issued

110,000
businesses processed

An average amount of
130
million settled daily

Availability of
99.98%
of systems



2. Instant Payment Processing Solutions and Bizum

In the field of Digital Payments, 2021 has been a year of **consolidation and growth in all forms of immediate digital payments**, especially with regard to the Bizum P2P payment service, which has become a standard in the Spanish market for person-to-person payments. In addition, this payment mechanism is being progressively extended to e-commerce payments and has also underscored its potential for use in payment and collection of prizes in lottery administrations.

Cecabank has continued to address changes to its platform to guarantee the best availability and performance of services that give rise to these increases in volume. In 2021, there have been 92 million Bizum payments and a 50% increase in registered users.

During 2021, significant developments were made:

- Development and incorporation of entities into the ECB TIPS platform for immediate cross-border payments.
- Implementation of the payment and collection of lottery winnings via Bizum
- Implementation of the C2er modality, which allows for the use of Bizum in e-commerce in all the entities processed.

- Change of settlement from TARGET account to TIPS account.
- The project to migrate Bizum transactions from the ASI4 platform to the LTR platform, which is scheduled to go into operation in the first quarter of 2022.

Meanwhile, Cecabank's service has continued to grow with the incorporation of new companies that began operating in 2021:

- On the iSCT ASI4 Instant Transfer Gateway: Caixa Guissona.
- On the TIPS Gateway: Caja de Ingenieros, Caixa Onlieutenant, Caja Almendralejo, Caixa Guissona and Banca Pueyo, in addition to Cecabank itself.
- On the Bizum service: Caixa Guissona.



3. Payment Infrastructures and Services

The certifications we have been awarded are testament to our culture of continuous improvement and service excellence.

The strengths of our service are focused mainly on four pillars: personalised customer service; flexibility and adaptation to our customers' needs; confidentiality; and neutrality.

During 2021, intensive work has been carried out with Management Control and Analytical Information on the detailed analysis, treatment and reformulation of all analytical billing sent from SPCD, as well as on the exhaustive analysis of the analytical billing received. In parallel, an in-depth revision of fees is underway with customers in the different services.

The audit carried out by the SWIFT Company on the Service Bureau activity initiated in 2020 has been successfully completed, maintaining our accreditation as such whereby we made improvements and adaptations to our platform required by the auditor, and we have renewed the AENOR UNE EN ISO 9001 quality certification in relation to the exchange, clearing and settlement services for collection and payment transactions (transfers, direct debits, fund transfers and payment orders via SWIFT). These certifications are evidence of the culture of continuous service and quality improvement which is at the core of the Cecabank's Strategic Plan.

In 2021, a new version of the Regulation of the National Electronic Clearing System (SNCE - Sistema Nacional de Compensación Electrónica), proposed by Iberpay and approved by the Bank of Spain, was published. It was reviewed by the Company's Governing Bodies, in which Cecabank participates, and has been a significant milestone in the National System to Payment Institutions and Electronic Money Institutions, if they are designated as accessible entities by a direct participant. This possibility opens up a new niche market for Cecabank in the area of payments, if approved by management.

The bank is actively working on launching the TARGET2/TARGET2 Securities consolidation project and, in particular, on the detailed impact analysis of the migration of Cecabank's payment messaging system to standard ISO 20022.

The bank has performed all the technical actions required for the installation of the necessary software, all the milestones set by the bank have been met on time and on budget, and the bank has worked closely with customer entities to ensure that these milestones are met.

We have begun analysing the transformation of our own and our customers' cross-border operations in view of the strategic decision taken by the SWIFT Company to migrate all payment messaging to ISO 20022 standards (XML formats) within a three-year time frame.

The bank has streamlined the operations of collective investment and pension fund Administrators companies in the depositary field in terms of the management of payments and collections and when carrying out exchange and settlements of transfers. Similarly, we have provided operational support to the transfer of Bankia's investment and pension funds, within the framework of its integration process in CaixaBank, Santa Lucía, Andbank, Bankoa, Nobangest and Fineco.

In terms of Agreements, of note are the culmination of the process of integrating Bizum into the agreement with SELAE at the beginning of 2021 and the maintenance of the IMSERSO Travel operation, despite the extraordinary difficulties caused by the pandemic.

In 2021, new customers were added to the different areas. We have added Banco Caminos as a customer in the SWIFT connectivity service. We have added A&G Private Banking for this same service, as well as in the services of Representation in Chambers and Cross Border Cheque Management. Work continued on onboarding processes for new customers, such as Eurocaja, in all areas of service, Cofidis, in channelling payment orders, and N26, in Representation. We have also started the RFP process for Orange France, which together with Orange Spain, who we already cover, forms the One Bank Project. On the other hand, Bancofar's Representation in Chambers was terminated as a result of a change of strategy at Grupo Caminos. Lastly, Unicaja has cancelled the Reverse Factoring Management service.

04. Prosperity



Main figures - December 2021

Cross-border exchange of cheques / Currency Exchange

81,993

Cheques processed

SWIFT messages exchanged

4,246,204

Transactions processed with BIC Cecabank

1,122,604

Transactions processed with other BICs

Non-SEPA fund transfers (TARGET / EBA)

297,744

Transactions processed

SEPA transactions exchange (EBA and SNCE)

670,156,129

Transactions processed

2,216,726

Nominal (in millions of euros)

578,386

Nominal (in millions of euros)

Exchange of traditional transactions in the scope of the SNCE

9,327,465

Transactions processed

Account payable and receivable portfolio

2,630,491

Notes entering

70,428

Nominal (in millions of euros)

4,471

Nominal (in millions of euros)

143,578

Notes deposited

411

Nominal (in millions of euros)

Outstanding guarantees

175

Transactions processed

39.11

Nominal (in millions of euros)

04. Prosperity



4.4.2.4 Digital Solutions



1. Digital banking

The number of **online banking** operations carried out by the companies to which Cecabank provides services amounted to 3.3 billion in 2021, with over 99.5% service availability.

In 2021, Cecabank has developed a new version of its **fraud monitor** in electronic banking, incorporating new technologies such as artificial intelligence to detect fraud patterns.

This year also saw the incorporation of new procedures for consulting account information by the General Council of the Judiciary (CGPJ - Consejo General del Poder Judicial), aimed at financial institutions in order to facilitate the procedure for seizures by this institution.

The services provided by the Cecabank Treasury Management and Risk Services Centre give all types of financial institutions, public administrations, collective investment institution management companies, and corporates, access to **standard computer applications specialising in the different activities of a Trading and Risk Rooms**, run by leading providers in the national and international markets.

Cecabank has two clear competitive advantages in this field: the excellence of processes and the flexibility to take on board regulatory and market changes.

Over the course of 2021, the scope of services expanded both in terms of the number of users and the range of services covered.



2. Trading and Risk Platform

Provides SaaS (*Software as a Service*) related to support, maintenance, and development of various applications for the following activities:

- Treasury Management and Capital markets.
- Monitoring of market, counterparty and operational risk.
- Regulatory reporting.

It also offers comprehensive collateral management service and RRaaS services (Regulatory Reporting as a Service) to cover requirements related to EMIR, MiFID II, SFTR, Initial Margin, SA-CCR and FRTB regulations.

Main figures - December 2021

27

Financial institutions, Public Administrations, Management Companies of the Collective Investment Scheme (SGIC) and corporates

We manage collateral contracts of

10
banks



3. Reporting

Cecabank has a comprehensive solution that reduces regulatory costs, optimises the information transfer cycle (XBRL) and is compatible with EBA standards.

Pyramid is Cecabank’s regulatory reporting solution. It is an end-to-end service that minimises the workload regarding the processing of information demanded by regulators (FINREP, COREP, CIRBE), including regulatory analysis, supply automation, data validation and the physical transfer of files (XBRL).

Pyramid Reporting is an EBA-compliant solution that works based on the Data Point Model (DPM).

Three main lines of action of Pyramid are as follows:

1. *Reporting*
2. *Analytics*
3. *Data Quality y Governance*

At Pyramid, we understand regulatory reporting as the succession of aggregation and enumeration processes from multiple sets of information and calculation engines that converge in a central hub based on Data Protection Management (DPM) technology that homogenises the structure of the regulatory data, offers the transversal vision of the bank’s reporting, builds the presentation format expected by the supervisor, sends the files and constitutes the starting point for the exploitation of the data.

The main areas of action during 2021 are as follows:

- | | | |
|--|--|---|
| <p>01</p> <p>Incorporation of the new regulatory requirements linked to Bank of Spain Circular 5/2020 aimed at payment and electronic money institutions.</p> | <p>02</p> <p>Adaptation to the EBA 3.0 and 3.1 reporting frameworks linked to regulatory changes resulting from the adoption of the Capital Requirements Regulation (CRR2) and Prudential Support Regulation.</p> | <p>03</p> <p>Development of the narrative reporting module.</p> |
| <p>05</p> <p>Incorporation, in the analytics module, of Level 2 information quality alerts published by the ECB as “additional to regulatory checks”.</p> | <p>06</p> <p>Incorporation in the analytics module of all public information on financial institutions as published by the Bank of Spain.</p> | <p>04</p> <p>Studies of technological evolution towards the Cloud.</p> |
| | | <p>07</p> <p>Extension of RPA processes with the Bank of Spain to improve alignment of regulatory validations.</p> |

Main figures - December 2021

More than
30
customers
including banks, credit financial institutions, payment institutions, electronic money and branches of foreign entities

Coverage to
+1,000
financial statements

Analytical layer
with more than
3,000
metrics and indicators

DPM model with
+1,700
datapoints,
+280,000
validations and recalculations



4. Technological Outsourcing

In 2021, Cecabank has continued its technological outsourcing services to financial institutions, insurance companies and fintech companies, experiencing significant growth in

the scope of service to payment processors thanks to being a certified operating centre under the PCI-DSS standard.

4.4.2.5 Retail services

1. Currency Exchange Office



Cecabank's Exchange Office continues to purchase and sell foreign banknotes to the public at its location at Calle Caballero de Gracia, 30.

It has **40 currencies immediately available in different denominations and amounts**, which allows us to provide top-quality banknotes at competitive prices and ample public opening hours.

During 2021, **the office recovered almost 60% of the volume prior to COVID-19**, despite the fact that tourism continues to be low.

2. Banking Training School

Since May 2020, the Banking Training School has continued to meet its main objective of supporting the sector by holding remote certification tests and complying with the safety conditions required by regulators: CNMV and Bank of Spain.

In 2021, Cecabank's Banking Training School was authorised by the Directorate-General for Insurance and Pension Funds (DGSFP - Dirección General de Seguros y Fondos de Pensiones) as a certification body for the initial level 2 and 3 insurance training.

04. Prosperity

Thanks to the System developed for remote examination, Cecabank has provided its customers with the following services:

- Certification in LCCI and MiFID II.
- Level 2 and 3 insurance certification.
- Completion of internal training processes for financial institutions.

The MIFID II, Real Estate Credit Law (LCCI) and Insurance training programmes remain active, incorporating the facility to validate training hours between the three programmes.

The Banking Training School is committed to increasing the supply of online content and has therefore improved the design and pedagogy of the content to make it more practical and easier for students to absorb. This increase in content allows each entity to configure its training with the relevant content, improving the learning experience of the student and reducing the cost of training for the customer.

Cecabank maintains key sector contacts: State Joint Commission of Fundae, CEOE, Gref and DGIII, among others. All without neglecting its traditional partners, the financial institutions, with which it held three Training Committee meetings.

In parallel, the school develops content related to new regulatory challenges in terms of:

- Sustainability, with the creation of specific ESG risk programmes.
- Training the Citizen Care Service (SAC - Servicio de Atención al Ciudadano), in line with the requirements of the Bank of Spain.
- Specific programmes on the digital finance package.

The infographic features a large blue plus sign followed by the text '+7000 alumnos al año' in a bold, sans-serif font. To the right, there are three overlapping diamond-shaped images showing students in a classroom or meeting setting. At the bottom right of the graphic is the 'cecabank' logo with the tagline 'ESUELA DE FORMACIÓN BANCARIA' underneath. The entire graphic is framed by two vertical blue bars on the left and right sides.

05. Planet



5.1. Climate change

Cecabank is committed to responsible and sustainable management of material resources, promoting efficiency in consumption and impacts on the social and environmental surroundings, both in its activity and in its sphere of influence.

Given the nature of Cecabank’s activity, its impact on the environment is limited compared to other sectors. Aspects such as pollution, noise, biodiversity, light pollution or food waste are not applicable.

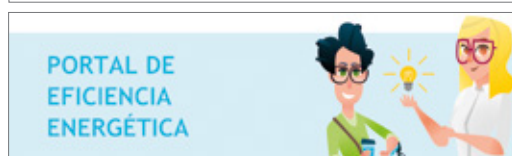
Cecabank operates under the precautionary principle, and its Sustainability Plan focuses its action on environmental considerations. Accordingly, the company pursues responsible and sustainable management of the material resources and consumption derived from its activity through specific initiatives.

Since 2018, Cecabank has implemented an **Energy Management System** in accordance with standard UNE/ISO 50001:2011, obtaining AENOR certification (GE - 2011/0038) on 14/12/2018, for its corporate buildings at C/ Alcalá, 27 and C/ Caballero de Gracia, 28-30 where it carries out its activity. In 2020, the company adopted the standard UNE/ISO 50001:2018, and in December 2021, it renewed the AENOR certification (GE-2011/0038) until 2024.



Within this system, important activities are underway at the bank, such as:

- ① Adaptation of the bank’s Energy Policy to standard UNE/ISO 50001:2018.
- ① Raising awareness among the entire workforce on the correct use of energy through the Best Practices guide.
- ① Training course for all staff on Energy Efficiency in relation to Cecabank buildings.
- ① Creation of the Energy Efficiency Portal on the bank’s intranet where best practices, energy performance and certificates are displayed.



05. Planet

- Expansion of the Installation of Consumption Analysers to increase the number of Indicators in the Energy Management System for significant uses (hereinafter, the “EMS”).
- Implementing a computer tool, SMARKIA, to monitor consumption and to document the entire EMS.
- Optimisation of the control and management system implemented in installations.



As a sign of its commitment to reducing emissions, Cecabank purchases all its electricity with a certificate of origin (renewable), both for data processing centres and corporate buildings. This results in a significant reduction in Greenhouse Gas (GHG) emissions.

In 2021, Cecabank took a further step in its commitment to the fight against climate change by **offsetting its GHG emissions in 2020** to become a **carbon-neutral bank**. For 2021 emissions, the bank will perform the same verification and offsetting process.

The amounts allocated to offsetting emissions were used for a reforestation project in Spain, specifically in the municipality of San Martín del Pimpollar in the province of Ávila. This initiative reinforces its commitment to SDGs 13 and 15.



The company’s efforts to improve its environmental performance have resulted in an **annual reduction in consumption** in energy, water and paper. There has also been a reduction in gas and water compared to the baseline year 2019. Compared to 2020, water consumption is higher due to the progressive de-escalation of the bank’s employees.

With regard to **paper consumption**, Cecabank has continued its organisational efforts to reduce and rationalise the use of printing equipment, which has resulted in significant savings in toner and in the number of DinA4 packs consumed.



In 2021, Cecabank took a further step in its commitment to the fight against climate change by offsetting its GHG emissions in 2020 and becoming a carbon-neutral bank.

5.2. Sustainable business development

Some of the services offered by Cecabank where sustainability plays an important role are the following:

Proxy Voting

The bank offers this voting service on securities held in any market in the world; tax accreditation and tax claims services, based on automated processes through Robotic Process Automation (RPA) and the portfolio management support service through tri-party accounts including the option of digital onboarding.



Green issues

In 2021, Cecabank's Trading Room has operated with 54 benchmarks considered "green", both in government and corporate debt.

These include the SPGB 1% 07/42. The first green bond issued by the Spanish Treasury, which issued 5,000 million euros in syndicated issues in September 2021, it was issued with a demand of over 60,000 million euros. Of particular note is the issuance of a green bond due in 2037 under Next Generation EU. This is the first such bond from the pan-European issuer, which had a record demand of more than 135,000 million euros and of which it has just reopened a further 2,500 million euros in an ordinary auction. In this recent auction, Cecabank has spent 5 million euros to maintain its portfolio.

In total, Cecabank has performed 302 operations, mostly from the Spanish syndicate, for an aggregate global amount of 1,134.42 million euros.

The Credit Portfolio holds eleven positions in ESG (Environmental, Social & Governance) bonds at the end of 2021 for a total amount of 113 million euros (88 million in private debt and 25 million in Regions).

Next Generation EU

This year, Cecabank was designated by the European Union as a **member of the European market maker network (Primary Dealer Network)**. The first EU issues in which it participated were the macro debt issues that will finance the Next Generation EU Recovery Fund, the €750,000 million euro aid package for Europe's economic, green and digital transformation. A total of 140,000 million of this is expected to go to Spain, which will allow the economy to be transformed and create new opportunities in the aftermath of the severe crisis generated by the COVID-19 pandemic.



"Green" operations

54

First Spanish Treasury green bond

5,000
millions of euros

06. Governance



6.1. Corporate governance

Cecabank’s Corporate Governance consists of a series of standards, principles and policies that govern the composition, structure and operation of the Governing Bodies (General Shareholders’ Meeting, Board of Directors and its Committees), which are continuously updated to adjust to the best national and international practices.

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

During 2021, the Board of Directors was reduced following the resignation of two proprietary directors, and was finally composed of ten members, of which five are proprietary directors, four are independent directors and one is an executive director.

In accordance with the regulations applicable to credit institutions, Cecabank’s Board of Directors is chaired by a non-executive director.

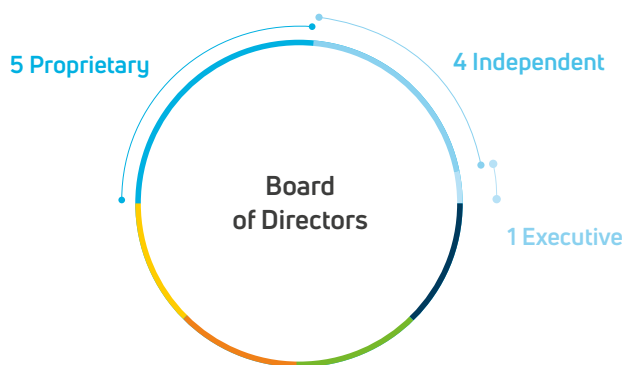
The Board of Directors has also appointed a non-director Secretary, who is also the Bank’s General Secretary, whose main duties are to assist the Chairperson in ensuring the proper

functioning of the Board of Directors and to ensure that the Board’s actions comply with the applicable regulations and the By-laws.

It also has four committees (Audit Committee, Appointments Committee, Remuneration Committee and Risk Committee), with their supervisory and advisory powers, all of which are composed of non-executive directors, who assist the Board in the exercise of its powers. In accordance with the regulations of capital companies and credit institutions, the four committees are chaired by independent directors.

All details regarding the composition, functions and operation of the Board of Directors and the specialised Committees can be found in the Company’s By-laws and in its Operating Regulations, which are available in the “corporate information” section of the Cecabank website.

The Committees that comprise Cecabank’s Board of Directors, all of which are chaired by independent directors, are as follows:



Appointments Committee
Chairperson
Julia Salaverría Monfort
Independent Director

Risk Committee
Chairperson
Carmen Motellón García
Independent Director

Remuneration Committee
Chairperson
Santiago Carbó Valverde
Independent Director

Audit Committee
Chairperson
María del Mar Sarro Álvarez
Independent Director

Operations of the governing bodies during the pandemic

Despite the fact that the circumstances experienced during the COVID-19 pandemic in 2020 have carried over into 2021, **Cecabank's governing bodies followed their corporate agendas as normal** and held their meetings online and in person, when the evolution of the pandemic allowed it.

This was possible under the extraordinary regulations approved by the Government to

address the consequences of COVID-19 and, in particular, Law 2/2021, of 29 March, on urgent measures for prevention, containment and coordination to address the health crisis caused by COVID-19, which was in force throughout 2021, as well as, on the other hand, the internal regulations of Cecabank (By-laws and Regulations to which the governing bodies are subject).

General Shareholders' Meeting

Cecabank's General Shareholders Meeting is the **highest representation and participation body of the institution's shareholders.**

Cecabank's Ordinary General Shareholders' Meeting was held online on 23 March 2021,

i.e., without the physical presence of its shareholders or their proxies. However, shareholders were able to exercise fully all their rights of attendance and participation at the Meeting in real time.

Cecabank's Ordinary General Shareholders' Meeting, of 23 March 2021, adopted the following agreements:

- Approving the **individual and consolidated Annual Accounts, their respective management reports, as well as the management of the Board of Directors**, all corresponding to the financial year ending 31 December 2020.
- Approving the **Consolidated Non-Financial Statement of Information** corresponding to the financial year ended 31 December 2020.
- **Application of the profit** for the year ended 31 December 2020.
- Creation of the **capital reserve**.
- Maximum level of variable remuneration for 2021, for staff whose professional duties have a significant impact on the risk profile of the company.
- The **renovation of the Independent Director**.
- Amendment of the **By-laws** and the adoption of its recast text.
- **Amendment of the Regulations of the General Shareholders' Meeting** for its adaptation to the By-laws.
- Approval of the **Directors' Remuneration Policy for the 2022 to 2024 financial years**.

Prior to the meeting of the Ordinary General Shareholders Meeting, the individual and consolidated annual accounts, the management reports, the auditors' reports, the proposal for the re-election of an Independent member of Board of Directors, the proposal for the

amendment of the Articles of Association, the proposal for the amendment of the General Shareholders Meeting Regulations and the Directors' Remuneration Policy were made available to the shareholders' representatives.

Board of Directors

Operation and related issues

Cecabank’s Board of Directors has the broadest powers to administer the bank and, except in matters reserved to the General Shareholders Meetings.

It operates in accordance with the provisions established in the applicable law and the By-laws. **It is the highest decision-making body and is responsible for the risks assumed by the institution.**

At 31 December 2021, Cecabank’s Board of Directors is made up of:

Name of the Director	Position	Category
Manuel Azuaga Moreno	Chairperson	Proprietary
Javier Pano Riera	Deputy Chair	Proprietary
Francisco Javier Garcia Lurueña	Member	Proprietary
Francisco Botas Ratera	Member	Proprietary
Víctor Manuel Iglesias Ruiz	Member	Proprietary
Ms María del Mar Sarro Álvarez	Member	Independent
Santiago Carbó Valverde	Member	Independent
Ms Julia Salaverría Monfort	Member	Independent
Ms Carmen Motellón García	Member	Independent
José María Méndez Álvarez-Cedrón	Board member - CEO	Executive
Fernando Conlledo Lantero	Non-director Secretary	-

During 2021, two proprietary Directors resigned (Mr Antonio Ortega and Mr Jesús Ruano), one independent Director was re-appointed (Ms. Julia Salaverría), and the bank’s non-executive Vice-chairman was appointed (Mr Javier Pano). The suitability of the Board Members for appointment and re-appointment has been approved by the Appointments Committee.

Work Plan

On an annual basis, the Board of Directors draws up a **work plan** in an effort to identify specific objectives in relation to its functions and competences and thus adequately plan its activities.

Meetings

According to the By-laws, the Board must hold at least six meetings a year, called by the Chairman.

Notwithstanding the above, in 2021, the **Board of Directors met on eleven occasions** at the Chairman’s initiative, and they analysed, among other matters:

- Monitoring of the impact of COVID-19 on business lines.
- Approval of the Strategic Plan.
- Regular monitoring of the income statement and balance sheet.
- The preparation of the consolidated and individual Annual Accounts, and the Consolidated Non-Financial Statement of Information, corresponding to the 2020 financial year.
- The appointment of the non-executive Vice-chairperson.
- Regular monitoring of the activity of the Board commissions.

Term of position occupancy

According to Article 31.3 of Cecabank's By-laws, "directors may occupy their post for a period of six years, and they may be re-appointed one or more times for periods of the same length (...)".

Policies for the selection and suitability assessment of members of the Board of Directors and CEO or similar members

Cecabank has a **policy for selecting and assessing the suitability of the members of the Board of Directors, the CEO and similar members** in accordance with the provisions of Law 10/2014 on the Regulation, Supervision and Solvency of credit institutions and other applicable regulations.

This Policy mainly includes the criteria and procedure followed by the bank for selecting Directors and evaluating suitability, and it considers matters regarding the least represented gender on the Board of Directors.

To comply with the suitability policy, the company has a **matrix of competences for the Board of Directors**. The purpose of this instrument is, on the one hand, to visualise the competences of the Board as a whole and, on the other hand, to compare the actual composition of the Board, assessing its professional competences and other qualities, with the suitability of the Board of Directors required by the applicable regulations at any given time.

In addition, the bank has a **Selection and Suitability Assessment Policy for certain Executives at Cecabank**.

The Board's Training Plan

In compliance with the Suitability Policy, all members of the Board of Directors and the Chief Executive Officer of the bank must acquire, maintain and gain further knowledge and skills, guaranteeing that they have the skills required to carry out their functions within the Board and its Committees at all times, with the objectivity and independence of ideas and criteria required in accordance with applicable regulations.

There are **two goals to the Training Plan designed by the bank**: 1) to immerse the newly appointed Directors into the organisation

of the company with special emphasis on the key activities they conduct and 2) to provide them with further knowledge and skills to carry out their duties as a director.

In this regard, each year the Appointments Committee assesses the training needs of directors in order to approve a training plan, which usually consists of **training sessions**, given by external experts of recognised prestige, as well as **induction sessions**, generally given by the bank's management, and relating to matters within the sphere of credit institutions and especially focused on Cecabank's activity. During the 2021 financial year, the training plan consisted of three training sessions and four induction sessions.

Gender diversity on the Board of Directors

In applying the Suitability Policy, Cecabank acknowledges the value of the diversity in the composition of the Board of Directors and the importance of having directors that are capable of contributing various points of view, perspectives, skills, experiences and professional experience, both in the debates within the Board and in its decision-making processes, which, ultimately drives the improvement of the Board's decisions. As a result, Cecabank encourages diversity on the Board of Directors, thus, its composition includes a diverse collective, taking into account the structure of the CECA-Cecabank group, in which CECA is the majority shareholder.

The procedure to select Board members is to incorporate—to the extent possible—a broad set of qualities and competences, with the aim of achieving a diversity of points of view and experiences and encouraging independent opinions and solid decision-making within the Board of Directors.

To this end, the following aspects relating to diversity are considered, among others: academic and professional profile, age and gender.

Regarding gender, Cecabank ensures that the selection and assessment processes comply with the principle of non-discrimination and equal treatment, they are not subject to implicit biases that hinder the selection of women, and measures are adopted that include women with the professional profiles among the potential candidates.

06. Governance

The bank has established the target of at least 50% female Independent Directors on the Cecabank Board of Directors. To calculate this percentage, in the event the number of Independent Directors is uneven, it is 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.



Board of Directors' Committees

In accordance with the regulations applicable to credit institutions, for the performance of their tasks, Cecabank's Board of Directors has Committees specialising in different fields and with supervisory and advisory powers to perform their functions. They are: **Audit Committee, Appointments**

Committee, Remuneration Committee and Risk Committee.

On an annual basis, these committees draw up a **work plan** in an effort to identify specific objectives in relation to their functions and competences and thus adequately plan their activities.

» Audit Committee

The Audit Committee is entrusted with a number of functions set out in Article 38 of the By-laws and in its own Regulations.

The **Committee has the following functions:** supervising the effectiveness of the internal inspection, internal audit, and risk management systems; monitoring the process of preparing and presenting the required financial information and submitting recommendations or proposals to the Board of Directors; raising before the Board, for it to be presented to the General Shareholders Meetings, the proposals for selection, appointment, re-election and replacement of the accounts auditor; annually issuing, prior to the issuance of the audit report, a report in which an opinion will be expressed on the independence of auditors; and reporting to the Board of Directors any financial information that it must periodically make public.

The **composition of the Audit Committee as at 31 December 2021** is:

María del Mar Sarro Álvarez
Chairperson/Independent

Santiago Carbó Valverde
Member/Independent

Víctor Iglesias Ruiz
Member/Proprietary

Francisco Botas Ratera
Member/Proprietary

Carmen Motellón García
Member/Independent

Fernando Conlledo Lantero
Non-member secretary

In 2021, The Audit Committee met on six occasions in which it analysed, among other matters, the following:

- ① The control function and its annual reports.
- ① The control function and its annual reports.
- ① Supervision of the effectiveness of the bank's internal control and risk management systems.
- ① Supervision of the Internal Audit.
- ① Cecabank's supervisory function as a depositary.
- ① Relationships with Supervisors.

» Appointments Committee

The Appointments Committee is entrusted with a number of functions set out in Article 39 of the By-laws and in its own Regulations.

Specifically, it is responsible for, among other duties, selecting and recommending candidates for positions on the Board; assessing the Board's balance in terms of knowledge, capacity, diversity and experience; regularly assessing the Board's structure, composition, size and activities, providing recommendations; regularly assessing the suitability of the Board and its members as a whole, and informing the Board; and regularly assessing the Board's policies with regard to selection criteria and the appointment of senior management, providing recommendations.

The composition of the Appointments Committee as of 31 December 2021 is:

Julia Salaverría Monfort
Chair/Independent

Francisco Javier García Lurueña
Member/Proprietary

Javier Pano Riera
Member and Vice-chairman/Proprietary

Santiago Carbó Valverde
Director/Independent

Fernando Conlledo Lantero
Non-member secretary

The Appointments Committee met on five occasions in 2021 and discussed, among other matters, the following:

- The suitability assessment of Directors.
- The suitability assessment of other members of senior management.
- Drafting of the Board's Action Plan.
- Drafting of the Board's Training Plan.
- Monitoring the Talent Management Plan and Human Resources.
- Monitoring of the variations of the Identified Group.
- Monitoring the developments in terms of corporate governance.

» Remuneration Committee

The Remuneration Committee is entrusted with a number of functions set out in Article 40 of the By-laws and in its own Regulations.

In particular, the Committee is responsible for preparing remuneration decisions to be taken by the Board of Directors, reports information on the General Remuneration Policy of the members of the Board of Directors, CEO 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, as well as ensures

compliance therewith; reporting information on the Remuneration Policy of senior executives, employees that assume risk, employees performing control functions and any employee that receives an overall remuneration that falls within the same scale of remuneration as applies to senior executives and employees that assume risk, whose professional activities significantly coincide with their risk profile; and reports information on the incentive plans for directors or employees linked to the bank's profit and/or other variable indices/components.

06. Governance

The composition of the Remuneration Committee as of 31 December 2021 is:

Santiago Carbó Valverde
Chairperson/Independent

Francisco Botas Ratera
Member/Proprietary

María del Mar Sarro Álvarez
Member/Independent

Fernando Conlledo Lantero
Non-member secretary

In 2021, the Remuneration Committee met on three occasions in which it analysed, among other matters, the following:

- ① Composition of its Identified Group and its variations.
- ① Evaluation and modification of the General Remuneration Policy.
- ① Monitoring of Talent Management Plan.
- ① Directors' Remuneration Policy for the 2022 to 2024 financial years.
- ① Approval of the maximum level of variable remuneration for employees whose professional duties have an impact on the risk profile of the bank.

» Risk Committee

The Risk Committee is entrusted with a number of functions set out in Article 41 of the By-laws and in its own Regulations.

Specifically, the Risk Committee advises the Board of Directors on the bank's overall propensity to risk, both current and future, and its strategy in this field, and to assist it in monitoring the application of that strategy; ensures that the pricing policy of the assets and liabilities offered to customers fully take into account the business model and the institution's risk strategy; defines, together with the Board of Directors, the nature, amount, format and frequency of the information on risks that the Committee itself and Board of Directors must receive; and collaborating in the establishment of rational remuneration policies and practices.

The composition of the Risk Committee as at 31 December 2021 is:

Carmen Motellón García
Chair/Independent

Francisco Javier García Lurueña
Member/Proprietary

Víctor Manuel Iglesias
Member/Proprietary

Julia Salaverría Monfort
Member/Independent

María del Mar Sarro Álvarez
Member/Independent





Fernando Conlledo Lantero
Non-member secretary

The Risk Committee has met on five occasions in 2021 in which it analysed, among other matters, the following:

- ① The scorecard, risk profile and capital target of the bank.
- ① Capital and Liquidity Self-Assessment Report.
- ① Pillar 3 Disclosures.
- ① The Risk Tolerance Framework (RTF).
- ① The Recovery Plan.
- ① General Risk Management Framework.

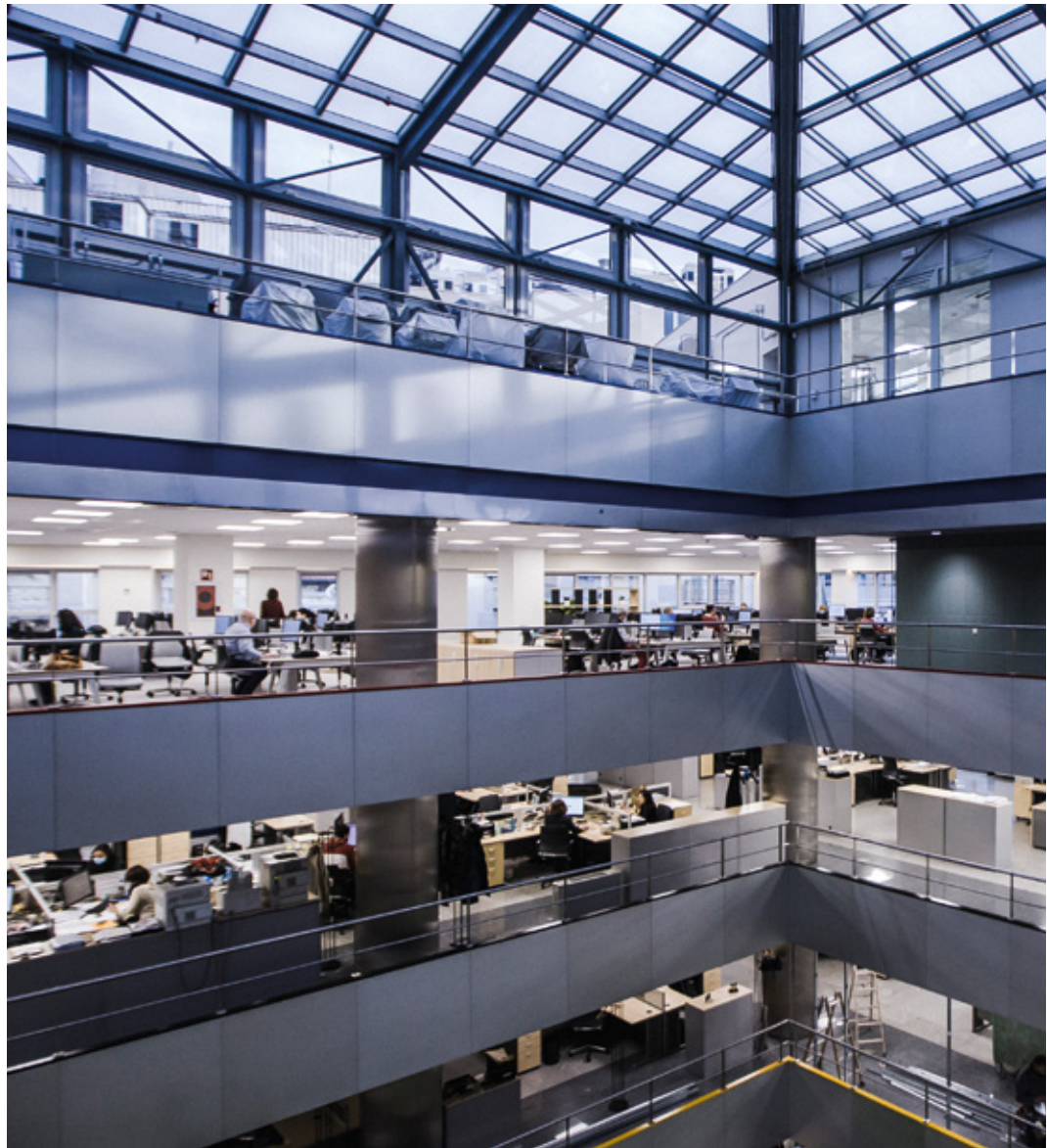
Steering Committee

The Steering Committee has the following basic responsibilities:

-  Deciding on issues directly submitted to the Board of Directors.
-  Deciding on matters which the CEO submits to it before they are approved by the Board of Directors.
-  Deciding on issues submitted by the CEO on his own initiative.
-  Approving the rules of conduct and internal standards of the institution, where not subject to approval by the Board of Directors.

The Committee, which is made up of the bank's main executives, is chaired by the CEO and the Secretary General, who acts as the Committee's Secretary. Nonetheless, other company employees requested by the Chairperson of the Committee may attend its meetings with a voice and without a vote.

The Steering Committee meets before the meetings of the Board of Directors and however many times it may be called by its Chairperson. **In 2021, the Committee met 26 times.**



6.2. Risk management and suppliers



6.2.1 Risk Management

The Board of Directors of Cecabank has ultimate responsibility for the management of the risks assumed by the bank in the course of its activities. It is therefore this body that establishes the general policies with regard to the assumption of risks. Similarly, the body is the driving force in the corporate risk culture, which focuses on guaranteeing efficient internal control systems and rigorous and comprehensive risk management and measurement processes.

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.

Risk Tolerance Framework

Within the Risk Tolerance Framework, the Board establishes the type and intensity of risks which it deems reasonable to assume in order to achieve corporate objectives. The risk tolerance defined by the Board sets a conservative strategy which aims to maintain a moderate-low risk profile.

This approach seeks to conserve both the quantity and the quality of capital, with solvency levels clearly above the minimum regulatory requirements, allowing us to anticipate that none of the risks identified could generate losses which could not be withstood within the normal operations of the bank.

The results translate into a very prudent risk profile with high levels of solvency that are well above regulatory requirements, as well as a comfortable liquidity position.

Corporate risk map

In line with its Risk Tolerance Framework, the bank considers the following risks to be relevant, in accordance with its business model and the activities it carries out:




- **Credit Risk** 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.
- **Market risk** is defined as the risk affecting results or capital and resulting from adverse movements in the prices of bonds, securities and exchange rates in operations registered in the trading portfolio. In addition, it includes foreign currency risk, defined as the current or potential risk affecting results or capital and resulting from adverse movements in exchange rates in the investment portfolio’s operations.
- **Interest rate risk** is the risk affecting or potentially affecting results or capital as a result of adverse movements in interest rates in the investment portfolio.
- **Liquidity risk** is the risk affecting or potentially affecting results or capital as a result of the bank being incapable of meeting its payment obligations upon maturity, without incurring unacceptable losses.
- **Operational risk** encompasses the management of loss risks due to inadequate or failed internal processes, people and systems or due to external events.

The following risk categories are therefore included in the operational risk.

- **Technological Risks:** in accordance with the guidelines of the European Banking Authority (EBA) in its document EBA/CP/2016/14 entitled “Guidelines on ICT Risk Assessment under the Supervisory Review and Evaluation process (SREP)”, technology risks include logical security risks, information integrity risks, software and hardware change risks, technology outsourcing risks, business continuity and availability risks and/or business support infrastructure risks.
- **Compliance Risks:** risk of non-compliance with legal requirements or internal rules impacting the bank’s income statement, either directly through administrative sanctions or adverse rulings, or indirectly by negatively affecting the bank’s reputation. This risk encompasses, mainly, the prevention of money laundering and financing of terrorism, compliance with the rules of conduct related to activities in the securities markets and the protection of personal data, as well as criminal risk.
- **Business risk:** qualitative risk linked to strategic planning and whose evolution also depends on the evolution of the markets in which the bank operates.
- **Reputational risk:** this is the risk derived from the perception held by stakeholders (interest groups) with whom an entity maintains a relationship in the course of its activity. This includes economic, financial, strategic, operational or liability aspects, among others, and assesses to what extent changes in such perceptions can cause an adverse material impact on results, capital or development expectations.

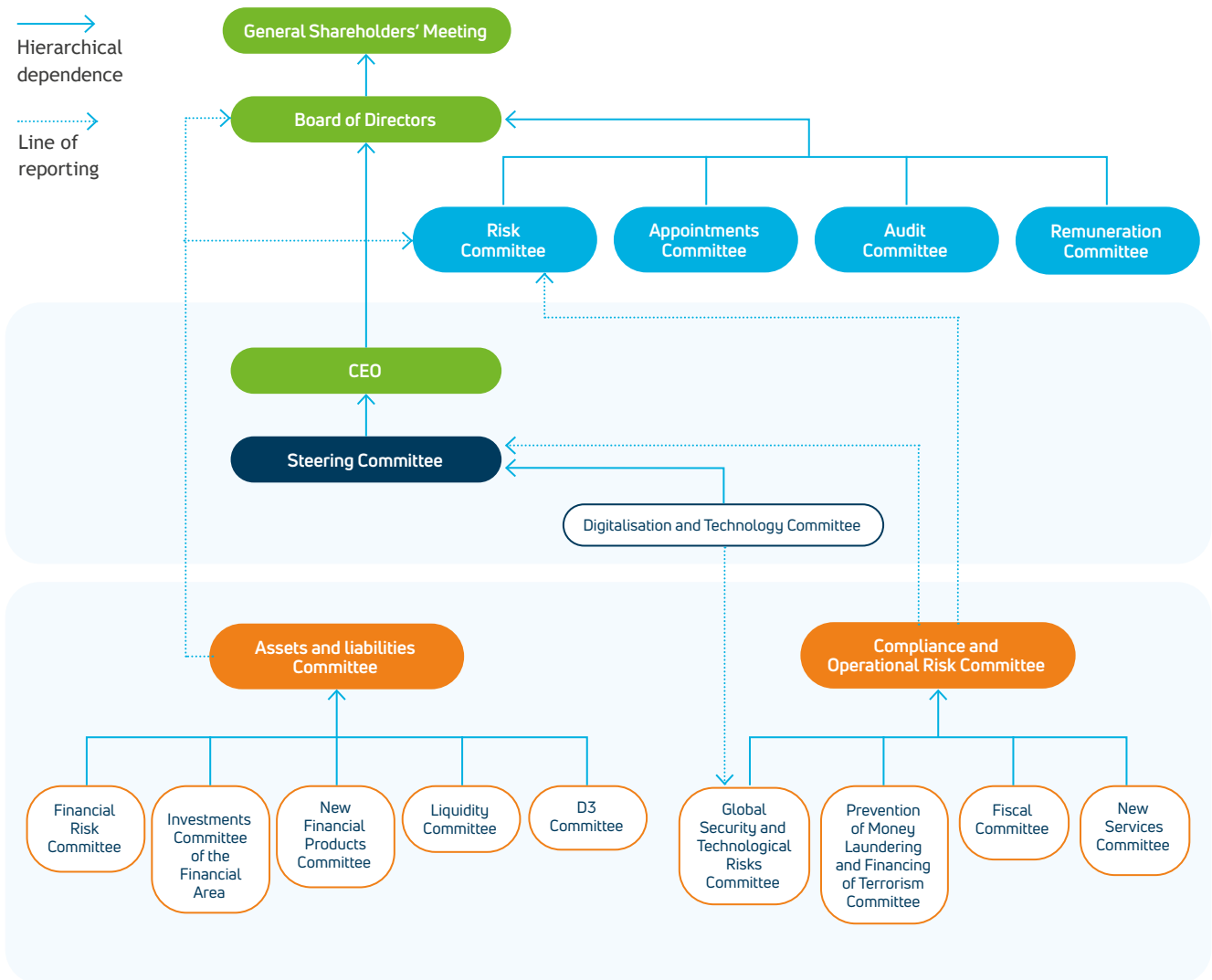
06. Governance

- 
Environmental, social and governance risk: ESG risks seek to contribute to a more sustainable and responsible economic and financial activity by promoting environmental protection and conservation, the pursuit of social concerns and human rights and the fight against corruption and bribery.

Structure and organisation

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

From the perspective of the definition of risk tolerance, 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 chart¹:



1. Further information on the bank’s risk policy can be found in the Pillar 3 Disclosures and the General Control Framework, available on the corporate website.

06. Governance



In an effort to assist the Board of Directors when fulfilling 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.

Senior management participation in risk processes is articulated through a structure of Committees designated by the Board of Directors.

In this structure, the Assets and Liabilities Committee (COAP - Comité de Activos y Pasivos) is the main body for managing financial risks; and for non-financial risks, the Compliance and Operational Risk Committee (CCyRO - Comité de Cumplimiento y Riesgo Operacional).

Risk Management Areas

The bank has a risk management and control model based on three independent, effective and adequately resourced lines of defence:

- 01** First line of defence: corresponds to the business and risk-generating areas, which are responsible for identifying and monitoring the different types of risk and ensuring that the risk appetite defined by the Board of Directors is respected in the course of their activities.
- 02** Second line of defence: Formed by the Risk and Compliance Area. It is responsible for supervising the activity of the front line, ensuring the existence of risk management and control policies and procedures, both financial and non-financial, and their alignment with the level of risk appetite defined by the Board.

This area is structured as follows:
 - Financial Risk Division, which is also made up of the Credit and Counterparty Risk Control and Market Risk, Balance Sheet and Liquidity departments.
 - Financial and Non-financial Risk and Compliance Division. The Internal Control and Operational Risk, Information Security and Technology Risks and Regulatory Compliance departments are part of this division.
 - Coordination and Transversal Risks Unit, with responsibility for managing, among others, reputational risk, environmental risk and other cross-cutting risks.
- 03** Third line of defence: Formed by the Internal Audit function. This function independently verifies and objectively ensures that all activities and units of the bank, including outsourced activities, comply with internal policies and procedures and with the legal and contractual regulations and obligations applicable to the bank.

6.2.2 Supplier management

The suppliers are an essential link in the value chain of the products and services Cecabank offers. The Code of Corporate Conduct establishes the basic principles to build trustworthy, transparent, honest and productive commercial relationships: impartiality, concurrence, transparency, confidentiality, equality and non-discrimination must prime in the supplier contract process.

The Bank has an Outsourcing and Procurement Policy for services and functions, approved by

the Board of Directors, which reflects the guidelines defined by the European Banking Authority in its Guidelines on Outsourcing (EBA/ GL/2019/02).

Its purpose is to guarantee application of all the aforementioned principles, assess the supplier’s productive, technical and financial capacity and validate that they share Cecabank’s moral, social and environmental values before integrating them into our supply chain and becoming an instrument of operational and reputation risk management.

Governance in supplier management

The Purchasing Centre centralises and coordinates the management process with suppliers and handles tender management.

Once the supplier has been selected, the approval process is triggered to analyse aspects related to solvency and the governance model, assessing, among other aspects:

- Possession of a Corporate Social Responsibility Policy.
- Adherence to initiatives such as the Global Compact, PRI, Equator Principles, Forética, Spainsif, among others.
- Alignment of its corporate strategies with Sustainable Development Goals (SDGs).
- Adoption of internal measures to guarantee diversity and equal opportunities in human resources management, avoiding discrimination based on gender, race or other factors.
- Inclusion of disabled personnel in its staff.
- Implementation of Occupational Risk Prevention Policy/Management
- Possession of an Ethical Code, which includes anti-corruption and bribery policies.
- Availability of a complaints channel.
- PMLFT risk management where applicable.

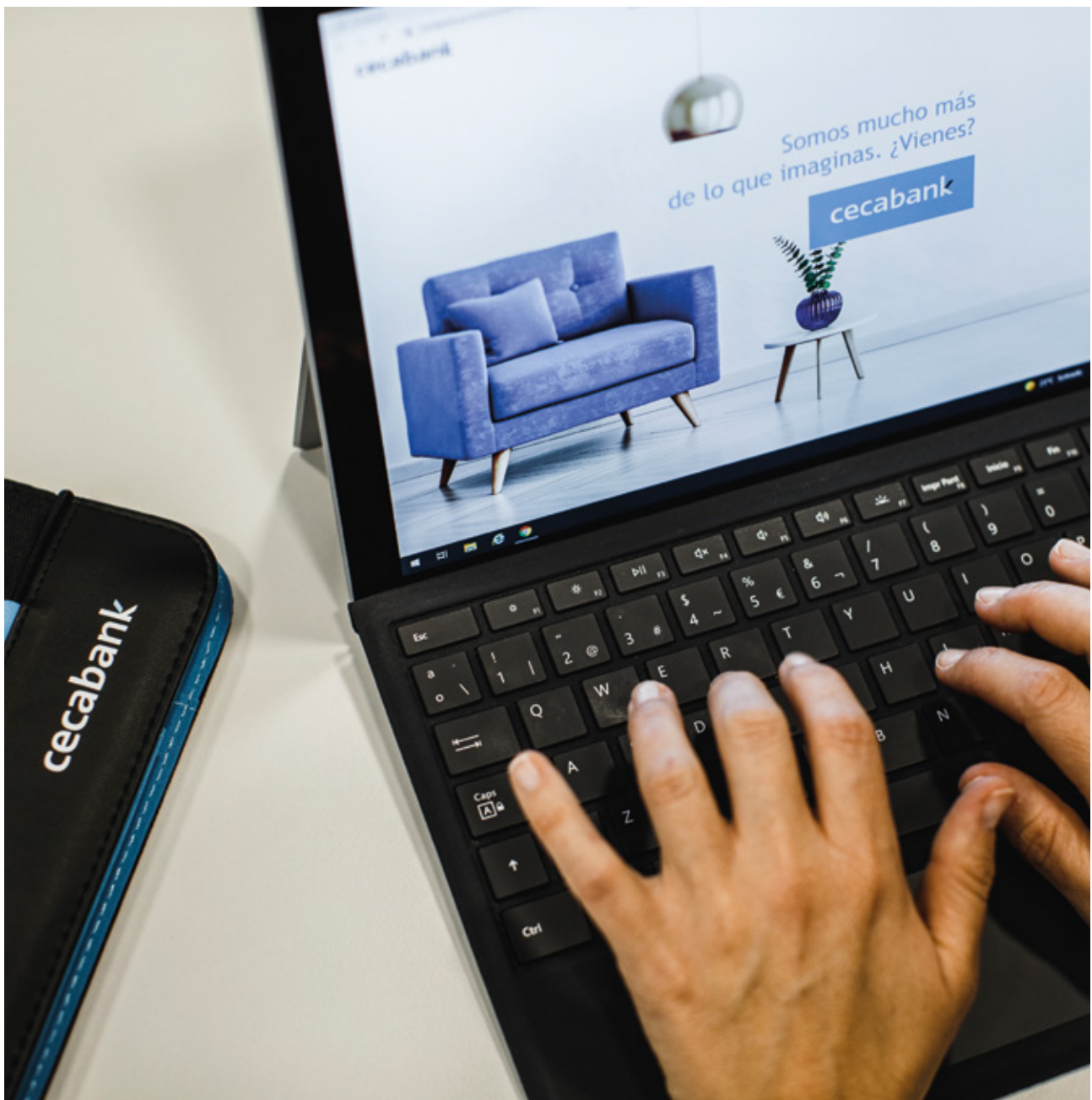
Approval per service

Suppliers entrusted with outsourced services are subject to specific approval processes to ensure that they have sufficient controls to mitigate the risk arising from the activities outsourced to them.

Monitoring

As established in the Services and Functions outsourcing Policy, there is a defined monitoring and control system in which the procurement departments, the Purchasing Centre and the Non-Financial Risks Division all intervene in order to ensure that suppliers maintain the requirements needed for the initial approval.

The Non-Financial Risks and Compliance Division forms the second line of defence of the supplier management process, verifying compliance with internal regulations.



6.3. Ethics and compliance



6.3.1 Issues relating to Human Rights

Cecabank has the firm will to operate responsibly while complying with applicable legal regulations and demonstrating its support for Human Rights. Given the nature of its activity and its presence in Spain and Europe, the company has not identified any relevant risks in these matters. The compliance, risk and internal audit function ensures that Cecabank complies with applicable laws.

In February 2017, Cecabank joined the Global Compact, and in 2021, it continues to work to raise awareness around its ten principles based on human rights, labour, environment, and anti-corruption.

In 2020, the company adhered to the “Statement of Business Leaders for Renewed International Cooperation” promoted by the Global Compact, which aims to unite companies in favour of international cooperation (based on Human Rights) and Sustainable Development.

In 2021, a training pill was sent to all employees containing the 10 Global Compact Principles and Sustainable Development Goals in an effort to disseminate them throughout the entire company. Cecabank has also supported various campaigns on Human Rights in Social Networks.

6.3.2 Issues relating to corruption and bribery

The Bank has a Corporate Code of Conduct that formalises the commitment of all professionals to the highest standards of integrity and professional ethics in order to prevent, among other things, criminal risk. The values and rules contained therein are mandatory for, and applicable to, all members of the Board of Directors, all employees and other member entities of its consolidated group, and must also guide relations with stakeholders.

This code includes, among other aspects, guidelines of conduct on aspects related to corruption and bribery, the prevention of money laundering and the financing of terrorism, confidential information, free competition and conflicts of interest, among others.

In relation to this Code, Cecabank has a Corporate Conduct Channel through which all persons subject to it can submit complaints of potential breaches, as well as make the relevant enquiries regarding its interpretation. Complaints are processed confidentially.

In addition, Cecabank has various instruments in place that promote exemplary conduct:

- Organisational and Management System for Criminal Risk. The system has been certified once again by AENOR in 2021 in accordance with standard UNE 19601 on Criminal Compliance.
- Core document of the organisational and management system for criminal risks.
- Procedures on the prevention of money laundering and the financing of terrorism and control structure.
- Internal code of conduct regulations for the securities market.
- Policies for providing investment services or MiFID policies. These policies are grouped into three blocks: transparency and reporting (Transparency Policy and TR Governance Framework), structural issues (Record Keeping Policy and Algorithmic Trading Policy) and investor protection (Best execution policy, asset protection policy and incentive policy). The main aim of these policies is for the bank to adequately comply with the codes of conduct and organisational requirements linked to the provision of investment services.

Cecabank reviews its criminal risk management and organisation system annually and puts in place measures to ensure its continuous improvement.

Cecabank has published a **Manual for the prevention of money laundering and the financing of terrorism**, which aims to ensure that the bank and its employees prevent illicitly obtained funds from entering the financial system through Cecabank. The Bank's IT systems allow it to analyse its own operations and brokered operations in order to detect any potential related transactions. To this end, checks are carried out against lists of financial sanctions, and specific scenarios for detecting suspicious transactions have been set up. In addition, there are tools and processes that allow the bank to maintain exhaustive knowledge on the customer as well as an ongoing relationship.

The organisational structure and control mechanisms are designed to ensure that, within the framework of the bank's activities, control is efficient, that information is reliable, timely and complete and that the applicable laws are upheld. It has a specific, independent area for managing and controlling the various financial and non-financial risks. In addition, the bank's risk control model is characterised in all cases by three control levels.

6.4. Transparency and communication

Transparency creates value, and being transparent requires that we follow the good communication practices that form part of our corporate culture.



If we have learned anything since the coronavirus crisis began, communication and transparency are key to success in companies. At Cecabank we aspire to contribute value to the financial system and to, thus, contribute to the generation of well-being in society. Achieving this goal involves a way of banking based on ethical integrity, transparency, respect for the confidentiality of information, preservation and responsible use of the company's goods and assets, respect for free competition in markets and the ethical and suitable management of possible conflicts of interest, among others. In short, transparency and communication are two pillars that focus on trust, the foundation on which we base our credibility.

An effective communication strategy depends to a large extent on the quality and clarity of the message put forward to align the business strategy and the objectives—in short, words matter. At Cecabank, one of the means of transparency is communication, which is why we strengthen our communication system both internally and externally and pursue proper management of corporate communication.

Since communication starts within the organisation, at the bank we have two-way channels in place to foster ongoing feedback, motivation and participation.

With regard to external communication, Cecabank's corporate website is the main

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image of our company broadcast to the outside world. On it, we disseminate the values of the brand and explain our business project, highlighting the products and services endorsed by our experts. Cecabank also has a presence on social networks (LinkedIn, Twitter, YouTube and Vimeo), which are an essential tool for maintaining direct communication with our audience.

Cecabank further solidified its corporate social networks in 2021 to achieve greater diffusion and impact for its solutions and services, its financial and business expertise and its participation in featured forums. Furthermore, Cecabank makes a number of valuable contributions to the industry by producing newsletters, drafting columns and opinion pieces in leading media and participating in specialised portals and magazines.

07. Annual accounts



07. Cuentas anuales

7.1. 2021 Individual Annual Accounts

7.2. 2021 Consolidated Annual Accounts

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Annual Report 2021



Microsite
Annual Report 2021