

20
ANNUAL REPORT



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01. Introduction



2020 has shown us that, when faced with adversity, you have to adapt. The world is constantly evolving, and change is ongoing; the ability to adapt to the surroundings is the hallmark of companies that are more flexible and efficient. The magnitude of the pandemic has forcefully transformed the economic, business and social landscape throughout the world, leaving a drastic impact that has led humans to modify their relationships, both professional and personal, and how we relate to the environment. The pandemic has sent us a strong signal to affirm the idea that only the fittest companies survive. But it is not enough for a company to adapt, it must also evolve.

On 10 March, following the recommendations of the health authorities, Cecabank activated its **Business**

Continuity and Contingency Plan in response to SARS-CoV2. We therefore got ahead of the declaration of the state of alarm in Spain and put the steps in place to close our branches in Madrid, Lisbon, London and Frankfurt. In less than a week, we managed to get our entire team of nearly 500 people to start working remotely. Two fundamental objectives drove this rapid response: firstly, to protect the health of all our employees and their families; secondly, to ensure the continuity of the bank's activity and operations, guaranteeing the quality of our services as always.

Throughout the year and against the backdrop of such uncertainty, the Cecabank team demonstrated immense professionalism, enormous commitment to our clients and a commendable capacity for adaptation and resilience that not only allowed us to operate normally, but also brought us important commercial and operational successes. Planning and technological adaptation were crucial to this success. Once again, Cecabank demonstrated that is a **fully prepared**, client-focused, innovative and specialised bank whose solvency and integrity continue to characterise it as a financial institution. In short, the corporate values and culture that define and describe Cecabank were on display more than ever.

Despite the complex scenario, Cecabank grew across its three lines: Securities Services, Treasury Management and Banking Services. In the field of Securities Services, for a fourth consecutive year, Cecabank has been chosen as the **best custodian bank in Spain** by the specialist magazine Global Banking and Finance Review. This award represented further acknowledgement of the bank's leadership as a depositary and its outstanding position in post-trading activity in Spain. This was further evidenced with the strategic agreements reached between Kutxabank and Bankia for the transfer of the depositary business to Cecabank, as well as that of the agreement reached with Portuguese bank BPI, reinforcing the company's leadership as an independent depositary bank in the Iberian market. In the middle of the year, we were pleased to announce that 15 companies in Spain and Portugal chose our Regulatory Reporting as a Service (RRaaS) solution to guarantee compliance with the requirements of the Securities Financing Transactions Regulation (SFTR). And we closed the year with two milestones in Banking Services. On the one hand, we signed a long-term strategic alliance with Visa, a leading technology company in digital payments, through which our customers will have access to processing solutions and payment methods and the latest innovative products that Visa launches on the Spanish market. On the other hand, we joined the consortium of Spanish credit institutions, which signed on to the EPI, as a collective

founding shareholder of the EPI Interim Company. Each milestone demonstrates Cecabank's extensive capacity to close agreements and maintain service excellence during the current COVID-19 pandemic.

The pandemic has led us to reflect constantly throughout the year on the many opportunities we have to continue evolving and take advantage of the forthcoming new reality, that is, without forgetting our Sustainability Policy and reinforcing our commitment to ESG investment criteria in order to produce a positive impact on society. Committed to tackling climate change and aware of the importance of participating in the fight to curb greenhouse gases, Cecabank reduced its **carbon footprint** by 71% in 2020. And that is not all. Since the start of the health crisis, the bank as a whole has shown a strong interest in pursuing charitable initiatives to mitigate the effects of the pandemic. This spirit of unity and solidarity led us to launch a donation programme in collaboration with the #CruzRojaResponde [#RedCrossResponds] initiative, which raised 55,000 euros and allowed us to celebrate the 7th edition of Cecabank's social action programme "Tú Eliges" [You Choose]. As a result, nearly 100,000 euros were distributed among 14 charitable projects chosen by employees, demonstrating the company's commitment to social, cultural and environmental actions in a particularly difficult context.

In short, and as a result of the pandemic, 2020 forced us to adapt, but it also presented opportunities to demonstrate once again that Cecabank's values are the true engine of our activity. Despite the tragic circumstances that have occurred, our team has demonstrated that it is Cecabank's most valuable asset by overcoming each and every challenge.

02. About Cecabank



2.1 Key figures

These are Cecabank's key figures at December 2020.

Individual figures

Result for the financial year

54,354

thousands of euros

Total assets

14,267,788

thousands of euros

Total equity

1,160,697

thousands of euros

Own funds

1,136,282

thousands of euros

CET 1

26.6%

Balance sheet (thousands of euros) 2020

Total assets	14,267,788
Held-for-trading financial assets	1,857,991
Financial assets at fair value through other comprehensive income	2,462,912
Held-for-trading financial liabilities	1,293,973
Financial liabilities at amortised cost	11,639,413
Total equity	1,160,697
Own funds	1,136,282

Income statement (thousands of euros) 2020

Net interest income	14,633
Gross margin	245,932
Profit before tax	74,371
Profit for the year	54,354

Solvency and liquidity (thousands of euros and percentages) 2020

CET 1 ratio	26.6%
Own funds	1,136,282
Basic Equity (core capital)	644,600
LCR	148%

Cecabank rating 2020

	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 a leading Spanish wholesale bank in Securities Services. It offers innovative, tailored solutions for our clients while guiding them through their journey to reach their business objectives.



Securities Services

Fund Depository

Securities Custody, Settlement and Clearing

Asset Distribution Platform

Futures Settlement in Organised Markets



Treasury management

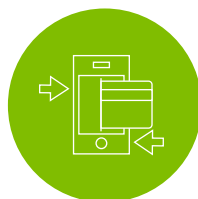
Financial Markets

Banknotes

Equities Sales

Debt Capital Markets

Technology Solutions



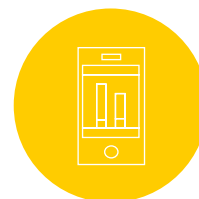
Payments

Digital Payments

Processing Solutions and Payment Methods

Payment Infrastructures and Services

International Payments and FX Platform



Digital Solutions

Digitalisation of Processes

Omni-channel Service

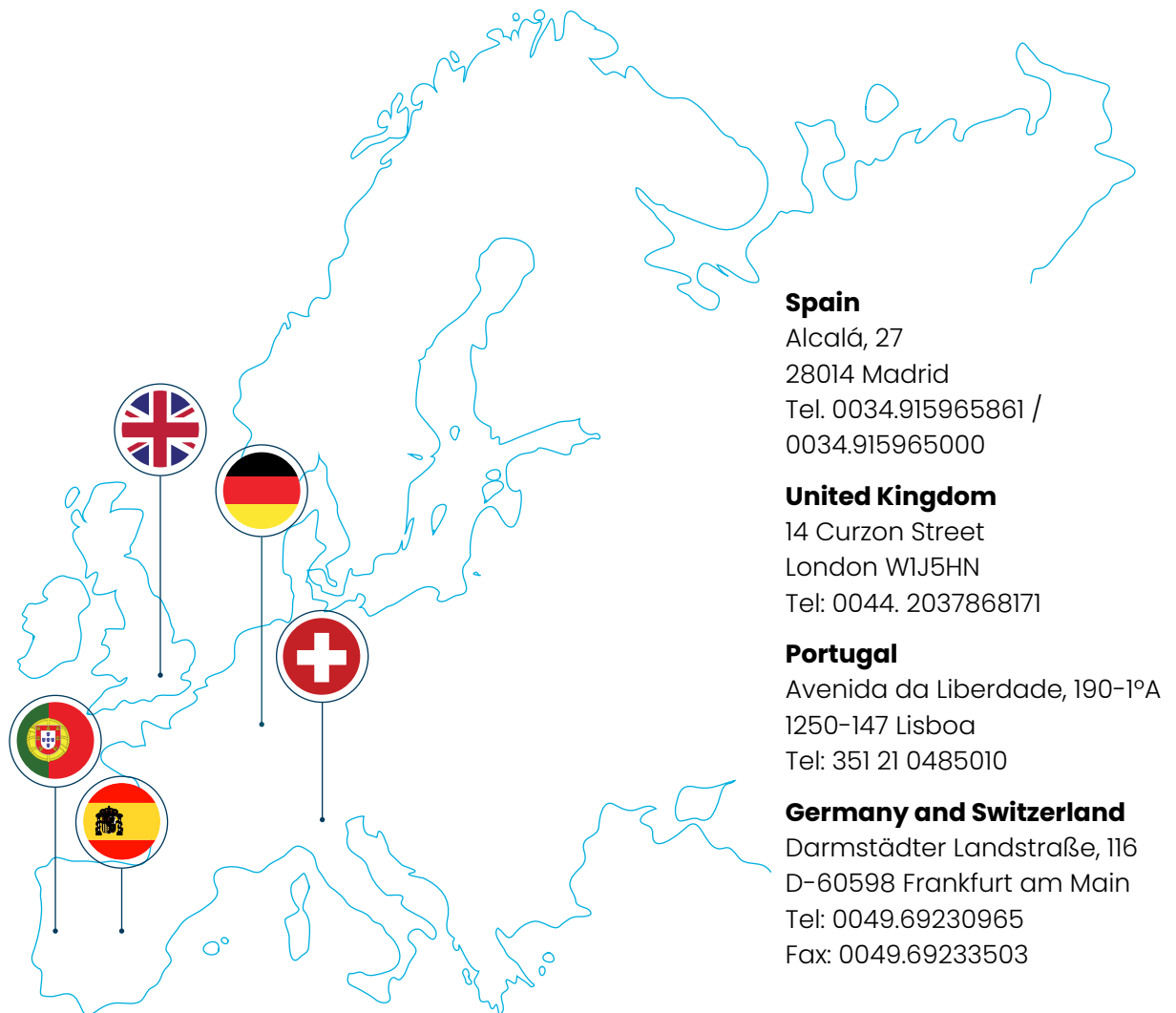
Business Intelligence

Technology Solutions

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.



2.4 Shareholders and shareholder structure

Confederación Española de Cajas de Ahorros

No. of shares
100,000,000

% share
89.08%

Caixabank, S.A.

No. of shares
3,059,729

% share
2.72%

Bankia, S.A.

No. of shares
2,848,192

% share
2.53%

Kutxabank, S.A.

No. of shares
1,352,325

% share
1.20%

Unicaja Banco, S.A.

No. of shares
1,299,440

% share
1.15%

Liberbank, S.A.

No. of shares
888,958

% share
0.79%

Ibercaja Banco, S.A.

No. of shares
765,561

% share
0.68%

Abanca Corporación Bancaria, S.A.

No. of shares
712,677

% share
0.63%

BBVA, S.A.

No. of shares
644,683

% share
0.57%

Banco de Sabadell, S.A.

No. of shares
574,171

% share
0.51%

Caja de Ahorros y Monte de Piedad de Ontinyent

No. of shares
57,920

% share
0.05%

Colonya - Caixa d'Estalvis de Pollença

No. of shares
52,884

% share
0.04%

Total no. of shares

112,256,540

100%

At the close of 2020, Cecabank's shareholder structure, aimed at achieving the bank's targets, is made up of the following (solely stakes above 1%):



Trionis SCRL
Current percentage
78.62%



Eufiserv Payments, SCRL
Current percentage
23.81%



Lico Leasing S.A.
Current percentage
9.84%



Euro 6000 S.L.
Current percentage
9.40%



**Sociedad Española de
Sistemas de Pago**
Current percentage
8.82%

**Sociedad de bancos españoles
para colaboración en pagos S.L.**
Current percentage
8.33%

sistema de tarjetas y
medios de pago, s.a.

**Sistema de tarjetas y
medios de pago S.A.**
Current percentage
1.29%

2.5 Presence in forums



7th Securities Services Conference

Cecabank has extensive **experience in the provision of wholesale services**, and specialisation is one of the defining characteristics of its trajectory. It has an extensive network of world-renowned experts in various fields of financial activity who are invited to participate in leading industry forums.

With the dual objective of publicising its business and creating forums for reflection and dissemination on how to improve the banking sector, Cecabank maintains **extensive dialogue with national and international authorities**, as well as with sectoral associations and private institutions, and it collaborates with shareholders from various fields.

Despite the context of high uncertainty caused by the COVID-19 crisis, Cecabank has remained **Spain's main Securities Services provider**, protecting the treasury management business and boosting innovation, both in digital solutions and payment methods.

For a **fourth consecutive year, in 2020, Cecabank was chosen as the best custodian bank in Spain** by the specialist journal *Global Banking and Finance Review*. This award represents further acknowledgement of the bank's leadership as a depository and its outstanding position in post-trading activity in Spain.

COVID-19 has led to the use and implementation of new technologies in various sectors. Needless to say, the Securities Services industry is one of them. Adapting to the new state of affairs has become the core focus of many strategies in the collective investment sectors. Technological and regulatory changes have been irrefutable partners during this period and were the focus of the debate and analysis at the 2020 Securities Services Conference.

The **7th edition of Securities Services Conference**, an annual event organised by Cecabank, brought together experts and professionals in the sector from different institutions. These included the European Central Bank (ECB), the Spanish National Securities Market Commission (CNMV), the Bank of Spain, Ibercaja Gestión, Kutxabank Gestión, Caixabank AM and Deloitte Consulting. Moderated by professionals from Cecabank, Expansión and Funds People professionals, the participants discussed a range of current affairs in the sector and the investment industry.

The event, held online, featured **more than 400 registered professionals from 260 entities**. It was structured into two discussion tables which addressed changes for fund managers and supervisors in the current landscape and sustainability in post-trading,

such as exercising a responsible vote. Furthermore, there were two presentations at the event, one on the projects being carried out by the ECB and another on optimising Information Technology management as a boost to digital transformation.

In order to make itself known among stakeholders as one of the leading financial institutions in the market, Cecabank sponsored several events related to its activity.

The **10th edition of the Spanish Investors Day (SID) international economic forum**, which began with the presence of His Majesty the King, brought together the main listed Spanish companies and major international investors last January. Once again, Cecabank sponsored and attended the event and also participated in some one-to-one meetings with investors.

In February, the **presentation of the White Book Wealthtech** was held and saw the participation of then Chairperson of CNMV, Sebastián Albella.

The document was drawn up by the AEFI in collaboration with Pinsent Masons and with the sponsorship of Cecabank.

Thanks to this collaboration, the book aims to delve into the Wealthtech sector in our country, structure said field and establish the business models that it brings together.

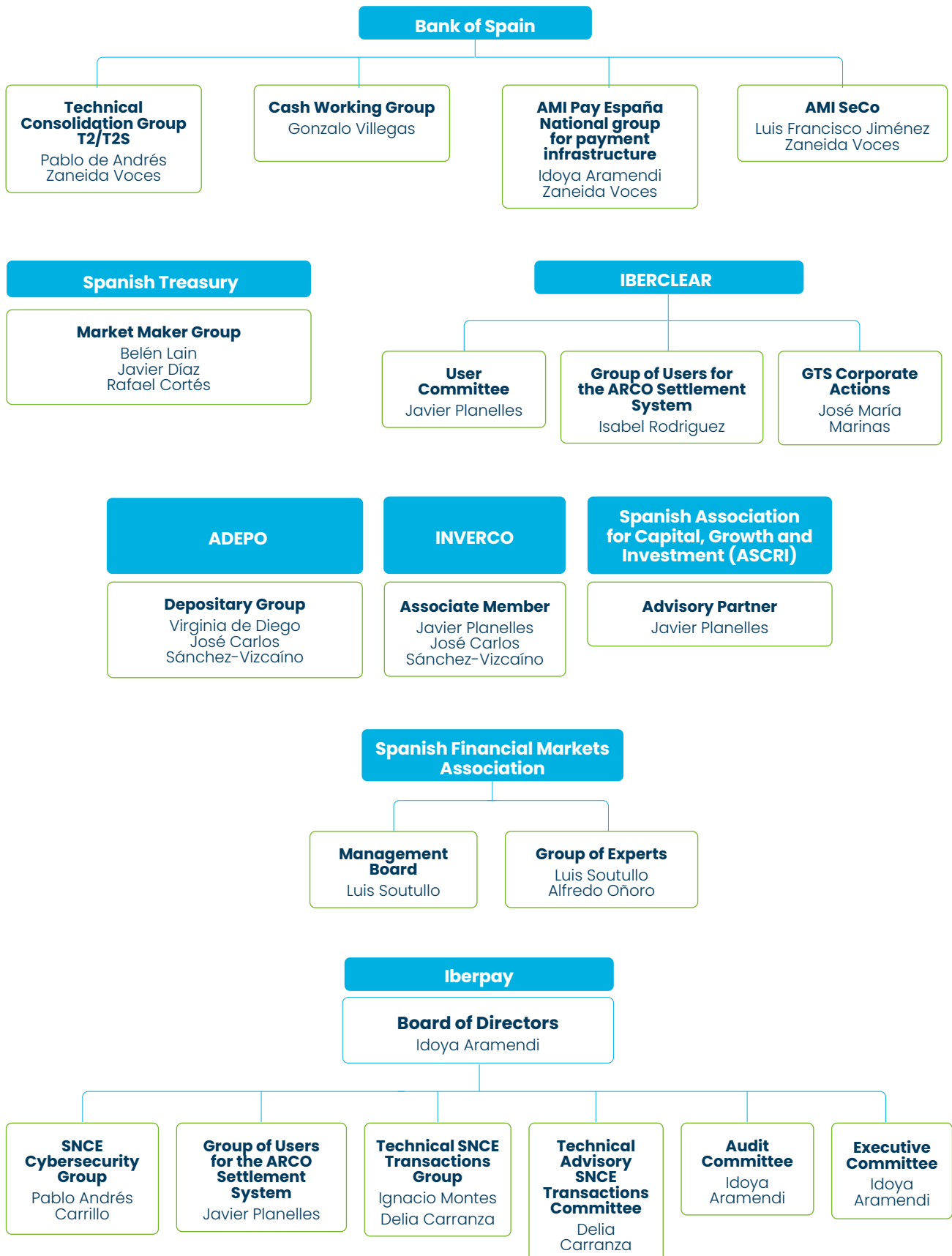
Throughout 2020 **Cecabank further solidified its corporate social networks** to achieve greater diffusion and impact for its solutions and services, its financial and business expertise and its participation at featured forums. Furthermore, social networks also serve as an effective channel for disclosing information on the entity, and they allow two-way communication with clients and interest groups.

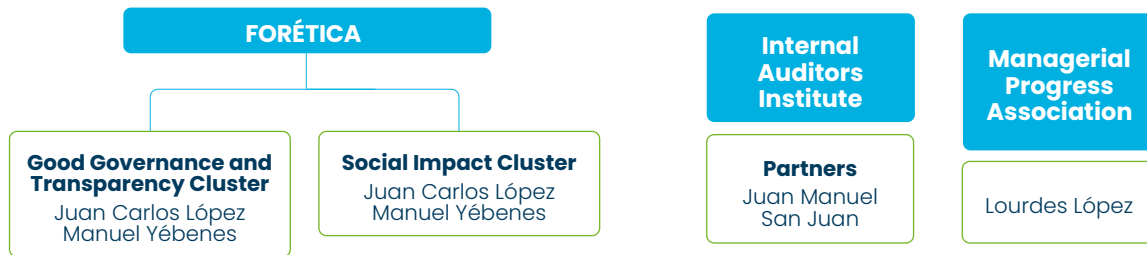
Cecabank has reached 8,119 followers on its LinkedIn company page, thus generating further visibility for our business, raising brand awareness, improving relations with our clients and consolidating our broad network of experts. On Twitter, the leading social microblogging network, the company has surpassed 1,380 followers, making it the network par excellence to gain first-hand knowledge of all the details of our presence in the industry's benchmark forums and working groups.



10th Spain Investors Day

National Representation Forums





ISO- AENOR

Biometrics SC37
David Alonso

Association for the Development of Customer Experience (DCE)

Members
Iñigo Belderráin

ASEPAM (Spanish Global Compact Association)

Member
Juan Carlos López
Manuel Yébenes
Carolina Elipe

SPAINSIF

Member
Juan Carlos López
Manuel Yébenes

AEB / CECABANK Corporate Events Group

Member
José María Marinas

AECOC

PSD2 contrast group
Julio César Fernández

ICC Association

ORP Working Group for Financial Institutions
Guillermo González
María Elisa Campo

CNPIC

Critical Operating Entities Group for the Financial Sector
Guillermo González
Víctor Miguel

Euro6000

Council
Juan José Gutierrez

Mastercajas

Council
Juan José Gutierrez

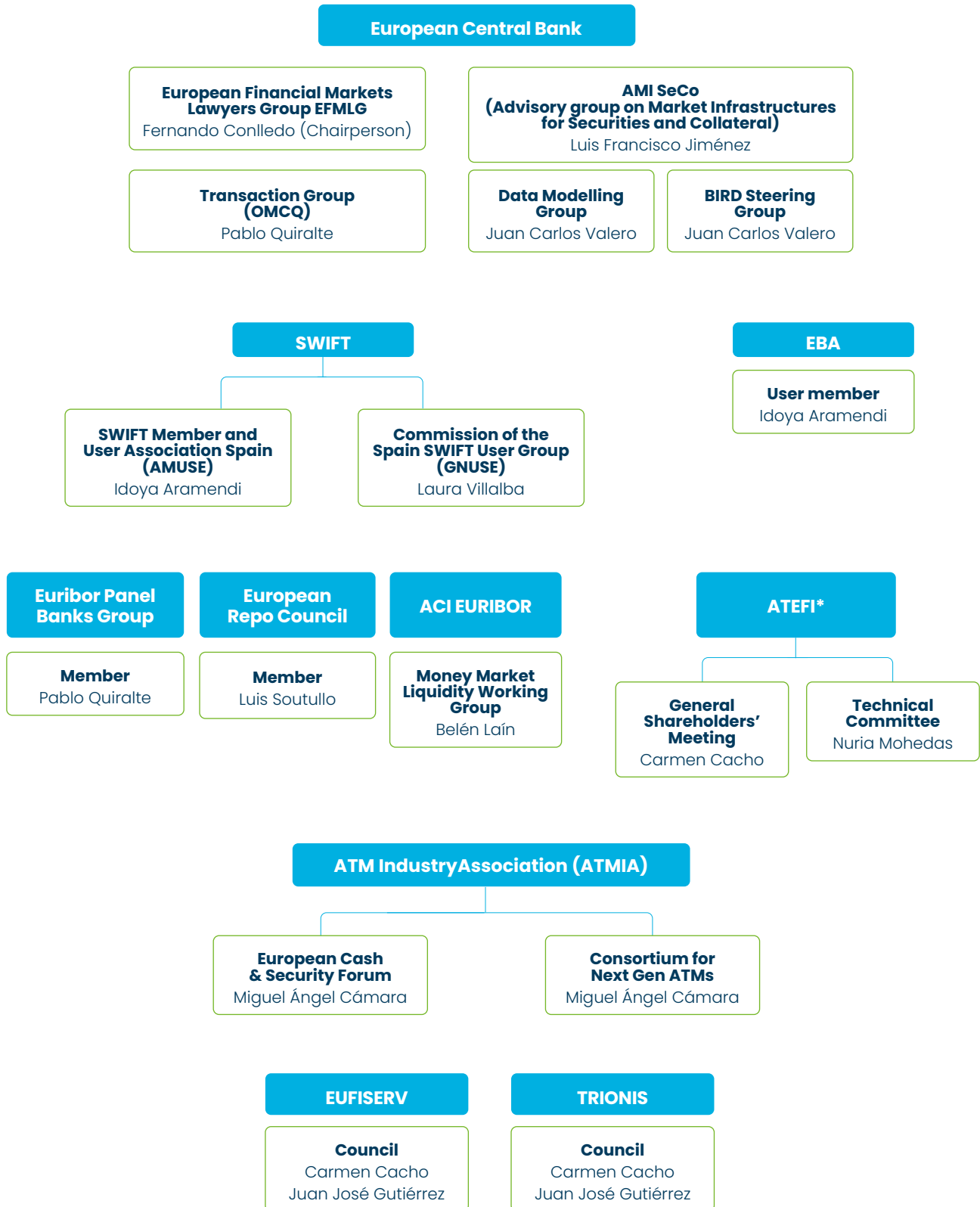
Sociedad de Bancos Españoles para colaboración en pagos S.L.

Council
Juan José Gutierrez

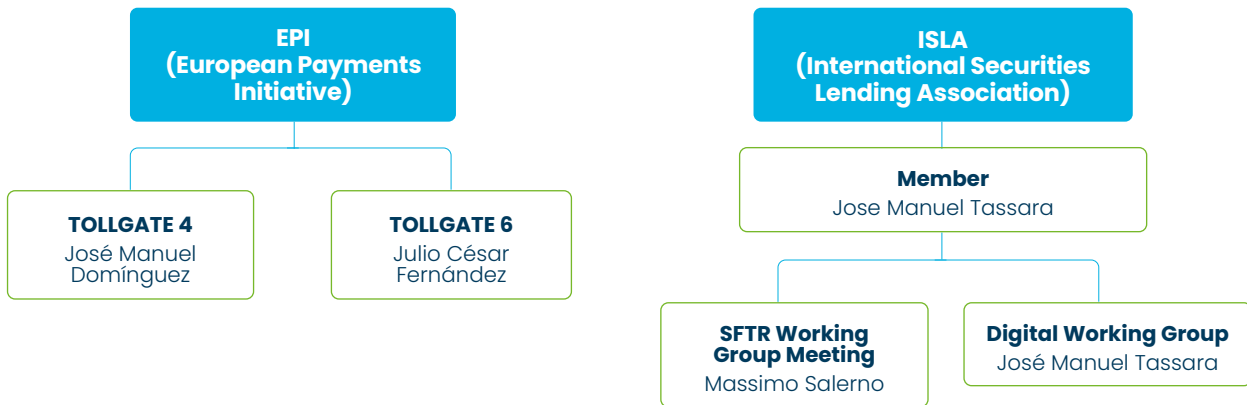
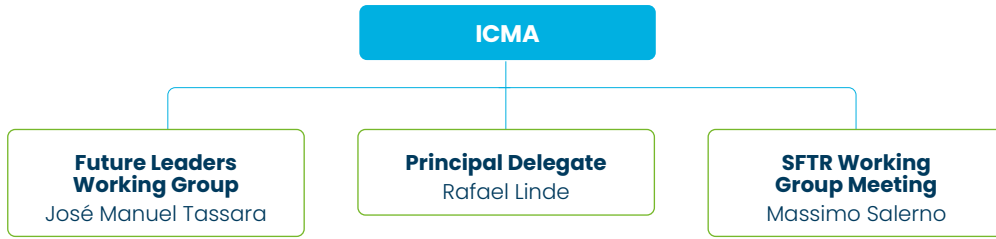
Viacajas

Council
Juan José Gutierrez

International Representation Forums



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



2.6 International Business



Cecabank is present in the United Kingdom, Portugal and Germany through its offices in Lisbon, London and Frankfurt. The latter has absorbed part of the functions of the Paris branch, which was closed in June 2020 to provide a more efficient structure to the company's international presence.

Its international presence **fulfils the dual purpose of extending Cecabank's services to companies outside Spain, as well as the relentless search for trends and needs** that are emerging in our industry. Subsequently, sharing this information with the entity'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 2020, despite the difficulties encountered following the widespread decrease in trade flows due to COVID-19, business turnover and profit saw improvement.

We increased our volume of international payments thanks to **current customers who channel their cross-border payments through Global FX Payments**, our service defined in the Strategic Plan as an incremental initiative which has already comfortably surpassed the revenue target set at the time. International pensions, which are less related to commercial activity and have their own idiosyncrasies, remained stable during the year, with French and German pensions accounting for the bulk of activity.

The fixed income client base cultivated in the United Kingdom allowed us to diversify our distribution of Treasury Bonds geographically against the backdrop of major year for state financing.

The Lisbon branch gave extensive support to regulators and clients for the successful start-up of the depositary service in Portugal.

2.7 Strategic Plan 2021

2.7.1 Strategic Plan 2021 and business evolution

Cecabank is now in the final stage of the Strategic plan approved in December 2016. While 2020 was the year of the pandemic and the health crisis, it should have also been the final year of our Strategic Plan.

Despite the instability of some areas of the environment, the strategy defined at the end of 2016 remains fully valid. It is based on three core pillars: 1) strengthening recurring income to ensure a more cycle-resistant

business model; 2) increasing the client base to reduce the impact of the sector's concentration; 3) consolidating our leadership in the Securities Services market.

Taking into account the context of 2020, at the beginning of the year, the Board of Directors approved the extension of the Plan until 2021 to reach the objectives set.

As such, **the objectives set for 2020 were extended until 2021 and** are reflected in the following business indicators:

Gross margin

270
millions

Efficiency

40%
-45%

Return

9%
-11%

Solvency

20%
-25%

In 2020, we continued developing this strategy, adopting the necessary measures to manage COVID-19 in order to guarantee the level and quality of services and to continue to make progress towards achieving the objectives we set.

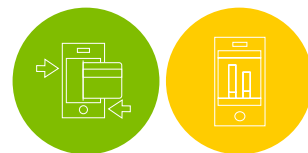
The business model included in the Strategic Plan is structured into three broad lines of business, for which specific strategies are set forth:



Securities Services, focused on maintaining leadership in the depositary business through purchasing opportunities that arise in the domestic market, extending the term of existing contracts, supplementing the Securities Services value chain with new services and expanding into 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 Spain.



Banking services, providing the market with multiple solutions through a mature business that is influenced by new players and regulatory changes, with the aim of capturing and increasing the degree of customer loyalty, generating economies of scale and establishing collaborative models to bring in new business.

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, a total of nine initiatives were identified that are focused on business growth. Over the years, these initiatives have undergone consistent development. Some have reoriented their initial strategy to adapt to market

changes and client interests, and new initiatives have been created to respond to our client's changing needs and new business opportunities.

- Internal projects focused on the bank's **cultural transformation**.
- **Disruptive levers:** the ongoing analysis of potential corporate opportunities that could substantially modify the size of the bank.

Overall, in 2020, the evolution of following components of the Strategic Plan was notable:



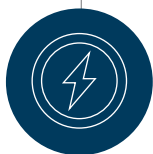
Central scenario: the results were affected by the evolution of the pandemic and the financial and economic environment, such as: the decrease in fund assets in the first quarter of the year, although they recovered and stabilised in the second half of the year; expansive monetary policies followed by central banks; the volatility in the markets; and the drops seen in tourism and consumption. All these factors have had an impact on the gross margin, conditioning its evolution throughout the year.



As regards **incremental initiatives**, two of them have been moved to the central scenario for meeting the objectives set (amplifying the value chain and expanding the Securities Services business to Portugal through the transfer of BPI's investment funds). Two new initiatives have also been incorporated: the custody of crypto-assets, which is in the completion phase, and strategic agreements for payment methods, fully in place following the agreement reached with Visa for payment processing and value added services to customers. The rest of the open incremental initiatives continue towards achieving the goals set forth.



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. In 2020, the progress made in digitalisation and transformation has been crucial to handling the COVID-19 crisis without having an operational impact on clients. In this regard, the expansion of our client-focused culture and initiatives such as remote working, desktop virtualisation, implementing agile methodologies and using collaborative tools have been fundamental in adapting to the total confinement put in place by the state of alarm on 14 March. Furthermore, during 2020, work continued on bolstering these transformation initiatives on our way to becoming an increasingly flexible and agile bank that is able to adapt to any context quickly without impacting the level and quality of the service provided to our clients.



As regards **disruptive levers**, the analysis of potential corporate transactions continues in all of Cecabank's business areas.

In terms of the overall objectives set for the final horizon of the Strategic Plan, which are focused on gross margin, efficiency, profitability and solvency, at the

close of 2020, all saw a high level of compliance at over 90%, and the plan's extension means each objective is expected to be fulfilled in 2021.

The performance of the three business lines in 2020 is set out below, alongside the services and initiatives they include:



Securities Services

The Securities Services business is composed of two major service lines (Depositary and Securities) and three incremental initiatives (FADO Project, for the development of Securities Services in the Portuguese market, extending the Securities Services value chain and custody of crypto-assets).

The following milestones took place in Securities Services in 2020:

- 1 Transfer of depositary activity to Kutxabank
- 2 Signing of the strategic agreement for the integration of Bankia's depositary business
- 3 Depositary transfer of the investment funds of Portuguese bank BPI
- 4 The performance of our management company clients above the rest of the market
- 5 Being leading providers for most domestic investment fintechs

By the end of the year, this allowed the Group to reach 152.863 billion euros in deposited assets and 187.446 billion euros in assets under custody.

The Securities Services business has focused its efforts on strategic projects that supplement Cecabank's value proposition and which will have a significant impact on the income statement in 2021.

With respect to the incremental Securities Services initiatives set forth in the Strategic Plan, we wish to highlight the following:

- **FADO Project** (development of Securities Services activity in the Portuguese market): since July, Cecabank's branch in Portugal has acted as the

depositary for BPI Asset Management. Operations between the branch and the headquarters are running normally, and this initiative has been closed as it has achieved the operational objectives set.

- **Expanding the Securities Services value chain** is now a priority initiative for the bank due to the level of maturity of the different projects it encompasses:
 - The Global Securities Solution is already operational in four clients.
 - International Custody, which continues to add new clients.
 - Outsourcing of operational functions related to the settlement and custody of securities market transactions.
 - Additionally, in terms of **innovation**, a new initiative has been implemented related to **crypto-assets**. This initiative is in the design phase.



Treasury management

The central scenario comprises three services (Financial Activity, Equity Execution and Banknotes) and has incremental initiatives (primary market access, bond platform, Securities Lending programme and home currency delivery).

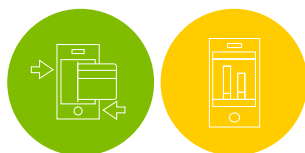
Financial activity has benefited from the volatility caused by uncertainty, the increased volume of brokerage with our clients and a portfolio rotation strategy.

This favourable evolution in financial activity has managed to compensate for the drop in the Banknote business occurring since the end of March due to its correlation with tourism, which is significantly impacted by the pandemic.

The Equity business is a fully operational service.

As regards the current incremental business initiatives, it is worth noting the following:

- 1 **Bonds platform:** operating since December in the Portuguese bank Invest. It continues to answer for commitments made to potential clients.
- 2 **Securities Lending:** currently on stand-by until the final approval of the regulations that allows it to operate.
- 3 **Foreign currency delivery service to customers' homes:** fully operational service whose activity has been practically suspended since the state of alarm in March.



Digital Payments and Solutions

The Banking Services business line includes nine different services and six incremental initiatives, in three distinct groupings:

- 1 **Payments:** which include Discounting, Clearing and Payment Systems services; Foreign Network; Payment Methods; and Forex exchange initiatives in payment networks, Strategic payment methods agreements and FX Sharing.
- 2 **Digital Solutions:** comprising the Trading and Risk Support Platform services; Financial Reporting; Interactive Services; Technology Services; and the Digital Services Extension, Digital Payments Platform and Blockchain initiatives.
- 3 **Other services:** comprising the Association Services and the Banking Training School.

Banking Services revenues were in line with the budget, despite the atypical year. We wish to highlight the following in further detail and grouped by the nature of the services provided:

The Payments business was most affected by COVID-19 and saw a slight negative deviation in the budget. The following takes a close look at the services and initiatives:

- The Payments, clearing and Discount service recorded greater volume of activity. It is worth highlighting the integration of several banks into the SNCE's Confirmation of Ownership service, the assumption of FX Sharing operations and the centralised account for emigrants' remittances as part of the Foreign Network Rationalisation Plan.
- **Foreign Network.** Focused on the implementation of the rationalisation plan, which led to the closure of the Paris representative office, staff reduction at the Frankfurt representative office and the transformation of the London branch into a representative office.
- **Payment Methods** have shown worse than expected performance resulting from the drop in consumption during the months of confinement, coupled with the negative impact of the European processor Trionis and the impact that the fall in tourism has had on the incremental currency exchange initiative in payment networks. This year, strategic agreements in payment methods have been launched as a new initiative, through which we signed a partnership with Visa in September to strengthen the card processing nationally and internationally, which has already generated agreements with clients in Spain and Portugal.

The Digital Solutions business exceeded projects:

- The **Trading and Risk Support Platform** focused commercial efforts on extending the coverage service of the Securities Financing Transaction Regulation (SFTR) to offer greater value to clients and increase their bond.
- **Data, Innovation and Reporting.** This area has exceeded projections as a result of the new EBA 2.9 regulatory requirements.
- Online **banking and digital payments.** Favourable performance supported by the growth of users and digital and instant payment operations and by the increase in online banking transactions.
- **Technological Services.** We wish to highlight the agreements we reached to provide outsourcing services, as a result of the creation of ecosystems with leading partners.

The Banking Training School business showed a negative deviation following the lower number of in-person courses. Association services activity has been greatly increased as a result of all the actions carried out within CECA in response to the COVID-19 crisis.

Internal transformation

The Strategic Plan includes a series of initiatives intended to transform the culture of the bank. In 2018, the foregoing set of initiatives became the **ckbeSMART Cultural Transformation Project**.

The main goals of the project are to expand new forms of work that enable us to reduce time-to-market and gain efficiency thanks to a new client-focused culture. Creating this project has rendered a flexible structure that allows us to act quickly and effectively in the face of the health crisis that has impacted virtually the entire financial year.

In terms of the transformation project, we can highlight the following:

- **Cultural transformation and talent management measures to properly handle the crisis**, including: digitalisation of key talent management processes, implementation of remote work for all staff during the confinement period, drafting of the de-escalation plan for a gradual and staggered return to the office, implementation of bubble groups with a mixed remote/in-person work model, acquisition of the Madrid Guarantee certification for the measures adopted during the COVID-19 crisis and implementation of agile methodologies. We stressed continuous communication with staff during the different stages of the crisis, adapting the messages and channels as needed.

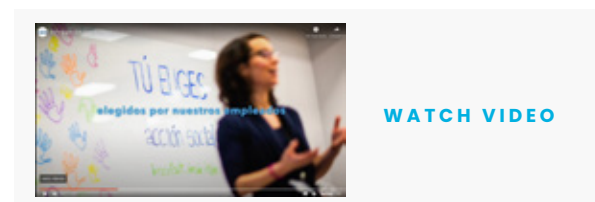


- **Digital workplace and digitalisation of processes:** complete virtualisation of all jobs, as well as the distribution of mobile devices and collaborative tools to the entire workforce, proved key in implementing the COVID-19 continuity plan in less than a week. We wish to point out how the use of robots to carry out operational activities has had a significant impact on efficiency. At present, there are more than 400 robots in operation.
- **Transformation of work spaces:** during 2020, major works were carried out on the building at Alcalá 27, with two fundamental objectives: 1. adaptation of the building to the current accessibility regulations; and 2. creation of more open spaces that promote collaboration. In addition, we would like to highlight the results of the "Papel 0" [0 Paper] project, which has managed to reduce paper printing by more than

47.5% compared to 2019, as well as the cabinet emptying and clean desk policy, which allowed us to place the appropriate distance between posts upon return to the office following the confinement period.

In terms of the environment, sustainability is one of the challenges facing the financial sector. At Cecabank, this year, significant progress has been made in our commitment to society. During 2020, Cecabank focused on three main pillars:

1. **Environment:** the bank had its carbon footprint measured, and AENOR verified the results. The figures show that our footprint dropped by 22% in 2020 thanks to the implementation of initiatives such as the ISO 50001 Energy Management System. An action plan is being drawn up to further this reduction throughout 2021.
2. In terms of **social action policy**, we wish to highlight the "Tú Eliges" Programme, in which 77% of the workforce participated in 2020 and 97,000 euros were allocated to NGOs and foundations voted by employees, as well as our contribution to two natural disasters, the hurricanes in Central America and the floods caused by Dana. Elsewhere, in collaboration with the "Cruz Roja Responde COVID-19" [Red Cross Responds COVID-19] campaign, Cecabank employees donated 33,566 euros, and the bank matched that amount, to support and care for vulnerable persons in Spain and respond to their basic health and social needs.
3. Our commitment to good governance is reflected in our Strategic Plan, where we put in place our Corporate Governance initiative to achieve the highest standards of good governance in the market. In this regard, the Board undertakes self-assessment yearly.



2.7.2 Business objectives

In addition to the bank's Strategic Plan and budgets, each year, commercial objectives are defined to foster and strengthen the bank's commercial activity in order to achieve the greatest possible results.

In 2020, in general terms, the results were especially good if we consider the underlying conditions resulting from COVID-19, where the priorities of the clients

and the ways of interacting with the latter changed significantly.

When looking further into the goals set for 2020, the results were in line with the targets we set; new revenues are particularly noteworthy, as these have a direct impact on the income statement and reflect the actual revenue for the year derived from new contracts (record goal of 29 million euros).



New billing

9.9 million

Goal

351%

Degree of compliance

This indicator considers the estimated and annualised billing of new contracts registered in the period. This performed the best, reaching a figure of 34.7 million euros, mainly thanks to the closure of some corporate operations in the area of Securities Services. However, excluding the success of one-off operations and thanks to the commercial strength, this goal would also have been achieved.



New income

29.7 million

Goal

98%

Degree of compliance

This includes the actual impact on the income statement of new contracts during the current year (29 million euros). The goal was practically achieved, despite the negative effects of the pandemic on initiatives closely linked to tourism and the delay in the implementation of some complex projects. Furthermore, most of this income is recurring.



Contracted negotiations

161

Goal

99%

Degree of compliance

This includes all successfully closed new negotiations or renegotiations whose estimated income is above 10,000 euros/year. The target for the year was 161 negotiations, and the bank closed the year with a total of 160 negotiations signed. Most notable is the contribution of some lines of business to achieving the goal (i.e. Trading and Risk Support Platform, Electronic Banking and Digital Payments, Payment Methods, Securities, Treasury Management).



New clients

48

Goal

106%

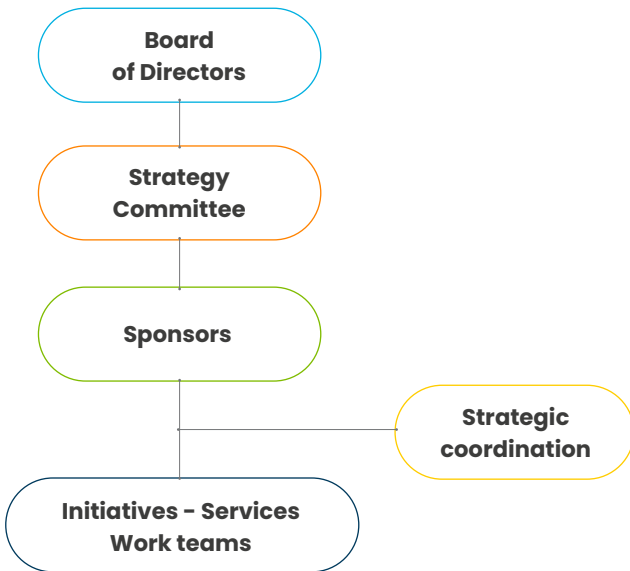
Degree of compliance

This includes clients who have signed up for a service or product and who have not arranged or received any services from Cecabank for three years. Thanks to the intense commercial activity carried out in an effort to diversify income, we reached a record number of new clients (51 vs. 48). At present, many of the clients captured do not represent a significant impact on the bank's income statement, as the Banking Training School recorded the newest clients thanks to the sale of the Spanish Real Estate Credit Agreement Law (LCCI, acronym in Spanish) programme.

Governance model of the Strategic Plan

In 2020, the governance model of the Strategic Plan was upheld in order to ensure that the goals set therein are met. This governance model comprises various levels of monitoring:

Governance structure



The Board of Directors receives a full monitoring report on a quarterly basis, setting out the progress of the Strategic Plan’s implementation on the central scenario and on strategic initiatives. These reports are debated in the Board of Directors.

In 2020, the Board of Directors became a leading decision maker on the company’s strategy when approving the extension of the Strategic Plan until 2021.

On its part, the Strategy Committee met monthly during 2020 with a dual objective:

1. **Overall review of the Strategic Plan** through the approved monitoring methodology, for periodic reporting to the Board of Directors.
2. **Preparation of the 2021 Strategic Plan** through an analysis detailing the different bank businesses.



03. Cecabank during the health crisis



COVID-19 management

Since the start of the pandemic, Cecabank has shown the utmost concern for the health and safety of its employees and their families. It has thus facilitated remote working and has adapted its branches to the new health and safety requirements, establishing all the measures needed to prevent the transmission of Covid-19 while maintaining its high quality of customer service.

Thanks to the measures taken and the solidarity shown in preventing and minimising the risks caused by COVID-19, **the bank has been recognised by the Community of Madrid** with the "Garantía Madrid" distinction, highlighting the company's commitment to minimising the impact of the coronavirus. This recognises Cecabank's compliance with



regulations related to the prevention of COVID-19 and the extraordinary measures adopted to offer its employees and clients the best experience and services possible.



This commitment has been reinforced by **Cecabank recently joining the CEOE Foundation's Health+Economy Sumamos Plan**, which seeks to support the government in mitigating the adverse effects of the pandemic and the autonomous communities in containing the virus, reinforcing the actions taken by the relevant health authorities and providing companies with tools to help curb the number of infections.

In February, Cecabank began to design a contingency plan in response to the characteristics of the crisis was taking its toll in nearby countries at that time. To this end, a Crisis Committee was created, consisting of members of the Steering Committee and leaders from the Human Resources, Communication and Organisation divisions.

The entire crisis management process has taken an approach based on **caution** and **flexibility**. Our priority at all times has been the health of our employees and their families.

In the first half of March, we concentrated on identifying needs and allocating resources in order to activate the contingency plan put in place. The resources

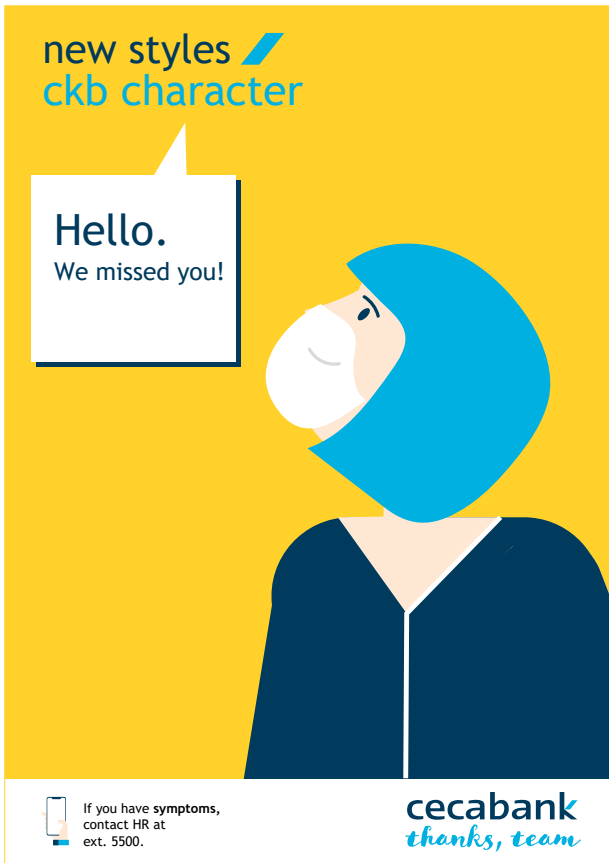
we deployed included laptops, mobile phones and collaborative tools

The transformation projects that have been underway since 2018 were crucial to activating the contingency plan the same day that the state of alarm was announced in March. **In less than a week, 98% of Cecabank's staff was working remotely** without any significant incidents and without impacting the level and quality of customer service.

The Crisis Committee met regularly throughout 2020.

It held daily meetings at first, followed by meetings every 48 hours, then weekly meetings during the de-escalation period. Attendees focused on the following matters:

- Monitoring of the national context in terms of the evolution of the pandemic and the measures adopted by the different authorities.
- Review of weekly epidemiological KPIs, both public (at the autonomous, local, district and basic health level) and internal (based on Cecabank's own warning model).
- Regular review of operations and business activities, including monitoring of the evolution of strategic projects, results for 2020 and outlook for 2021, taking into account the evolution of the pandemic and its impact on the sector and the bank.
- Decision-making on actions to be carried out related to crisis management.
- Ongoing monitoring of the health situation of employees and their families.



Furthermore, **a detailed monthly report was sent to Cecabank’s Board of Directors** with information on the evolution of the pandemic and the decisions and actions implemented.

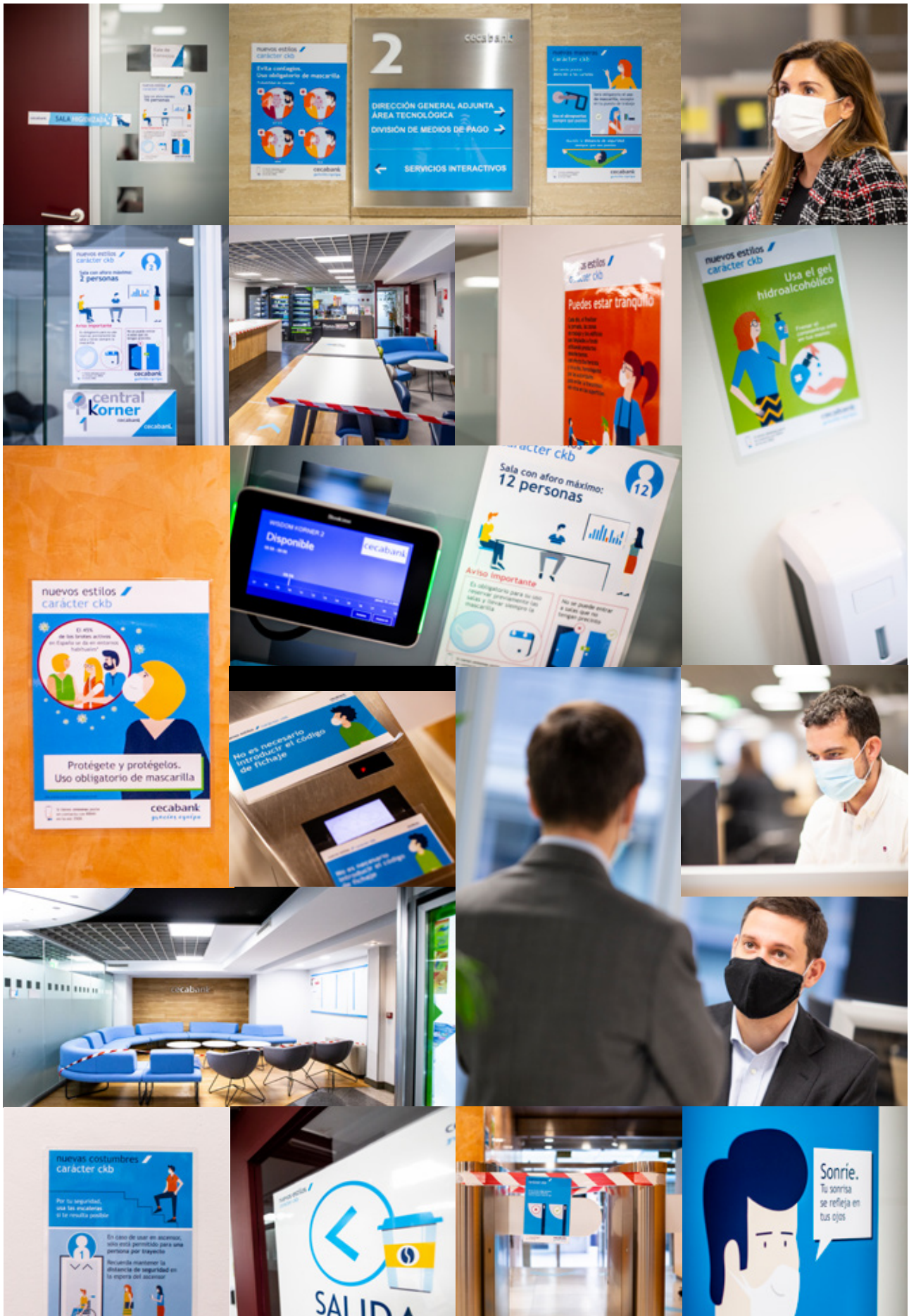
One of the keys to managing the crisis has been ongoing, fluid communication with the staff. Since the beginning of the crisis, we have fostered a communication strategy that is flexible enough to adapt to the needs of the crisis at all times. We have used different types of communication:

- Institutional, to inform the staff of the circumstances and decisions of the bank
- Training and dissemination to extend and facilitate the use of tools in the new way of working
- Motivators, strengthening togetherness and a sense of belonging

During the de-escalation period, the Crisis Committee approved a **phased plan for the staff to return to work in person**. The key elements of this plan are

also caution and flexibility. The de-escalation plan is structured as follows:

- 1 Organising the return by creating bubble groups that do not cross paths at the office and by applying a mixed remote/in-person work model.
- 2 Prevention measures and facilitators, which have resulted in the implementation of prevention measures in line with the recommendations of health authorities and the creation of a battery of action protocols.
- 3 Communication Plan that places special attention on information and informing employees on new ways of working and new behaviours.



04. Corporate culture



4.1 Cecabank's vision

Cecabank's mission, vision and values are aligned with its Strategic Plan. As a result, its objectives seek to fulfil the expectations of all the bank's stakeholders.

<p>Mission</p> <p>Cecabank works to provide support to financial institutions and other corporations using our experience as a wholesale Spanish bank with international exposure</p>	<p>Vision</p> <p>The bank strives to consolidate its leading position by offering specialist solutions for all types of financial institutions and corporations. Cecabank works alongside its clients to build lasting relationships.</p>	<p>Values</p> <p>They drive and shape the way Cecabank works as a banking institution.</p>
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Our values are:



4.2 Value creation

4.2.1 Innovation

One of Cecabank's core values is innovation, and this is reflected in the 2017-2020 Strategic Plan.

During 2020, the bank continued fostering ongoing innovative initiatives and launched new ones, which are currently at different stages of completion.



FINANCIAL BLOCKCHAIN CONSORTIUM

Niuron Consortium

In 2020, six of the consortium's entities successfully completed a concept test combining a biometric identification factor with the current digital identity platform in blockchain.

The aim of the initiative is to develop a digital banking identity system with strong authentication, which enables different uses in terms of authentication, identification and authorisation.

During the year, we also set in motion a project to validate the digital banking identity concept (Niuron ID) with real customers using Design Thinking.

Agile office

Cecabank continues the digital transformation process it launched in 2018. One of the pillars of the transformation is the modernisation of the processes that govern the company's developments, incorporating **agile methodologies that allow us to be highly competitive in an ever-changing environment.**



The *Agile* office was inaugurated in 2019 in an effort to bring business agility to our teams.

Business agility is based mainly on:



Multidisciplinary teams: the teams have all the skills necessary to carry out their activity without depending on external agents. By minimising these dependencies, development times are reduced drastically. Furthermore, the right business profiles and technology come together in these teams to align priorities and handle the client's most important concerns.



Frequent delivery of software and customer feedback: focus on the clients. Agile teams produce iterative developments in under 30 days. They deliver sets of functionalities to their users, collect feedback and adapt the product or service to the needs of the client and/or market. In addition, this approach to development reduces delivery times and allows the team to always work on the client's most pressing issue.



Continuous improvement: agile teams not only produce high value for the user on a recurring basis, but they also analyse how to do it more efficiently by introducing small changes that improve the product or service and reduce unproductive activities.

To carry out all these changes, Agile Office members work directly with team members on all the necessary aspects of cultural transformation. This begins with the necessary training on the principles, values and methodologies to be used. Small changes are subsequently applied in the day-to-day operations of the teams, increasing productivity without adversely affecting the quality of the service. The most relevant changes are as follows:

- Visualisation of all the work in progress on digital notice boards.
- Daily meetings to manage the work and manage risks.
- Bi-weekly meetings to prioritise the most important work for the client.
- Client involvement throughout the process.
- Recurring sessions on continuous improvement.
- Identifying metrics to measure delivery times and have a predictable system based on real data.

Additionally, the Agile branch also collaborates in development concerns. The most important aspects to be addressed following the introduction of technological innovation were:

- Replacing the manual software tests with automated tests.
- Automatic deployments. Any member of the team can deliver new functionalities to the user simply by clicking a single button.

2020 proved fundamental in terms of extending agile methodologies throughout the bank, whereby we logged tangible achievements that have enabled the advantages of these new ways of working to be tested and the following areas to see improvement:



Reduction in delivery times



Increased client and employee satisfaction



Alignment between business and technology, shared knowledge and teams that are more participatory



Teams that introduce changes on a recurring basis to improve the product and service and reduce unproductive tasks

Furthermore, in the context of the COVID-19 crisis, **agile values and principles have spread throughout the bank and are crucial to handling crisis management and widespread relocation of staff** during the months of the most severe confinement.

In 2020, leadership models based on employee confidence and empowerment were one of the levers of business continuity, without impacting clients or the bank's results.

These methodologies were reinforced in 2020 as a necessary lever in a world in which uncertainty and unpredictability are the new normal for the company.

ck·lab

ckLAB

In 2020, ckLAB continued to promote innovation and cooperation between entities of different profiles through its **sponsorship agreement with the Spanish Fintech and Insurtech Association (AEFI, acronym in Spanish)**, leading Cecabank to take part in the creation of the bank book *Wealthtech*.

2020 was a particularly intense year in the transformation of digital banking services and digital payment methods, due to the increased need for remote and contactless payment brought on by the pandemic and the implementation of PSD2 regulations. For this reason, ckLAB has focused much of its activity on developing ways to collaborate on and disseminate new business trends in these areas. Within this context, we wish to point out Cecabank's participation in forums and round tables such as "Expansión", on payment methods, or "Foro Orfin", on challenges facing Spanish Banking Digitalisation.

Inizia

D3 Committee (Inizia Plan)

Work has continued throughout 2020 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**.

Furthermore, our collaboration with 2Gether continued in 2020, leading to Inizia's first strategic alliance in the development of its roadmap in the crypto-world, which also provides analysis for Cecabank in its approach to crypto-assets.

Although the volume of viable opportunities was reduced during the first half of 2020, mainly as a result of the effects of the COVID-19 crisis on the fintech ecosystem, **activity levels are expected to resume the pre-pandemic volumes once said ecosystem has stabilised**.

CET 1 Ratio

26.61%

31 December 2020



4.2.2 Solvency

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

Cecabank's CET 1 Ratio at 31 December 2020 stood at 26.61%.

Cecabank's Board of Directors is in charge of setting out the **type and thresholds of acceptable risk** to achieve the corporate objectives, and it holds ultimate responsibility for the risks incurred by the bank and performance of its activities.

This body defines the general policies with regard to the assumption of risks. Likewise, the Board 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.

Corporate risk map

The following are considered relevant in the development of the business:



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 book. 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 is the risk of suffering losses because of the inadequacy or flaws of the processes, people or internal systems, or due to external events, including legal risk.

The operational scope covers the management of the different types of operational risk affecting the bank as a whole, including technological risk, outsourcing risk and fraud risk, among others.

Risk Appetite Framework

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 of application of this philosophy are seen in a **highly-prudent risk profile**, in particular with regard

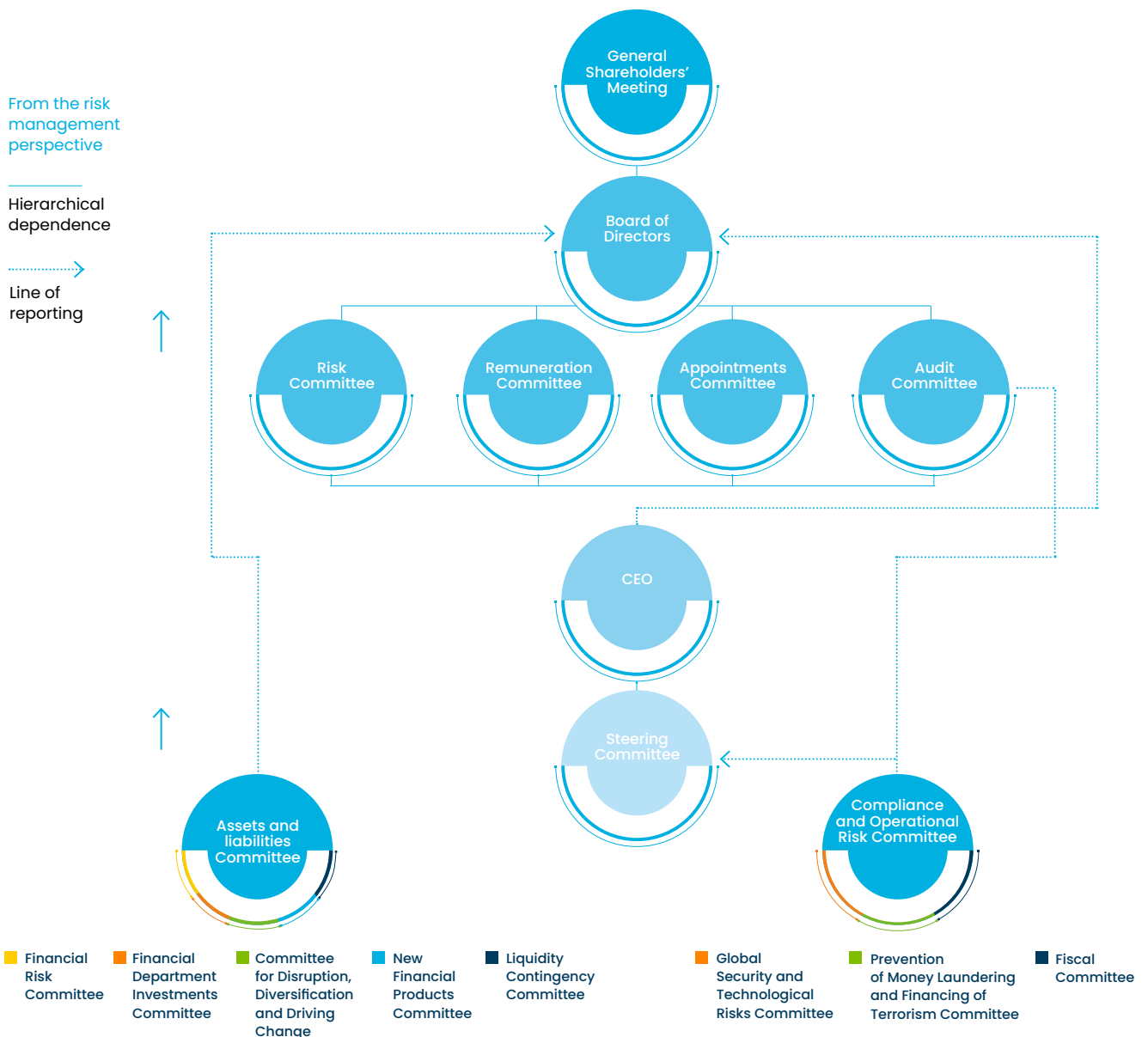
to high levels of solvency and a comfortable liquidity position.

The internal control framework

In line with the regulators' guidelines and the sector's best practices, the internal control framework is structured based on the **three lines of defence model** that provides a reasonable security level when it comes to achieving the Group's objectives.

Structure and organisation

The outline of internal governance allows the risk assumed by the institution to be adequately identified, managed and controlled. For the monitoring of the implementation of management policies and the monitoring of risk profiles, Cecabank has established a supporting structure and a reporting system as described in the following organisational chart:



4.2.3 Specialisation

Cecabank’s Annual Development and Training Plan is a flexible tool whose main purpose to help bank employees acquire the skills and knowledge necessary to meet the requirements of their positions and the expectations and needs of clients, collaborators, regulators and other stakeholders.

During 2020, this adaptive capacity was critical to collaborating with the rest of the organisation to achieve the goals set for the year.

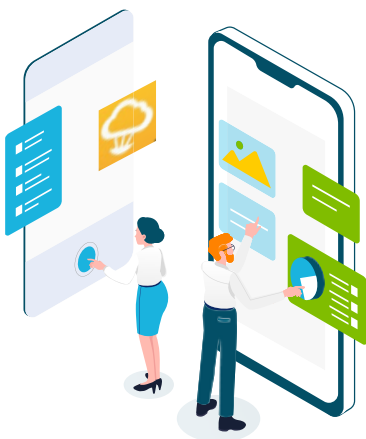
The bank placed further emphasis on training offered to strengthen the most critical areas such as digital skills, remote management skills, security, health and emotional well-being, and continued to work on more traditional areas such as finance, technology, languages and regulation. Additionally, we invest in digitising content and acquiring new courses for our online training offer.



While we are committed to integrating new university graduates into the workforce, as a result of the current context, we have not been able to maintain the number of internships awarded in previous years, and the number has dropped to seven students. To continue promoting employment and training via

internships at Cecabank, we have updated most of the agreements we have at present with universities and study centres.

In 2020, Talent Management developed the following strategic objectives:



- **Digitalisation, efficiency and integration of Human Resources operations**, such as the creation and launch of the annual objectives, measurement of individual performance, variable remuneration management, job description and assessment tool and seminar registration application. Furthermore, we have implemented a solution to create in-house training content and an e-learning platform.
- **Improvements to employee experience, autonomy and development** at Cecabank, thus initiating a change in the culture model in which workers lead the way, including initiatives related to diversity diagnostics and support, improvements to the onboarding process, designing a career architecture model and developing an employee experience action plan.

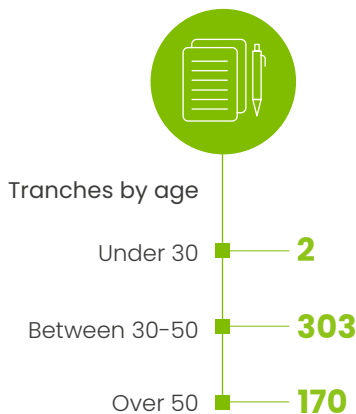
The commitment to growth, consolidation and talent acquisition that characterises Cecabank allowed the company to **hire ten new people** using selection processes in line with the protocols set forth in the Talent Planning and Capture Policy, in which 30 candidates applied.

In accordance with the company's philosophy of continuous improvement, we prepared a 100% digital onboarding plan that utilises electronic signatures and features an e-learning itinerary that streamlines the adaptation of new employees to the company, giving them access to all the information and development they need during their first year at the company.

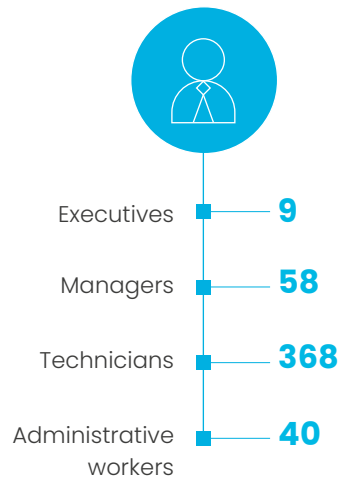
At 31 December 2020, Cecabank had 475 employees (234 men and 241 women), 50.74% of which were women.



All Cecabank employees hold permanent labour contracts.



The distribution of the workforce by functional levels as at 31 December 2020 is as follows:



4.2.4 Client focus

Cecabank provides services to 326 clients, including CECA banks and savings banks, as well as other member entities, banks, management firms and other companies, extending a customer-oriented culture focused on ongoing improvement throughout the organisation.



During 2020, the bank continued developing the following three lines of work:

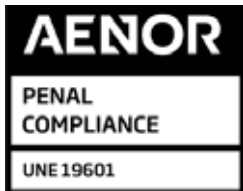
1. Implementing and developing quality management systems in the areas where certification carries a differential value.

In 2020, the Collection and Payment Services certification was renewed (valid until January 2024), and the Securities and Depository Services, Reporting (Pyramid) and Banking Training School certifications were all upheld, all under the criteria of the standard ISO 9001:2015.

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

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

We placed further importance on maintaining the certification of other management systems throughout 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 was given to assess Cecabank's conformity with standard SGE 21 on Ethical and Socially Responsible Management.

As a result of the situation caused by the COVID-19 pandemic, all system support tasks, internal audits and external audits were carried out remotely.

Cecabank earned the three distinctions (Compliance Measures, Extraordinary Measures and Charitable Action) offered by Garantía Madrid for the measures it adopted, the extraordinary

commitment demonstrated and the charitable activity held to prevent and minimise the risks caused by COVID-19.



Cecabank systematised and optimised its greenhouse gas footprint (GHG) measurement process, and AENOR carried out and verified the measurement corresponding to 2019.

2. Measuring and analysing the client's voice, considering client information as a key aspect of the business when it comes to making decisions.

The bank 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 2020, the satisfaction rate of our clients stood at 8.3 out of 10, the Net Promoter Score (NPS) was 65%, and 81% of our clients state they will continue to trust in Cecabank for new solutions. Furthermore, 83% of our clients state that the Cecabank service offering covers all their needs.

3. Establishing improvement plans aimed at:

- a. Improving the quality of our processes.
- b. Improving the clients' experience, as it is the basis for establishing long-lasting and trusting relationships with them.



4.2.5 Integrity

4.2.5.1 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. The 2019 Ordinary General Shareholders’ Meeting set the **number of members of the Board of Directors at twelve, of which seven are proprietary directors, four are independent directors and one is an executive director.** Since then and throughout 2020, the Board of Directors has remained unchanged.

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

Following the good governance recommendations for credit institutions, Cecabank’s Board of Directors has twelve members, **four of which are independent directors.**

It also has four committees, 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.

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 / Independent Director
Julia Salaverría Monfort

Risk Committee

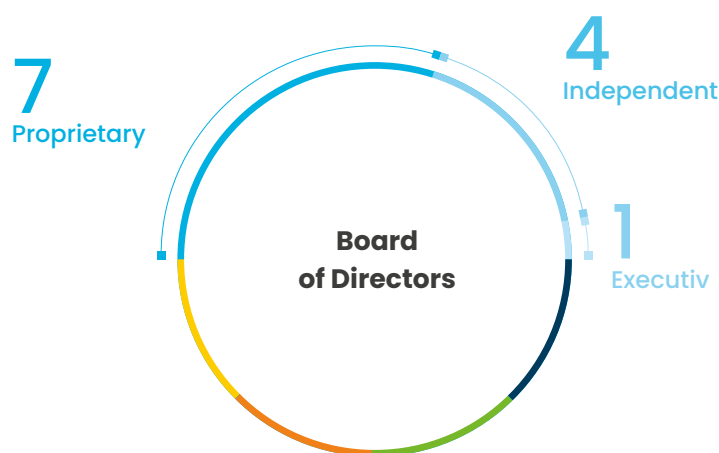
Chairperson / Independent Director
Carmen Motellón García

Remuneration Committee

Chairperson / Independent Director
M^o del Mar Sarro Álvarez

Audit Committee

Chairperson/Independent Director
Santiago Carbó Valverde



APPOINTMENTS COMMITTEE

Chairperson
Julia Salaverría Monfort

Independent

REMUNERATION COMMITTEE

Chairperson
M^o del Mar Sarro Álvarez

Independent

RISK COMMITTEE

Chairperson
Carmen Motellón García

Independent

AUDIT COMMITTEE

Chairperson
Santiago Carbó Valverde

Independent

Governing bodies during the state of alarm

The 2020 financial year was marked in all aspects by the serious health crisis caused by COVID-19. In March and October, the Spanish Government issued a series of states of alarm, during which a large volume of regulations with exceptional measures were approved.

The meetings of CECA's governing bodies were held by videoconference in accordance with its agenda despite the confinement measures and limitations on travel and in-person meetings.

Among the regulations put forward to address this exceptional situation, Royal Decree-Law 8/2020 was approved, which established measures for the operation of the governing and administrative bodies of capital companies, even if not addressed in their By-laws.

In the particular case of Cecabank's Ordinary General Shareholders' Meeting, the Board of Directors met in extraordinary circumstances to cancel the convocation of the General Meeting scheduled for 24 March, opting instead for written, non-session voting, the resolutions of which were formalised on 27 March 2020.

GENERAL SHAREHOLDERS' MEETING

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

The resolutions adopted by Cecabank's Ordinary General Shareholders' Meeting on 27 March 2020, through written, non-session voting, are as follows:

- 1 Approval of 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 2019.
- 2 Approval of the consolidated non-financial information statement corresponding to the financial year ended 31 December 2019.
- 3 Application of the profit for the year ended 31 December 2019.
- 4 Creation of a capitalisation reserve.
- 5 Maximum level of variable remuneration for 2020, for staff whose professional duties have a significant impact on the risk profile of the company.

Prior to the Ordinary General Shareholders' Meeting, the individual and consolidated financial statements, the management report and the non-financial information

statement, all corresponding to the 2019 fiscal year, as well as the proposed resolutions, were made available to the shareholders' representatives.



Board of Directors

OPERATION AND RELATED MATTERS

Cecabank's Board of Directors has the widest administrative powers of the entity and, except in matters reserved to the General Shareholders' Meetings

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

At 31 December 2020, Cecabank's Board of Directors is made up of:

Name of the Board Member	Position	Category
Manuel Azuaga Moreno	Chairperson	Proprietary
Antonio Ortega Parra	Member	Proprietary
Francisco Javier García Lurueña	Member	Proprietary
Jesús Ruano Mochales	Member	Proprietary
Francisco Botas Ratera	Member	Proprietary
Víctor Manuel Iglesias Ruiz	Member	Proprietary
Javier Pano Riera	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-member Secretary	-

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.

According to the By-laws, the Board must hold at least six meetings a year, which are called by the Chairperson. Nevertheless, **during 2020, the Board of Directors held 12 meetings**, at the Chairperson's initiative, where they analysed, among other matters:

- 1 Monitoring of the impact of COVID-19 on business lines.
- 2 Monitoring of the Strategic Plan.
- 3 Depository business acquisitions.
- 4 Regular monitoring of the income statement and balance sheet.
- 5 Creation of the capitalisation reserve.
- 6 Preparation of the consolidated and individual Annual Accounts and the Consolidated Non-Financial Information Statement, corresponding to the 2019 financial year.
- 7 Annual suitability assessment of Directors and the Board of Directors as a whole.
- 8 Self-assessment exercise of the Board of Directors and its Committees.
- 9 The Board of Directors' Training Plan.
- 10 The Board of Directors' Action Plan.
- 11 Regular monitoring of the activity of the Board commissions.

The Board of Directors has appointed a non-member Secretary, who is also the bank's General Secretary, Mr. Fernando Conlledo Lantero. Among the main functions of the Secretary is to assist the Chairperson when it comes to guaranteeing the proper functioning of the Board of Directors and to ensuring the actions carried out by the Board conform to the applicable regulation and the By-laws.

POSITION TERM

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 (...)".

Selection and Suitability Assessment policies for the 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 entity for selecting directors and evaluating suitability, and it considers matters regarding the least represented gender on the Board of Directors.

In addition, the bank also has a policy for selecting and evaluating the suitability of certain Cecabank executives.

TRAINING PLAN OF THE BOARD

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.

The bank's training plan has two goals: 1) immerse the newly appointed directors into the organisation of the bank with special emphasis on its key activities; 2) provide them with further knowledge and skills to carry out their duties as a director.

In this regard, on an annual basis, the Appointments Committee assesses the training needs of directors with the aim of approving a training plan, which usually consists of **training sessions** given by external experts, when appropriate, as well as immersion sessions, usually given by the entity's management.

In 2020, the Board Training Plan consisted of **two training sessions given by renowned external experts and six immersion sessions given by the bank's management**, covering regulatory concerns

within the scope of credit institutions and, in particular, focused on Cecabank's activity.

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 experiences, 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**, that they are not subject to implicit biases that hinder the selection of women and that measures are adopted to include women with the required professional profiles among the potential candidates.

The bank has established a target whereby at least 50% of the independent members of the Cecabank Board of Directors are women. When calculating this percentage, in the event the number of independent directors is uneven, it is rounded up to the next whole number.

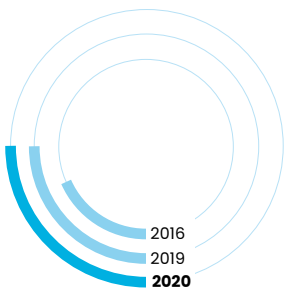
Furthermore, **the representation of women on the Board of Directors will be subject to an upward trend, with the ultimate objective being to reach an equal balance of men and women on the Board**. In order to reach this objective, when vacancies arise on the Board and its different Committees, the foregoing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



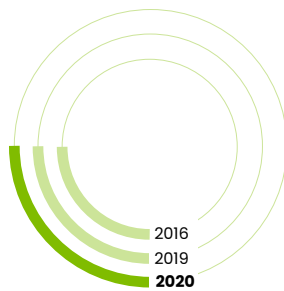
EVOLUTION OF FEMALE MEMBERS JOINING THE BOARD OF DIRECTORS

Governing Body	2016	2019	2020
Board of Directors	16.67%	25%	25%
Appointments Committee	25%	25%	25%
Audit Committee	25%	40%	40%
Risk Committee	25%	60%	60%
Remuneration Committee	25%	33.3%	33.3%

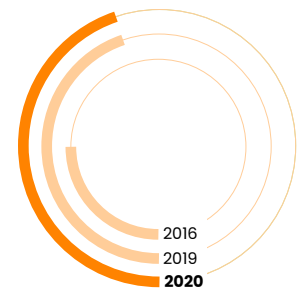
Board of Directors



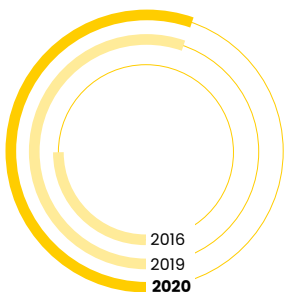
Appointments Committee



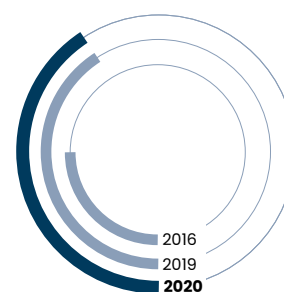
Audit Committee



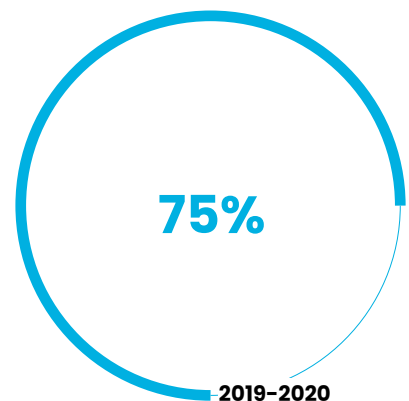
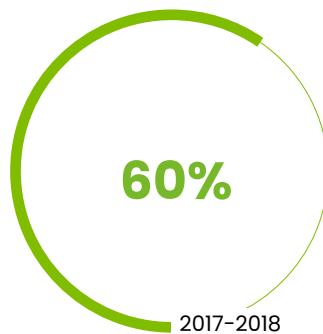
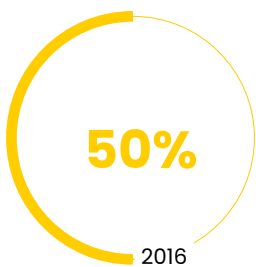
Risk Committee



Remuneration Committee



EVOLUTION OF INDEPENDENT FEMALE DIRECTORS WITH RESPECT TO THE TOTAL NUMBER OF INDEPENDENT BOARD MEMBERS



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.

Appointments Committee

This Appointments Committee, in accordance with the provisions established in article 39 of the By-laws and its own Regulations, is responsible for, among other duties, selecting and recommending candidates for positions on the Board; assessing the balance of knowledge, capacity, diversity and experience of the Board of Directors; regularly evaluating the structure, size, composition and action of the Board of Directors, making recommendations to it; regularly assessing the suitability of the members of the Board of Directors and the latter as a whole; informing the Board of Directors; and regularly reviewing the Board of Directors' policy as regards the selection and appointment of the members of senior management and presenting it with recommendations.

During 2020, the Appointments Committee met on three occasions, where it dealt with the following, among other matters:

- 1 The annual suitability assessment of the members of the Board of Directors and the latter as a whole.
- 2 The self-assessment exercise of the Board of Directors and its Committees.
- 3 Preparing a Board training plan for 2021.
- 4 Monitoring the Talent Management Plan and Human Resources.
- 5 Variations of the Identified Group.
- 6 Monitoring the developments in terms of corporate governance.

The composition of the Appointments Committee as of 31 December 2020 is:

Julia Salaverría Monfort

Chairperson
Independent

Antonio Ortega Parra

Member
Proprietary

Javier Pano Riera

Member
Proprietary

Santiago Carbó Valverde

Director
Independent

Fernando Conlledo Lantero

Non-member secretary

Remuneration Committee

In accordance with the provisions of Article 40 of the By-laws and its own Regulations, the Remuneration Committee prepares the decisions regarding remuneration to be adopted 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; reports 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.

During 2020, the Remuneration Committee met on two occasions, in which it analysed, among others, the following matters:

- 1 Determining the composition of its Identified Group and its variations.
- 2 Assessing, with the support of an external expert, the General Remuneration Policy.

- 4 Amendments to the bank's General Remuneration Policy.
- 5 Monitoring of Talent Management Plan.
- 6 Approval, by the General Shareholders Meeting, of the maximum level of variable remuneration for employees whose professional duties have an impact on the risk profile of the bank.

The composition of the Remuneration Committee as of 31 December 2020 is:

M^a del Mar Sarro Álvarez
Chairperson
Independent

Santiago Carbó Valverde
Member
Independent

Jesús Ruano Mochales
Member
Proprietary

Fernando Conlledo Lantero
Non-member secretary

Audit Committee

The Audit Committee, in accordance with the provisions established in article 38 of the By-laws and its own Regulations, is responsible for, among other duties: supervising the effectiveness of the internal control, 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.

In 2020, The Audit Committee met on six occasions in which it analysed, among other matters, the following:

- 1 The control function and its annual reports.
- 2 Financial and non-financial information.

- 4 The effectiveness of the bank's internal control and risk management systems.
- 5 Supervising the internal audit.
- 6 Cecabank's supervisory function as a depositary.
- 7 The auditor's independent report on client asset protection.
- 8 The Euribor contribution process.
- 9 Relationships with supervisors.

The composition of the Audit Committee as at 31 December 2020 is:

Santiago Carbó Valverde
Chairperson
Independent

Ma del Mar Sarro Álvarez
Member
Independent

Jesús Ruano Mochales
Member
Proprietary

Francisco Botas Ratera
Member
Proprietary

Carmen Motellón García
Member
Independent

Fernando Conlledo Lantero
Non-member secretary

Risk Committee

In accordance with the provisions established under article 41 of the By-laws and its own Regulations, the Risk Committee, among other duties, advises the Board of Directors on the company's overall propensity to risk, both current and future, and its strategy in this field, and assists it in monitoring the application of this strategy; ensures that the pricing policy of the assets and liabilities offered to clients 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 collaborates in the establishment of rational remuneration policies and practices.

The Risk Committee has met on five occasions in 2020, where it analysed, among others matters:

- 1 The scorecard, risk profile and capital target of the bank.
- 2 Internal capital and liquidity adequacy assessment processes (ICAAP).
- 3 Pillar 3 Disclosures.
- 4 The Risk Tolerance Framework (RTF).
- 5 The Operational Framework for the granting of credit transactions to Corporations and Public Administrations.

The composition of the Risk Committee as of 31 December 2020 is:

Carmen Motellón García
Chairperson
Independent

Francisco Javier García Lurueña
Member
Proprietary

Víctor Manuel Iglesias
Member
Proprietary

Julia Salaverría Monfort
Member
Independent

Maria del Mar Sarro Álvarez
Member
Independent

Fernando Conlledo Lantero
Non-member secretary

Steering Committee

AREA OF ACTIVITIES AND RESPONSIBILITIES

The Steering Committee has the following basic responsibilities:

- 1 Deciding on issues directly submitted to the Board of Directors.
- 2 Deciding on matters to be approved by the Board of Directors before being submitted by the CEO.
- 3 Deciding on matters which the CEO submits to it on his or her own initiative.
- 4 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 2020, the Committee **met 26 times**.

4.2.5.2 Sustainability Policy

The Spanish financial sector in general, and Cecabank in particular, must be **committed to contributing to more sustainable and responsible economic and financial activity**, and, therefore, the 2018-2020 Sustainability Plan was added to the bank's Strategic Plan, and has the following main lines of action:



To comment on some examples of ESG activities and lines carried out in 2020, we can highlight those related to clients and quality, the renewal of different certifications and the measurement of client and employee experience.

In terms of managing people and employees, we wish to point out the Equality Plan, as well as the measures and protocols carried out in relation to COVID-19, noting that 98% of the company's employees worked remotely during the pandemic.

In terms of suppliers, work continues on the Purchasing Centre and Suppliers' Platform, as well as on the approval of outsourced suppliers and services.

In social matters, the 7th edition of the Tú Eliges Programme was held, where we distributed 97,000 euros to associations and foundations for the 14 projects awarded in social, cultural and environmental programmes.

We also wish to point out the Conformity Assessment as part of the ethical and socially responsible certification of Forética's SGE21, where we obtained a high rating. We must also highlight the successes of the various campaigns carried out among employees and Cecabank on behalf of Red Cross Responds COVID-19, Operation Kilo with the Food Bank and aid to the Emergency Committee for hurricanes in Central America, among others.

With regard to **environmental issues**, the bank saw an overall reduction in consumption and optimised and systematised its carbon footprint measurement.

With regard to compliance and combating corruption and bribery, our criminal risk management and organisation system remains certified by AENOR.

Finally, we wish to mention the main international sustainability initiatives that Cecabank is part of:



United Nations Global Compact (through the Spanish Network of the Global Compact): in 2020, in addition to the Global Compact and its 10 principles, work continued on promoting the 17 United Nations Sustainable Development Goals, as well as pursuing a broad global pact to end the pandemic and promote sustainable economic recovery.



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



On the occasion of the United Nations Climate Change Conference (COP25), held in Madrid in December 2019, Cecabank, alongside 95 per cent of the financial sector, presented its commitment to reduce the carbon footprint of its credit portfolios within a given time frame, in such a way that it can be measured with internationally approved criteria and meet with the goals of the Paris Agreement, in line with the **Collective Commitment to Climate Action, promoted by UNEP FI.**

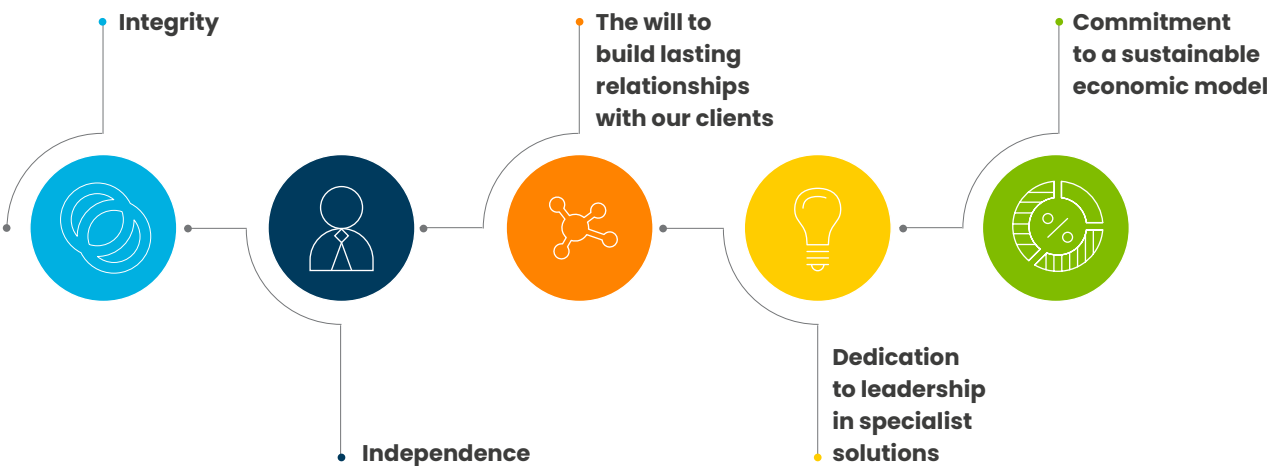


During the summer, Cecabank joined the **Green Recovery Alliance**, an initiative promoted by Pascal Canfin, Chairperson of the European Parliament's Environment Committee, which pursues a major global agreement to end the pandemic and foster sustainable economic recovery.

General principles

The governing principles of the Sustainability Policy are aligned with Cecabank's mission, vision and values. These principles are as follows:

These general principles inspire all the actions arising from this policy and are present in the assessment of how these actions are conducted.



Sustainability Policy points of action

The points of action are used to guide our specific initiatives.

They are:



1. The **business** itself. The Sustainability Policy will work on non-financial aspects that strengthen profit maximisation. This approach will translate into the definition of an offer of products and services for our clients, which consider the social, environmental and governmental impacts in their design, management and marketing. Furthermore, these factors will be taken into account to strengthen the solvency of portfolio positions.



2. Responsible and sustainable management of **material resources**, promoting efficiency in consumption and impacts on the social and environmental surroundings, both in its activity and in its sphere of influence. Cecabank is aware that its operations have a limited direct impact on the environment, but the responsible management of material resources encourages reduced costs and greater efficiency in its use.



3. Responsible management **of our employees**, the bank's core asset. The Sustainability Policy aims to contribute to improving the workplace environment and sense of belonging.



4. The implementation of a **social action policy** in keeping with the corporate characteristics and objectives of the bank. The action takes leverage from the commitment of Cecabank's employees and fosters their pride of belonging.



5. Our clients: the Sustainability Policy will work to extend the client-focused culture geared toward and continuous improvement throughout the organisation, implementing quality management systems in the areas where certification provides a differential value and measuring and analysing the client's opinion, whereby information on clients is a key aspect of the business when it comes to making decisions.



6. Our suppliers: suppliers are an essential link in the value chain of our products and services. For this reason, Cecabank will use approval processes for outsourced service providers. This approval process enables the bank to ensure all the aforementioned principles, assessing suppliers' production, technical and financial capacity and validating that they share Cecabank's moral, social and environmental values before integrating them into our supply chain to become an instrument of operational and reputation risk management.

Resource materials

Environmental matters

Because Cecabank's activity is carried out in offices and is not of an industrial nature, its environmental impact is limited. Nevertheless, one of the lines of action defined in its Sustainability Plan is the responsible and sustainable management of material resources, and this is the framework for

specific initiatives developed in this area, such as measuring the carbon footprint.

In addition, Cecabank has a strategic line within the 2017-2020 Strategic Plan with measures aimed at reducing consumption.

An example of this is the fact that in 2018 Cecabank took an additional step in the field of energy management by implementing an Energy Management System in accordance with standard UNE/ISO 50001, obtaining

the AENOR certification (GE-2018/0038) on 14/12/2018, for its corporate buildings at the addresses C/Alcalá, 27 and C/Caballero de Gracia, 28-30, where it conducts its activity. Within this system, important activities are underway at the bank, such as:

- Creating an Energy Policy for the bank.
- Training and raising awareness among the entire workforce on the correct use of energy through the Good Practices guide.
- Installing consumption analysers to increase the number of indicators in the Energy Management System (hereinafter, EMS).
- Implementing a computer tool, SMARKIA, to monitor consumption and to document the entire EMS.



The performance of the main environmental indicators is as follows:

Building consumption		Year			
Alcalá, 27 and C. Gracia, 28-30	Measurement unit	2017	2018	2019	2020
Energy (Electricity) ¹	GJ	6,124	8,095	7,021	5,613
Energy (Natural Gas) ²	GJ	1,998	2,164	1,191	982
Paper (Ecological-Ecolabel)	Kg	37,800	27,310	23,900	9,600
Water	M3	4,907	3,766	3,871	1,807
Carbon Footprint	TonCO2	3,531	3,043	867 ³	xx

1 The source used to convert the energy consumption of indirect emissions as a result of the entity's electricity consumption is "Emission factors - Ministry for the Ecological Transition": www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf
 2 The source used to convert the energy consumption of the company's direct emissions from natural gas consumption is "Emission factors - Ministry for the Ecological Transition": www.miteco.gob.es/es/cambio-climatico/temas/mitigacion-politicas-y-medidas/factores_emision_tcm30-479095.pdf
 3 The calculation of the 2019 Carbon Footprint only encompasses scope 1 and 2 emissions. It is pending verification by AENOR in the second half of 2020 of the complete Carbon Footprint, including scope 3.

In 2020, the reduction in electricity, gas and water consumption was largely influenced by the situation brought on by COVID-19, which has led to a much lower than usual occupancy of buildings during the confinement and the last state of alarm approved by the Government.

At Cecabank, **we are aware of our responsibility to climate change** and the importance of participating in the fight to curb greenhouse gases.

This is why, as part of our goal of understanding the impact of Cecabank's activity on the environment,

during 2020, we verified the footprint for the year 2019, and, during 2019, we measured our carbon footprint for the years 2017 and 2018 to obtain the results found in the table.

Finally, efforts to reduce the environmental impact resulted in a significant reduction in the consumption of paper, cardboard and printing toner. We also found ways to separate waste for treatment in specialised plants. Cecabank generated the following waste during 2019 and 2020:

Waste generated at Cecabank, S.A.		Year	
Alcalá, 27 and C. Gracia, 28-30	Measurement unit	2019	2020
Paper and Cardboard	t	43.75	8.8
Mixture	t	17.82	8.52
Batteries	t	0.15	0.11
Hazardous Waste	t	1.01	2.89
Total	t	62.73	20.32



Our employees

STAFF

With regard to staff, as set forth in Cecabank's Social Sustainability Plan, we are committed to responsible and sustainable management of human resources. In addition, the different policies relating to professionals establish the equality, integration and non-discrimination policies in the workplace.

EQUALITY

In 2017, the new gender equality and work-life balance plan was approved. In the years since, detailed studies have been drawn up on equality (wage gap and work-life balance measures), and work has been done to design training on diversity for the entire workforce and to draw up an action plan to obtain recognition in this matter.

Since 2020, work has been underway on **updating the Equality Plan** to bring it into line with current regulations.

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.

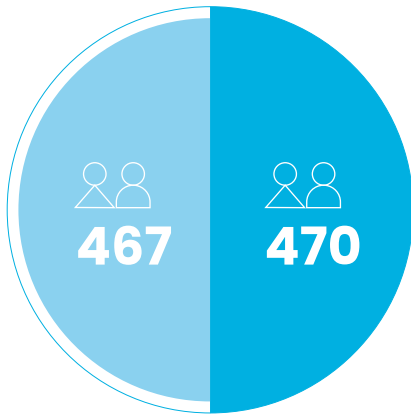
Furthermore, a **protocol has been agreed to prevent any type of harassment and gender discrimination**. This process was modified in 2020 by the Labour Agreement that delineates an action protocol in the event of a complaint of occupational, sexual or gender-based harassment at Cecabank. This labour 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.

Thanks to the robust nature of its selection processes, Cecabank employs persons with different abilities both on its staff and through employment agencies, leading it to add a woman to its permanent staff and five others to provide services on a temporary basis. Furthermore, Cecabank collaborates with organisations that promote the inclusion of people with disabilities in the work environment.

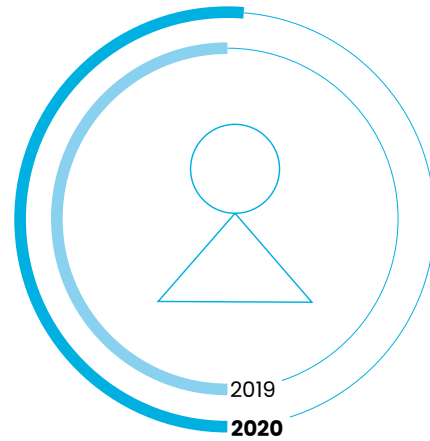
Total number of employees at Cecabank Spain

2019
467 2020
470



Percentage of women at Cecabank Spain

2019
50.74% 2020
51%



TRAINING

Cecabank’s training is intended to **drive the specialisation and development of new professional skills**, facilitating employees’ access to official certifications. We are driving the bank’s transformation through new forms of work, such as implementing different agile methodologies that put personal and digital skills into practice.

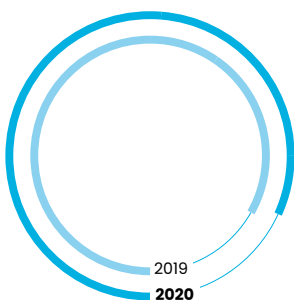
In line with the bank’s ongoing improvement goals, training is revised and adapted so Cecabank personnel are prepared to meet the needs of our clients and the markets.

The Annual Development and Training Plan incorporates different areas of knowledge, ranging from standards and regulations, finances, technology, digital skills and IT to management, health and wellbeing.

% of mid-level and upper-level university graduates

(Senior engineers, Licensed engineers or Engineering graduates)

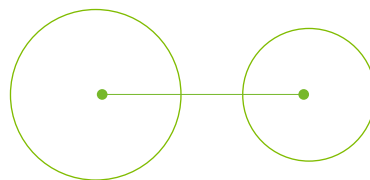
2019
78% 2020
77%



Hours of employee training Cecabank Spain

Hours per employee

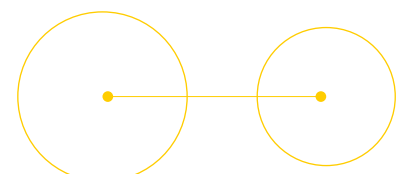
2019
45 h 2020
35h



Hours of employee training Cecabank Spain

Euros per employee

2019
1,191 € 2020
916€



Note 2: The training hours in 2019 and 2020 are based on employees who have received some type of training, even if it is the minimum and compulsory training



During 2020, we were forced to make **changes to our original training and development plan** in order to adapt to the situation brought on COVID-19. A significant investment was made to create new content to help employees deal with the circumstances, both from the point of view of technical knowledge of new tools and the acquisition of skills to succeed in the digital environment, and thus maintain the level of quality to which our clients are accustomed. Online content and live training were also offered through Teams, whose priority was to support the emotional health of workers and help them during difficult times.

The new **Learning Cloud** platform, which is available in a mobile version, proved extremely helpful throughout this process. This tool is integrated into the training website, which records all the training activities carried out by the persons working at Cecabank. It also integrates all this activity into its curriculum and allows managers to visualise the courses requested by their teams and their status.

This way, the training catalogue has been substantially strengthened in the areas of digital

skills and competencies. We continue to work on the transition to micro-learning content, which makes more efficient use of the student’s experience and reduces the time load.

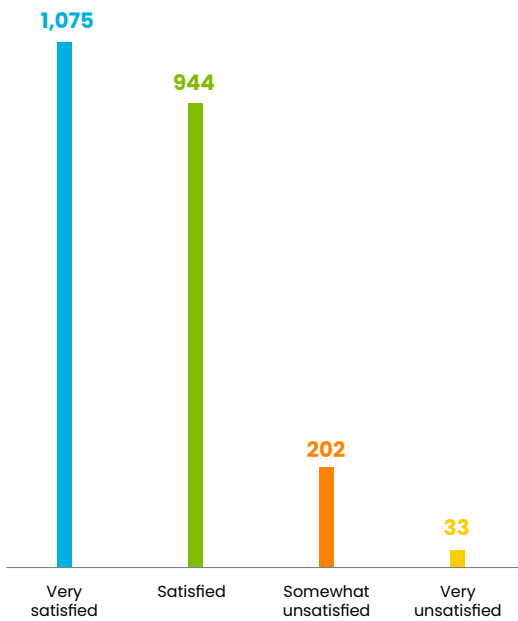
Our **philosophy of promoting in-house specialisation programmes** to the detriment of external master’s degrees has been successful, as it has allowed us to continue our digital programming without the need to cancel training during confinement. Experience has shown us that this approach entails a greater adaptation of content to our needs, a reduction in training hours and a better use of the budget, without reducing the quality of the programmes or the level of satisfaction of the students.

Throughout 2020, **96% of the workforce participated in some sort of training activity**, and in total 15,869 hours of training were held, with an average of 35 hours of training per employee.

The following table shows the training hours per professional category according to contract type, which totalled 15,869 hours in 2020:

	Level I	Level II	Level III	Level IV	Level V	Level VI	Level VII	Level VIII	Level IX	Level X	Level XI	Level XII	Level XIII
Group 1	106	403	941	1,839	2,329	3,322	2,754	2,082	1,436	335	193	103	-
Group 2	5	21	-	-	-	-	-	-	-	-	-	-	-

Overall assessment of the courses

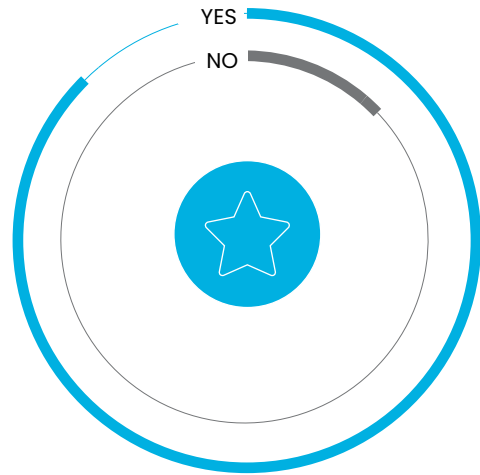


No. of surveys

2,254

Would you recommend this course to another person?

YES 87% NO 13%








As a result of the context in 2020, we have not been able to maintain the number of internships awarded in previous years, and the number has dropped to seven students. To continue Cecabank’s commitment to employment and training via internships, we have updated many of the agreements we have at present with universities and study centres

Since 2018, Cecabank has had a flexible remuneration plan for the benefit of its workers that gives them with the possibility of taking out products and services with tax breaks.

The following products are currently included in the ckbFLEX flexible remuneration plan:

SOCIAL BENEFITS

Cecabank offers social benefits to its employees with a view to **motivate, retain and build loyalty among workers.** The main social provisions offered to employees by Cecabank are as follows: financial benefits, work-life balance measures (flexibility, or additional leave), group life insurance, group healthcare policy for employees, nursery and study grants and toys for employees’ children.

- 
Nursery voucher
- 
Training voucher
- 
Travel card
- 
Food voucher
- 
Medical insurance for the spouse and children of employees

The following table shows the investment made by the bank in social benefits per employee in 2020:

Investment made by the bank in social benefits per employee

(includes contributions to the pension fund, assistance for childcare/child studies/employee health insurance/food compensation)

2019
3,694 €
euros/employee

2020
3,033 €
euros/employee

The ckbFlex plan has been widely accepted among the staff; approximately 56% of Cecabank employees have taken out, at least, one of the offered products.

ckbFLEX

56%
employees

The total number of products taken out came to 589, the most frequently requested of these being:

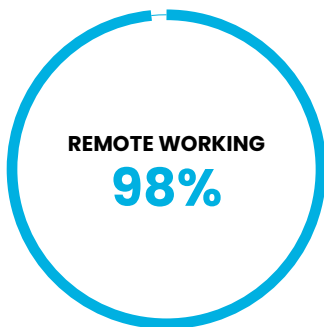
- Health insurance for employees' family members: taken out by 35% of staff members.
- Travel card: taken out by 13% of staff members.

As a result of COVID-19, which has meant that the vast majority of Cecabank staff work remotely, at least part of the time, both transport cards and food vouchers have seen less demand.

LIFE-WORK BALANCE

Within the Human Resources Plan linked to the 2017-2020 Strategic Plan, Cecabank has encouraged the implementation of a system with **flexible schedules and remote working**. Both aspects have been agreed with Cecabank's labour representation by signing two labour agreements with all the trade unions present at the bank.

Thus, 123 employees were registered in the Remote Work Modality on 31 December 2019, but, **with the outbreak of the pandemic**, more than 450 employees (98% of the staff) have been working remotely, and we have distributed the equipment necessary for it throughout 2020.



Work is organised based on the collective bargaining agreement for savings banks and financial institutions, focused on improving contract conditions and applying compensatory measures to employees with special schedules through more holiday time and higher remuneration.

Although Cecabank does not have a specific policy for work-related downtime, the publication of the collective bargaining agreement for savings banks and financial institutions, regulates, for the first time, the right to disconnect from digital devices between

7:00 p.m. and 8:00 a.m. sector-wide, except in situations of extreme urgency.

In 2020, 19 employees benefited from parental leave, 13 men and 6 women.



OCCUPATIONAL RISK PREVENTION

Cecabank employees are one of the entity's main assets, which is why safety in the workplace is fundamental.

Cecabank currently has a medical service with a licensed doctor, who provides daily healthcare assistance to employees.

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

Elsewhere, Cecabank also provides training and information for its employees through its training department, where it holds courses on occupational risks and preventive measures for all employees, installs data display screens and trains intervention teams on how to respond to fires and on first aid measures.

During 2020, due to the COVID-19 pandemic and the transition to remote working, some of the in-person planned activities were affected.

With regard to the **ckbeWELL** programme it should be noted that, for the same reason, the all in-person activities were affected, although online activities such as the back school courses and other training related to occupational risk prevention were maintained.

A series of specific procedures were put in place to halt the spread of COVID-19 in our buildings, such as protection measures, the use of EPI, masks, protective screens, social distancing measures, entry to buildings and other specific sector-wide measures. The bank published the above on the intranet for all employees to see.

The company's Prevention Service, together with the Medical Service and the Personnel Department, **carried out comprehensive monitoring of all cases of COVID-19 in the company** and implemented all recommendations of the health authorities.

As a company that advocates for safety and health, Cecabank has an agreement with a clinic to **perform a serology test** on all workers who join the work centre. So far, 100% of workers who have accessed the buildings have taken a test ahead of time, for a total of 382 tests.

In 2020, 100% of employees were represented in the Health and Safety Committee, a joint body, which meets quarterly and is governed by the Single Regulations of the Health and Safety Committee.

There were no occupational diseases in the workforce in 2020, and while two work-related accidents were recorded, neither required sick leave (one man and one woman).

As a result of these policies, we can highlight that we have built loyalty among our staff as a way to retain value and knowledge. The average length of time with the bank, 18 years, reflects this mutual and permanent commitment.

With regard to social dialogue, the bank has a Company Committee with 17 members, representing four trade union sections that meet on a quarterly basis, a Committee for Equality and the Prevention of Sexual Harassment and a Control Committee.

SOCIAL ACTION

One of the lines of action defined in the Sustainability Plan is the implementation of a Social Action Plan, which, in accordance with Cecabank's characteristics and corporate goals, is based on employees' commitment to Cecabank and the promotion of their sense of belonging.

The lines of action of the Social Action Policy are set out below:



The Tú Eliges Programme, through which employees present social, environmental and cultural projects, and Cecabank funds those selected in an open vote among all employees.

In 2020, the Sixth Edition of the Tú Eliges programme was launched remotely during the confinement period. Cecabank employees presented 21 projects (15 in the social category, 3 in the cultural category and 3 in the environmental category), and, after a vote in which 76.55% of the staff participated, 14 finalists were selected and received 97,000 euros in support from Cecabank.

The finalists of the Tú Eliges programme are set out below:

Category	Beneficiary association	Amount
Social	Bobath Foundation	€15,000
Social	San Francisco Catholic Mission Association	€13,000
Social	IDEA LIBRE; Childhood, Development, Support	€10,000
Social	Integra Foundation	€7,500
Social	Makwebo Association	€7,500
Social	Ahuce Foundation	€7,500
Social	San Isidro Foundation for education and inclusion through Rugby	€7,500
Social	Sound Architecture Organisation	€5,000
Cultural	EUTHERPE Foundation	€5,000
Social	DEBRA Piel de Mariposa Association	€5,000
Social	La Fraternidad de los Cármenes Neighbourhood Association	€5,000
Social	Association of people affected by Achromatopsia and Blue Cone Monochromatism (ACROMATES)	€3,000
Social	Association for the Prevention, Reintegration and Care of Prostituted Women (APRAMP)	€3,000
Environmental	BRINZAL	€3,000
Total aid		€97,000



Cecabank was awarded the Integra prize, presented by the Mayor of Madrid, and was a finalist in the Dircom Ramón del Corral awards.



Humanitarian emergencies for which Cecabank organises donation campaigns to support those affected by humanitarian emergencies and matches employee contributions as part of said donation campaigns. Within the framework of our Sustainability Plan, we signed an agreement with the Spanish Emergency Committee Initiative in 2018. Acción contra el Hambre [Action Against Hunger], Spanish UNHCR Committee, Médecins du monde, Oxfam Intermón, Plan International and World Vision are the six NGOs that make up the Emergency Committee. The main actions in humanitarian emergencies this year were:

- **Hurricanes in Central America:** in December 2020, Cecabank answered the call for emergency collaboration with the Emergency Committee to help the people affected by the disaster in Honduras, Guatemala and El Salvador. It donated 3,000 euros to alleviate the serious consequences that the people of these countries are experiencing after the recent hurricanes.

- **Red Cross Responds COVID-19 campaign:** in April 2020, the bank launched a campaign to support the Red Cross Responds COVID-19 campaign, where Cecabank employees donated 33,566 euros and Cecabank matched with another 33,566 euros. The aid was sent directly to the Spanish Red Cross to support and provide care to vulnerable people in Spain and meet their health and social needs.



Donations:

- **Operation Kilo for the Food Bank:** Cecabank set up a website where employees were able to make their charitable purchase to help the most underserved families in our community. The Food Bank of Madrid is the only recipient of this charity project by Cecabank, which helps to distribute food among the homeless, the elderly, children and the unemployed, etc. The Madrid Food Bank works with more than 550 charities in the Community of Madrid. Cecabank is well aware of these needs and, through its alliance with the Food Bank of Madrid, collaborates every year on the Operation Kilo Christmas campaign. This time, 4,830 euros were collected from employees, and

this amount was matched by the bank to bring the final combined contribution to 9,660 euros. This amount translated to more than 8,690 kilos of food distributed to the charities most in need.

- **Collaboration with the Food Bank of Madrid:** Cecabank has collaborated with this organisation since its inception by sponsoring Calle Cecabank at its headquarters in Colegio San Fernando and Avenida Cecabank at its logistics centre. In 2020, given our experience as a collaborating partner, Calle Cecabank was replaced by Avenida Cecabank, and Avenida Cecabank was changed to Plaza Cecabank, bringing immense pride to our company on behalf of the Food Bank. In 2020, the collaboration brought in 11,500 euros.
- **Madre Coraje Clothing and Footwear deposit:** during the last quarter of 2019, a container was installed at the bank for clothing and footwear donations. In 2020, despite the pandemic, Cecabank's employees continued to collaborate, and more than 500 kilos were collected, surpassing the previous year's amount.
- **IT classrooms sponsored by Cecabank:** in order to promote digitalisation, financial education and social inclusion, in 2019 and 2020, Cecabank's Sustainability and Stakeholder Relations Department sponsored the construction of two IT rooms and is in the process of building more rooms through an agreement with the Sanders Foundation and the Community of Madrid.
 - The first IT classroom is at the Royal Oratory of Caballero de Gracia, intended for groups of 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.

OUR CLIENTS

Cecabank services **326 clients**, including their associates, as well as banks, asset managers, insurance companies, large fintech corporations, venture capital firms and public administrations, extending a client-focused culture and ongoing improvement throughout the organisation.

Furthermore, during 2020, the bank continued developing the following three lines of work:

- 1 Implementing and developing quality management systems in the areas where certification carries a differential value.
- 2 Measuring and analysing the client's voice, considering client information as a key aspect of the business when it comes to making decisions.
- 3 Establishing improvement plans aimed at:
 - a. Improving the quality of our processes.
 - b. Improving the clients' experience, as it is the basis for establishing long-lasting and trusting relationships with them.

The implementation of quality management systems resulted in the following improvements:

- 1 We renewed **the Collection and Payment Services certification** (valid until January 2024), and **the Securities and Depository Services, Reporting (Pyramid) and Banking Training School certifications were all upheld.**
- 2 We placed further importance on maintaining the **certification of other management systems** throughout Cecabank:
 - Criminal Compliance Management System certificate in accordance with standard UNE 19601:2017.
 - Energy Management System certificate in accordance with standard ISO 50001:2018.
- 3 Support was given to **assess Cecabank's conformity** with standard SGE 21 on Ethical and Socially Responsible Management.
- 4 We coordinated the **acquisition of the three Garantía Madrid distinctions** for the measures against COVID-19.
- 5 We systematised and optimised the method for measuring Cecabank's greenhouse gas footprint (GHG), having carried out the measurement corresponding to 2019.
- 6 We **measured employee experience**, identifying areas for improvement and defining action plans.

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

10 We expanded **the development and implementation of the client experience measurement model** to bring about improvement plans appropriate to each service.

The information obtained has been incorporated as an instrument to improve the different businesses by means of specific actions and the detection of needs.

1 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 2020 in order to cover the widest possible scope of activity and knowledge, joining the Environment Community.

2 In 2019, the satisfaction rate of our clients stood at 8.3 out of 10, and the Net Promoter Score (NPS) was 66%. Furthermore, 79% of our clients may continue to trust in Cecabank for new solutions.

3 Elsewhere, Cecabank boasts a customer service system in line with Order ECO/734/2004, of 11 March, on customer services departments

and consumer protection at financial institutions.

It only received 2 complaints in 2020, neither of which were processed because they were not within its remit.

4 Likewise, the services offered by Cecabank largely depend on advanced and sophisticated technological support, which guarantees the privacy of data and business continuity, among others. For this reason, the bank voluntarily assumes the highest standards and follows all recommendations on technology risk assessment (ICT) proposed by the EBA, accounting for risks concerning security, change, integrity, continuity and outsourcing, all of which are included in the risk management policy.

OUR SUPPLIERS

Cecabank has **104 non-resident suppliers and 591 Spanish suppliers**. The latter represent 85% of the total volume of suppliers and, thus, have a positive effect on job creation and local development.



Suppliers are an essential link in the value chain of our products and/or services.

Along these lines, Cecabank has a **corporate procurement model** with the following basic elements:



The Corporate Code of Conduct for relations with suppliers and business partners.



The supplier approval process.



The Supplier Selection Internal Standard, to guarantee confluence in each procurement process and their appropriate assessment.



The regular reassessment and profit generation process, which involves conducting quality and service level surveys and reassessing approvals.



The policy for outsourcing and contacting services and functions.



Policy for delegating custody.

Honesty is a core value inherent to Cecabank's corporate culture. Therefore, the Code of Conduct for business relations establishes the basic principles to build a trustworthy, transparent, honest and productive institution: impartiality, concurrence, transparency, confidentiality, equality and non-discrimination must prime in the supplier contract process. Thus, Cecabank commits to maintaining a loyal and responsible relationship with them, establishing communications channels to learn about their expectations and setting out fair and stable conditions.

Cecabank has implemented an **approval process for suppliers of outsourced services**, which will be gradually spread to the entire supply chain. This approval process ensures all the aforementioned principles, assessing the supplier's productive, technical and financial capacity and validating 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.

Following these principles of action, a specific organisational unit called the Purchasing Centre was created in 2019 —and upheld in 2020— to manage procurement and contracts, and a director was appointed for its management and the implementation of an electronic platform of suppliers and arranged services with the following objectives:

1. General dialogue with suppliers for their selection, information requirements, approval, electronic billing, etc.
2. Selecting suppliers through tenders and generation of RFPs, providing transparency, uniformity, objectivity and greater turnout.
3. Support for the approval of suppliers selected in advance according to the nature of each service to be provided, whereby the supplier is asked to update the necessary documentation automatically and systematically.
4. Maintaining the record of outsourced activities.
5. Maintaining the record of suppliers in the procurement platform.
6. Regularly reviewing rates and renegotiating fees.
7. Maintaining the record of contract metadata in order to manage their useful life, monitoring the compliance with service levels and contractual outsourcing requirements.
8. Drafting of statistics and reports.

05. Our business model



5.1 Economic and regulatory environment

5.1.1 Political context

2020 will be a memorable year for everyone. COVID-19 plunged the major national and international political institutions into uncharted territory. The world had to come to halt to stop the virus, despite the major economic consequences: according to the OECD, **global GDP fell by 4.2% last year and, in the case of Spain, by 11.6%.**

As a result of this situation, Western societies have gone even further into disarray. To curb this problem and get daily activity back on track, **both the European Union and Spain have accelerated the implementation of expansionary measures and recovery plans**, which aim not only to recover what has been lost in economic terms, but also to mend the social seams. The breakdown was already evident before the pandemic, as processes such as Brexit and political phenomena such as Trumpism were forced to face their own success.

The European reaction

Europe heads into 2021 with its hopes placed on stopping the virus through vaccination and rebuilding its economic future. To do this, the **Next Generation EU** fund, agreed by the 27 members states on 21 July, will be particularly important. Overall, the final agreement reached on 21 July came to an amount of **750 billion euros**, distributed amongst subsidies (390 billion euros) and loans (360 billion euros). **Spain is set to receive 140 billion euros**, which places it behind Italy for the highest fund allocation (72 billion euros in subsidies and 68 billion euros in loans).

In order to be able to use these resources, on 7 October, President Pedro Sánchez, presented the **National Recovery, Transformation and Resilience Plan for the Spanish Economy**. This initiative has the ambitious objective of channelling the aforementioned €140 billion allocated to Spain, and, broadly speaking, it establishes four main areas of investment: ecological transition (37%), digital transition (33%), territorial and social cohesion, and gender gap (32%).

The end of a messy Brexit

Similarly, 2020 was also the year in which the political and economic exit of the United Kingdom from the European Union finally occurred. Almost four years after Brexit had begun, through the trade agreement reached on Christmas Eve and implemented on 1 January, Brexit supporters completed a process that will change the UK's role in the world.

In the coming years, Boris Johnson's government will present its political vision of a **Global Britain based on the vestiges of an old empire** that forged its international vocation through the Commonwealth. For its part, the European Union will continue to try to impose its vision from the other side of the Channel on the cultural front. Accordingly, its new stamp will be sustainability and digitalisation.

In political terms, **the Union's strategy will be to establish itself as a soft power** whose influence

takes shape through regulation and is projected through ideology.

The trade agreement reached is the largest agreement signed by the European Union with an independent political actor. In total, it is valued at **742 billion euros** and dictates that the European Union and the United Kingdom will become two separate markets and two different regulatory and legal spaces, although they will not apply quotas or tariffs and their relationship will be based on a common competitive framework.

The return of the US to multilateralism

Following the elections of November 3 in the United States and the defeat of Donald Trump, Johnson was left without his potential trading partner in the roll-out of Brexit. The victory of the Democratic candidate, **Joe Biden, will give a radical turn to the policies of Trumpism in line with a main objective: lead the world again.** This intention can be seen clearly in the declaration "America is back", which the new President has chosen as the banner for his administration and which shows the return of the country to multilateralism.

In 2021, the United States will return to the institutions with the firm intention of taking the lead. To do this, it must re-establish the transatlantic alliance by strengthening contacts with the European Union and reinforcing the alliances for international security, such as NATO.

China, "Objective 2035"

Finally, Asian space aspirations continued to make their mark during 2020. Despite the pandemic having emerged in the Chinese city of Wuhan, the country has controlled the virus and made strides in the economic recovery. **According to official figures from the Chinese government, its GDP grew by 2.3% in 2020.** This figure, although the lowest in terms of growth since 1976, allows the Asian giant to finish the year in the black.

In this sense, in 2020, China made progress toward its "Objective 2035"—the year in which it intends to take international leadership and dethrone the United States as the world's leading power—confirming that the world's political domination is moving from the West to the East with increasing clarity.

The post-pandemic scenario

As 2020 came to close, the world's major powers launched **COVID-19 vaccination campaigns.** Societies began depositing their hopes of stopping COVID-19 in

vials of vaccine, following **more than 2 million deaths worldwide**, according to official figures.

Against this backdrop, Western society closes 2020 by placing its trust in science, despite the surge in post-truth politics. A contradiction that, coupled with other phenomena such as Donald Trump's departure from the White House, can cause the populace to fight back against the democratic degradation it has seen in recent years.

However, the success of this task will depend on how exhausted liberal democracies are in the post-pandemic scenario. It will clearly show who the winners and losers of this reality were and whether our society is prepared, as in the Eurasian space, to relinquish freedom in exchange for certainty.

5.1.2 Economic framework and the state of the markets

Economic framework and the state of the markets

The evolution of the world economy in 2020 was marked by the expansion of the pandemic and the restrictions imposed to contain it. The latter caused a worldwide collapse in GDP in the second quarter of the year, which gave way to modest recovery after its relaxation starting in May. However, the rise in infections starting in autumn, together with the emergence of new virus variants at the end of the year, has delayed the recovery.

The IMF estimates a 3.5% drop in global GDP in 2020 and notes significant differences in the growth rate by geographical area, which are explained, among other factors, by the different economic and health response to the crisis and by the structural characteristics of each economy. The Chinese economy, which was the first hit by the pandemic, leads the recovery in 2020, recording a growth of 2.3%. The United States, which imposed less severe restrictions at the onset of the health crisis and has since deployed one of the most ambitious fiscal plans, recorded a 3.4% contraction in GDP in 2020. In contrast, the eurozone economy remains at the bottom in terms of growth, with GDP estimated to fall by 7.2% in 2020.

Among European economies, **Spain's has the worst forecast. GDP contracted by 11% in 2020**, the greatest decline among developed countries. In addition, on a sectoral basis, the affects have been uneven: the primary sector and public services recorded positive results, while the remaining activities fell by 14%. Within the latter, the branches most affected by the

crisis—commerce, transport and hospitality, alongside artistic and recreational activity—contracted by up to 24% in the year. The unemployment rate rose to 16.1% at the end of 2020, compared to the 13.8% at the close of 2019, to which we have to add the **783,000 workers on temporary employment reduction**, not accounted for in the previous figure.

The severity and temporal nature of the crisis required a strong response in terms of economic policy to prevent a temporary disturbance from having persistent effects on the economy. Together with the government's decisive action on fiscal policy, **the ECB announced new monetary policy measures**, with the dual objective of reducing financial fragmentation and avoiding a strong contraction of the flow of credit to the real economy. To this end, two types of measures were adopted:

First, the **Pandemic Emergency Purchasing Programme (PEPP) was launched**. The programme was first endowed with 750 billion euros and subsequently extended to 1.35 trillion euros until June 2021, thus allowing the ECB to purchase public and private bonds, as well as other debt instruments with greater temporal and geographic flexibility compared to the preceding Asset Purchase Programme (APP). The PEPP announcement on 18 March served to reduce sovereign debt interest rates, especially in countries such as Italy and Spain, and to curb the deterioration of financial markets, allowing gradual easing of financial conditions in the eurozone.

Secondly, **a series of measures were introduced to facilitate the flow of credit during the pandemic**. On the one hand, the ECB introduced a Long-term Refinancing Operation (LTRO), which provided banks with "bridge financing" in advantageous conditions until the end of June. On the other hand, the Targeted Longer-term Refinancing Operation (TLTRO-III) programme was modified to make it more attractive to the banking sector. Thus, the weekly LTROs provided sufficient liquidity to banks at the start of the pandemic, and they received a total of 1.31 billion euros with the TLTRO-III in June.

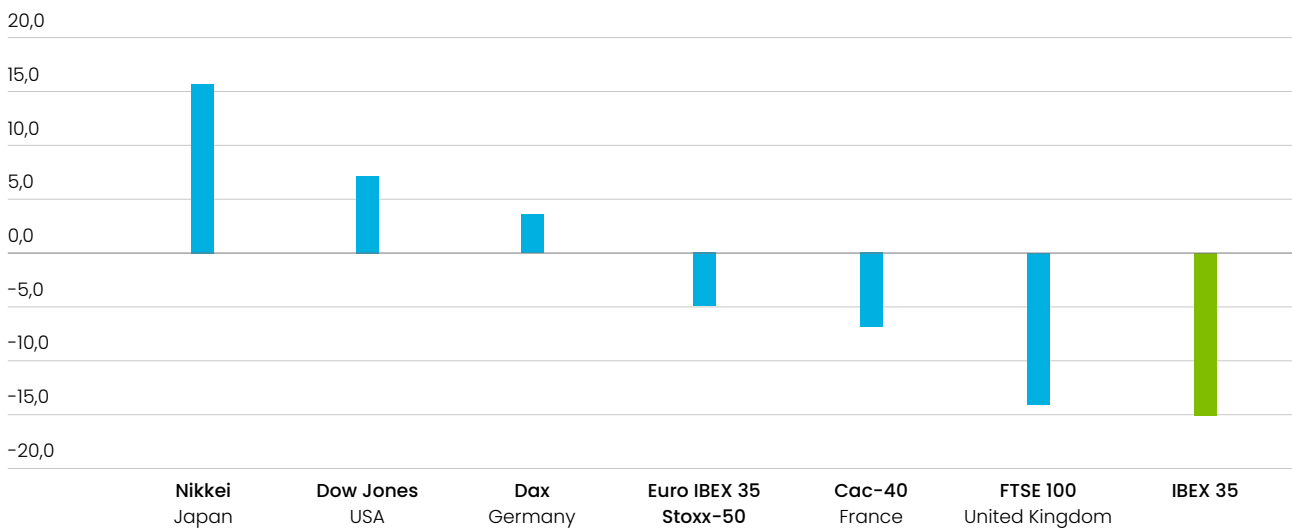
In the debt market, the **push of expansive monetary policies by central banks** has been decisive in containing the rise of risk premiums in peripheral countries after reaching maximum levels in March and April. Subsequently, the **approval of an unprecedented fiscal package by the European Commission** has allowed for further reductions, bringing them to levels similar to those at the beginning of the year by the end of 2020. The Spanish risk premium went from 155 bp in April to 63 bp at the end of the year, similar to the evolution of the Portuguese counterpart, which reached a maximum

of 168 bp in March only to descend to 64 bp at the end of 2020. The Italian risk premium recorded the greatest volatility in this period, falling from a maximum of 276 bp in March to 110 bp at the end of the year, while in France and the Netherlands the figures have remained relatively stable.

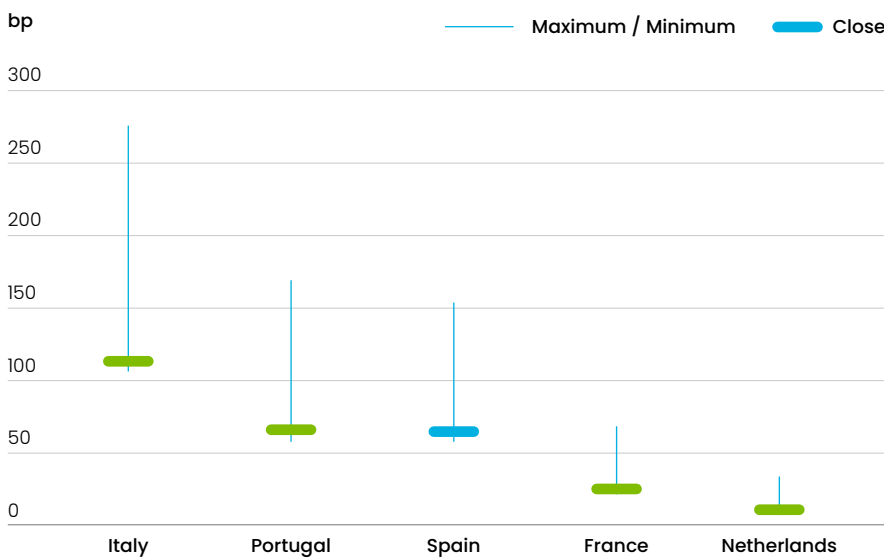
Elsewhere, **stock exchanges closed 2020 having fared differently according to geographical area.** The Nikkei index did best, with a cumulative gain of 16%, followed

by the Dow Jones, at 7.2%. In Europe, except for the German Dax, which closed the year with a cumulative gain of 3.5%, the major stock market indexes saw negative returns; the Euro Stoxx dropped 5.1%, followed by the French CAC 40, which accumulated losses of 7.1%. Lastly, the IBEX saw the largest losses (-15.5%) and has recorded its worst year since 2011, hurt by the heavy weight of the tourism and the banking sectors, both of which have been severely impaired due to the effects of the pandemic.

International share indexes. Annual performance in 2020



Risk premiums compared to Germany. Evolution in 2020





Business evolution

The economic crisis caused by the COVID-19 has had a negative impact **on profitability in the banking sector**, which has already suffered the consequences of prolonged low interest rates. However, the improvements experienced over the last decade in the quality of the balance sheets and especially in solvency levels place the Spanish banking sector in a better position to absorb the effects of the current crisis and continue to provide financing to the economy.

Thus, 2020 closed with a 2.4% increase in the balance of **credit to private sector**, awarded by deposit institutions as a whole, driven by the extensive use of the ICO guarantee programme by the business sector (with an initial liquidity line of 100 billion euros and a second line for investment of 40 billion euros).

The **doubtful lending rate** to the private sector remained relatively stable since March, ending the year with a ratio of 4.4% (three tenths of a percentage point lower than that recorded in December 2019).

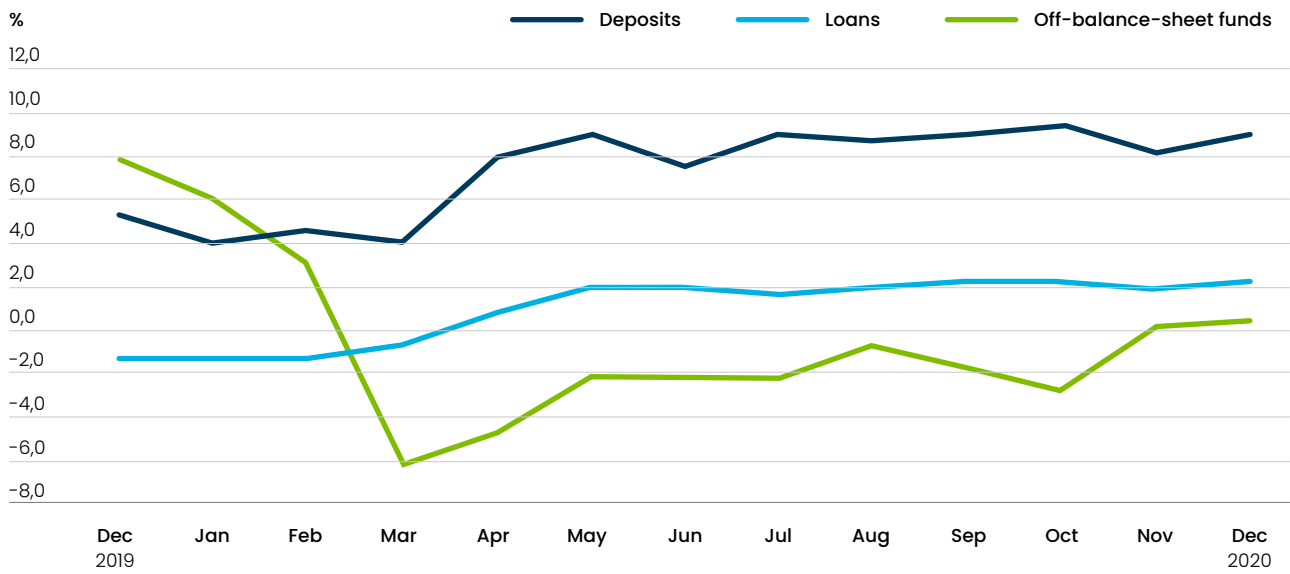
This containment has been due to the mitigating effect of the measures applied since April, in

particular the moratoriums granted to households and the credits granted to companies. At 31 December, Spanish deposit institutions granted 1.4 billion moratoriums for an amount of 56 billion euros, which account for around 4.5% of the total credit to the private sector.

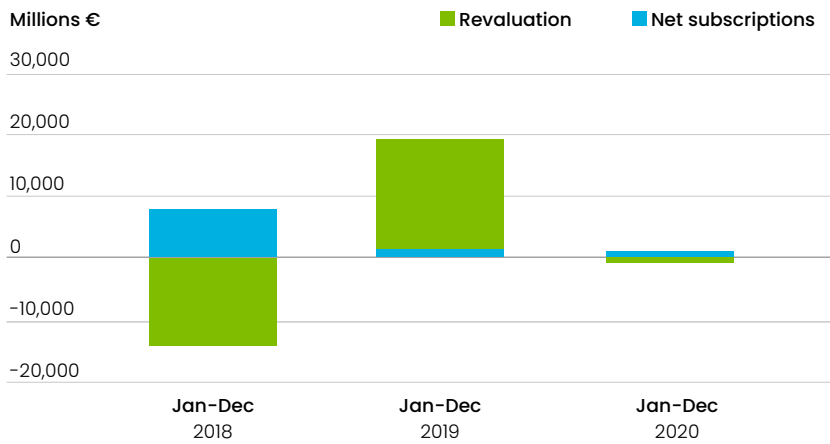
Retail funds have shown mixed performance since the start of the pandemic, with a strong year-on-year increase in household and business deposits alongside a slight drop in investment fund assets (-0.05% year-on-year in December) and a moderate increase in pension fund assets (1.8% year-on-year in December).

Retail deposits grew 9.2% year-on-year in December, reflecting the upward trend in savings during the pandemic due to the fall in consumption, but also due to the greater risk aversion of investors. On the other hand, **investment fund assets under management** in December 2020 were practically at the same level as at the end of 2019. Net subscriptions accumulated in the year exceeded 1.160 billion euros (compared to 1.693 billion euros recorded in 2019), and investment funds closed the year with a positive cumulative annual return of +1.04%.

Performance of loans, deposits and off-balance-sheet funds. Annual change



Change of the investment funds' equity Accumulated January-December



5.1.3 Regulatory Agenda

The main events in the regulatory framework in 2020 were as follows:

National

Q1:

- **Royal Decree 309/2020**, of 11 February, on the legal regime of financial credit establishments and amending the Mercantile Register Regulations, approved by Royal Decree 1784/1996, of 19 July, 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 3/2020**, of 4 February, on urgent measures incorporating into Spanish law various European Union directives in the field of public procurement in certain sectors; of private insurance; of pension plans and funds; of tax and tax litigation.
- **Royal Decree-Law 6/2020**, of 10 March, adopting specific urgent measures regarding economic matters and for the protection of public health.
- **Bank of Spain Circular 1/2020**, of 28 January, modifying Bank of Spain Circular 1/2013, of 24 May, on the Central Risk Information Database.
- **Royal Decree-Law 8/2020**, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19.

Q2:

- **Royal Decree-Law 11/2020**, of 31 March, adopting urgent complementary measures in social and economic matters to address COVID-19.
- **Royal Decree-Law 15/2020**, of 21 April, on complementary urgent measures to support the economy and employment.
- **Royal Decree-Law 16/2020**, of 28 April, on procedural and organisational measures to address COVID-19 in Justice Administration matters.
- **Royal Decree-Law 19/2020**, of 26 May, adopting complementary measures in agricultural, science, economic, employment and Social Security and tax measures to mitigate the effects of COVID-19.
- **Royal Legislative Decree 1/2020**, of 5 May, approving the revised text of the Insolvency Law.
- **Royal Decree-Law 21/2020**, of 9 June, on urgent prevention, containment and coordination measures to address the health crisis caused by the COVID-19.
- **Bank of Spain Circular 2/2020**, of 11 June, modifying Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting standards and financial statement formats.
- **Bank of Spain Circular 3/2020**, of 11 June, modifying Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting standards and financial statement formats.

Q3:

- **Royal Decree-Law 25/2020**, of 3 July, on complementary urgent measures to support reactivation of the economy and employment.
- **Royal Decree-Law 26/2020**, of 7 July, on economic reactivation measures to address the impact of the COVID-19 in transport and housing matters.
- **Order ETD/699/2020**, of 24 July, regulating revolving credit and modifying Order ECO/697/2004, Order EHA/1718/2010 and Order EHA/2899/2011.
- **Royal Decree 738/2020**, of 4 August, amending Royal Decree 304/2004, of February 20, approving the Regulation of pension plans and funds, and Royal Decree 1060/2015, of November 20, on the regulation, supervision and solvency of insurance and reinsurance companies.
- **Bank of Spain Circular 4/2020**, of 26 June, on the advertising of banking products and services.

Q4:

- **CNMV (National Securities Market Commission) Circular 1/2020**, of 6 October, modifying Circular 5/2013, of 12 June, which establishes the forms for the annual corporate governance report of listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets; and Circular 4/2013, of 12 June, which establishes the forms for the annual report on the remuneration of directors of listed companies and of the members of the board of directors and of the control committee of savings banks that issue securities admitted to trading on official securities markets.
- **CNMV (National Securities Market Commission) Circular 2/2020**, of 28 October, on advertising of investment products and services.
- **Law 7/2020**, of 13 November, for the digital transformation of the financial system.
- **Royal Decree-Law 34/2020**, of 17 November, on urgent measures to support business solvency and the energy sector, as well as tax matters.
- **Bank of Spain Circular 5/2020**, of 25 November, to payment institutions and electronic money institutions, on public and confidential financial reporting standards and financial statement forms, and amending Circular 6/2001, of 29 October, on holders of currency exchange establishments, and Circular 4/2017, of 27 November, to credit institutions, on public and confidential financial reporting standards and financial statement forms.

International

Q1:

- **Commission Regulation (EU) 2020/34**, 15 January 2020, amending Regulation (EC) No. 1126/2008, adopting specific international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, as regards International Accounting Standard No 39 and International Financial Reporting Standards 7 and 9.
- **Commission Implementing Regulation (EU) 2020/429**, of 14 February 2020, amending Implementing Regulation (EU) No. 680/2014, establishing implementing technical standards regarding supervisory reporting by institutions in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council.

Q2:

- **Commission Delegated Regulation (EU) 2020/866**, of 28 May 2020, amending Delegated Regulation (EU) 2016/10, supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council as regards regulatory technical standards for prudent valuation under Article 105 (14) of Regulation (EU) No. 575/2013.
- **Regulation (EU) 2020/852** of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088.
- **Regulation (EU) 2020/873** of the European Parliament and of the Council of 24 June 2020, modifying Regulation (EU) No. 575/2013 and Regulation (EU) 2019/876 with regard to certain adaptations made in response to the COVID-19 pandemic.
- **EBA Guidelines** on the treatment of public and private moratoria applied in light of the COVID-19 crisis.

Q3:

- No relevant events.

Q4:

- **Regulation (EU) 2020/1503** of the European Parliament and of the Council of 7 October 2020 on European providers of equity finance services for companies, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.
- **Directive (EU) 2020/1504** of the European Parliament and of the Council of 7 October 2020, amending Directive 2014/65/EU on financial instrument markets.
- **Commission Implementing Regulation (EU) 2020/1406** of 2 October 2020, establishing implementing technical standards as regards procedures and forms for the exchange of information and cooperation between competent authorities, ESMA, the Commission and other entities pursuant to Articles 24(2) and article 25 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse.
- **Commission Delegated Regulation (EU) 2020/2176**, of 12 November 2020, amending Delegated Regulation (EU) 241/2014 with regard to the deduction of assets consisting of computer software from ordinary tier 1 capital items.
- **Directive (EU) 2020/1828** of the European Parliament and of the Council of 25 November 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC.
- **ECB Guide** on supervisory expectations regarding climate-related and environmental risks.

5.2 Lines of business



5.2.1 Securities Services

Cecabank closes another year as the main provider of Securities Services in Spain. Its differential position is based on its **independence**, given that the bank does not belong to a retail banking group, and its neutrality, in that it is focused on the custody and depository business without providing asset management services.

The main premise of Cecabank is its commitment to excellence and quality of service, as acknowledged once again for the fourth consecutive year by the journal *Global Banking & Finance Review*, having honoured it with the award for **Best Custodian Bank 2020 Spain**.



Furthermore, and as a result of this effort to offer its clients the best service, Cecabank holds AENOR Certificates 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 obtained certifications in 2020, as listed in the client focus section

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 investor's protection and the sector's transparency. In this vein, in order to increase investor protection, the depository institution's obligations have been strengthened, and this figure has also been introduced in other products, as is the case of Venture Capital Firms and Voluntary Social Welfare Entities, thus making the depository's activity more professional.

The aim of the current financial regulations is to simplify the management of banking crises and minimise their impact on public finances. The existence of a depository, especially if it is independent, enables company assets to be clearly separated from their client'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 clients and keep a close collaboration with the authorities in implementing the new regulation. Following on from this, the bank is represented on: the CNMV Advisory Committee, through CECA, the Depository Association (ADEPO) and the European Trustees & Depository Forum (ETDF), through ADEPO. It is also 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; the European Central Bank AMI-SeCo (Advisory group on Market Infrastructures for Securities and Collateral); the European Savings and Retail Bank Group (ESBG) – Securities Expert Group; the Securities Market Practices Group; and lastly, the European Committee for Standardisation.

The Securities Services business is focused on boosting innovation with operational and regulatory changes and new technologies that make processes more efficient and suited to the clients' needs. Custodians and depositories must face a new reality and undertake a digital transformation process aimed at **increasing transparency towards employees, suppliers and clients** and adapting their new products to the new needs and at the lowest possible cost. The company has undergone a major digital transformation process in its digital services with the aim of bolstering its value chain and taking advantage of opportunities arising from the new environment, offering innovative solutions which meets its clients' needs.

In 2020, Cecabank held the **seventh consecutive Securities Services conference** “Technology and operations in light of a new reality”, consolidating its position once again as the main Spanish post-trading forum. On this occasion, the more than 400 registered professionals from over 260 institutions, representing securities firms, CII and pension fund managers, venture capital firms and banks, gathered to discuss the changes brought about by COVID-19 in 2020 and how they have driven the use and implementation of new technologies in various sectors. Needless to say, the Securities Services industry is one of them. Adapting to the new state of affairs has become the core focus of many strategies in the collective investment sectors, with the unquestionable logical implication being technological and regulatory changes.

With regard to the **incremental business initiatives** of Securities Services:

- In 2020, as regards the **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 clients—**we expanded the client base and deepened and continued to develop commercial action with Investment Services Firms (ESIS, acronym in Spanish)**, by offering the different services available to us, especially the Portfolio Management Support service.

- Last year, we continued to innovate, launching new services **such as the BPO for Securities**. Similarly, we designed **the voting service for securities** deposited in any market in the world, developed **securities contingency services**, designed new **tax accreditations and tax claims** services based on automated processes using RPA and created **tripartite account services** with digital onboarding for new clients.



- In 2020, the bank became the **first Iberian depositary to incorporate the investment fund depositary service of BPI Management**. The process began in 2018 with the opening of our branch in Portugal.
- Throughout the year, we took on, or extended our Security Services business relationship with, entities such as the Bankia group and its Managers, CaixaBank, Ibercaja, Kutxabank Management, Kutxabank Pensions, Itzarri, IMQ, Kobus Partners or Faraday Venture Capital.

Securities distribution platform

Complementary services



BBPO Securities Back Office



FTT (Financial Transaction Tax)



IRS support for American operations - QI



Proxy Voting



Comprehensive tax claim service



Securities Services

Depository Service

Clearing, Settlement and Custody Service for Securities and Derivatives



Asset Distribution Platform

Contracting investment funds (own and Allfunds)

RTO and Advisory Services

Contracting domestic and international variable income

Contracting domestic fixed income

Advisory access for clients



EMIR Report



Equities Sales



Fund Depository

Securities
Custody and
Settlement

Asset
Distribution
Platform

Futures
and Options
Settlement
in Organised
Markets (ETD)

Fund Depository

At Cecabank, we bring our experience as Spain's leader in depository services to our clients, managers of collective investment institutions and pension funds (individual, associate and employment systems), venture capital firms and voluntary social welfare entities.

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 2020, the **market performance of investment fund assets** was not as strong as in previous years. Since January, assets have been reduced by 5.32%, mainly due to the evolution of financial markets, but Cecabank is fortunate to be the custodian of the best-performing asset managers, due to both:

- successful management
- and to being the largest subscriber (2.3 billion euros, compared to net redemptions of 810 million euros for the sector). Thanks to our clients, deposited assets at Cecabank grew by more than 28% and closed the year above 152.863 billion euros.

Cecabank continues another year as the leading national independent depository for collective investment institutions and pension funds

Deposited
assets over

152,863

billion €

Distributed among

970

IIC-FP-ECR-EPSV

Managed by

36

companies

KEY ACHIEVEMENTS IN 2020

1. Transfer of depository activity to Kutxabank. One of the largest transfers in a single process in the bank's history.
2. We are currently the leading independent depository in Portugal, with the integration of BPI Management's depository operations in July.
3. Closed an agreement with Bankia for the transfer of depository activity.
4. Added two new Private Capital managers, Kobus Partner and Faraday, and won bids for the provision of depository services for Santa Lucía Pensiones.



Fund
Depository

Securities
Custody and
Settlement

Asset
Distribution
Platform

Futures
and Options
Settlement
in Organised
Markets (ETD)

Securities Custody and Settlement

For another year, in 2020, Cecabank upholds its leadership as a supplier of settlement and custody services in the Spanish market

KEY ACHIEVEMENTS IN 2020

1. The bank continued to innovate, launching new services such as the **BPO for Securities**. Similarly, we designed the **voting service for securities** deposited in any market in the world, developed **securities contingency services**, designed **new tax accreditations and tax claims services** based on automated processes using RPA and created **tripartite account services with digital onboarding** for new clients such as **Finizens, Diaphanum, Indexa** and **Finanbest**.
1. With the incorporation of **Ibercaja into the Global Securities Solution**, we have added a new domestic equity custody client operating both domestically and internationally.
1. **In international custody**, CaixaBank, Bankia and Abanca Portugal grew significantly during the year. In 2020, we incorporated the company iBroker into the **settlement and custody business for the third-party portfolio** and, in addition, we extended the collaboration agreement with Intermoney and Link Securities, attracting new additional portfolios for the settlement and custody service.
1. Significant increase in the volume of assets held by **Wealthtech companies**.
1. With regard to the incremental business of **portfolio management support**, we closed an agreement with Finizens and Finanbest, entities with 100% online operations and second and third leading *robo-advisers* in managed assets respectively.

KEY FIGURES

December 2020

Assets under custody over

187,400

billion € (including own portfolio)

Domestic Market

735,131

Transactions settled

No. of transactions settled

More than

1.5

million

International Market

739,732

Transactions settled

Assets under custody

(by cash value expressed in euros)

Domestic Market

Equity

15,505

billion

Public Debt and Private
Fixed-Income-AIAAF

26,763

billion

International Market

Fixed Income
and Equity

141,516

billion



Fund
Depository

Securities
Custody and
Settlement

Asset
Distribution
Platform

Futures
and Options
Settlement
in Organised
Markets (ETD)

Asset Distribution Platform

The Asset Distribution Platform is Cecabank's response to technological changes and operational needs of a new reality that **completes the Securities Services value chain**, built through an ecosystem of leading partners on the market to support our clients 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 clients and, in turn, provide them with most advanced technological and operational tools on the market.

In 2020, we grew the Comprehensive securities solution offered through 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 clients. Last year we expanded our client 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.

Futures and Options Settlement in Organised Markets (ETD)

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

Access to the different clearing and settlement houses is carried out through global settlers and Cecabank's membership. This provides access to the most important ETD clearing houses at a global level. The services offered include facilitated access regulatory reporting in daily flow settlement and control processes.

KEY FIGURES

December 2020

Number of contracts settled

More than **5.14**

million contracts settled

Operational accounts

1,531

operational accounts



Financial Markets

Banknotes

Equities Sales

Debt Capital Markets

Technology Solutions

5.2.2 Treasury Management

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 the liquidity of the secondary market. The bank is a direct member of the main Central Counterparty Clearing Houses (Meffrepo, LCH Paris and Eurex).

The following activities were conducted during 2020:

- 1.** Intense activity was carried out in the markets, **giving liquidity** and supporting securities and assets in the strong episodes of 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.
- 2.** The company made progress on its path to **innovation and digitalisation**. Its solutions include arrangement of FX operations (SICE platform) or arrangement of Fixed Income (Online).
- 3.** Progress was made in **liability management** to adapt to current interest rate levels and changes in reference rates, both in euros and in other currencies.
- 4.** We sorted **clients** according to type, with an increasing number of non-traditional clients or clients who do not deposit with Cecabank, both in terms of number and income, and we offered them a wide range of customised solutions. Large *corporations* and fund managers are particularly noteworthy in this regard.
- 5.** We have continued to increase the **brokerage business**, which provides further stability and recurrent revenues and fees.
- 6.** Cecabank's Treasury Management continued 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 its clients.

Banknotes

Cecabank is the market leader 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 clients a highly flexible, top quality service adapted to their every need. Throughout 2020, Cecabank continued to provide the service with total normality, despite mobility restrictions and the massive drop in tourism and travel and, consequently, demand. Even so, branches were able to continue buying and selling foreign currency every day. Cecabank takes care of the transport, handling and insurance process, meaning the bank's clients 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.



Financial
Markets

Banknotes

Equities
Sales

Debt Capital
Markets

Technology
Solutions

Equities Sales

Brokerage of equities for institutional clients 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.

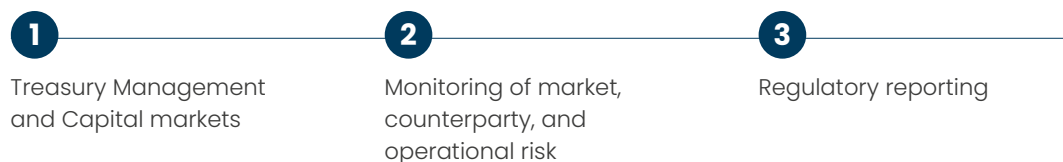
Debt Capital Markets (DCM)

Cecabank 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.

Technology Solutions

RISK AND TRADING PLATFORM

The Trading and Risk Services Centre provides SaaS (Software as a Service) related to support, maintenance, and development of various applications for the following activities:



For further information please go to [page 86](#)

GLOBAL FX PAYMENTS

The service for international payments with currency exchange, Global FX Payments, contributes high added value to a standard correspondent banking relationship. In 2020, **volumes were increased by current customers who channel their cross-border payments through our service.** International pensions, which are less related to commercial activity and have their own idiosyncrasies, remained stable during the year, with French and German pensions accounting for the bulk of activity.



Digital Payments

Processing
Solutions
and Payment
Methods

Payment
Infrastructures
and Services

International
Payments and
FX Platform

5.2.3 Payments

Digital Payments

In terms of Digital Payments, 2020 was a year of consolidation and growth for all instant digital payment services. Bizum, the P2P payment service experienced an exponential growth in operations, partly due to the restrictive measures on mobility and the decrease in the use of cash. This increase in transactions was evident once the confinement period came to an end, and continued month after month, reaching December with an average of 4.87 transactions per user. This has required Cecabank to address a re-engineering of its platform, as well as a greater allocation of resources to provide it with the necessary scalability and service.

These changes have had to be made compatible alongside the evolution in functionality and service governing these types of payment. Specifically, during 2020, the following were addressed:

- In the iSCT instant payment service, the incorporation of the new ASI6 and RT1 gateways for processing this type of payment at the domestic and European levels.
- In the Bizum service, the incorporation of the C2eR payment feature in stores and C2SELAE for paying lottery prizes.

Meanwhile, Cecabank's service continued to grow with the incorporation of new companies in 2020:

- In the iSCT instant payment service: Orange Bank, Targobank and Banca Pueyo.
- In the Bosom service: Orange Bank, Targobank, Banca Pueyo and Caixa Ontinyent.



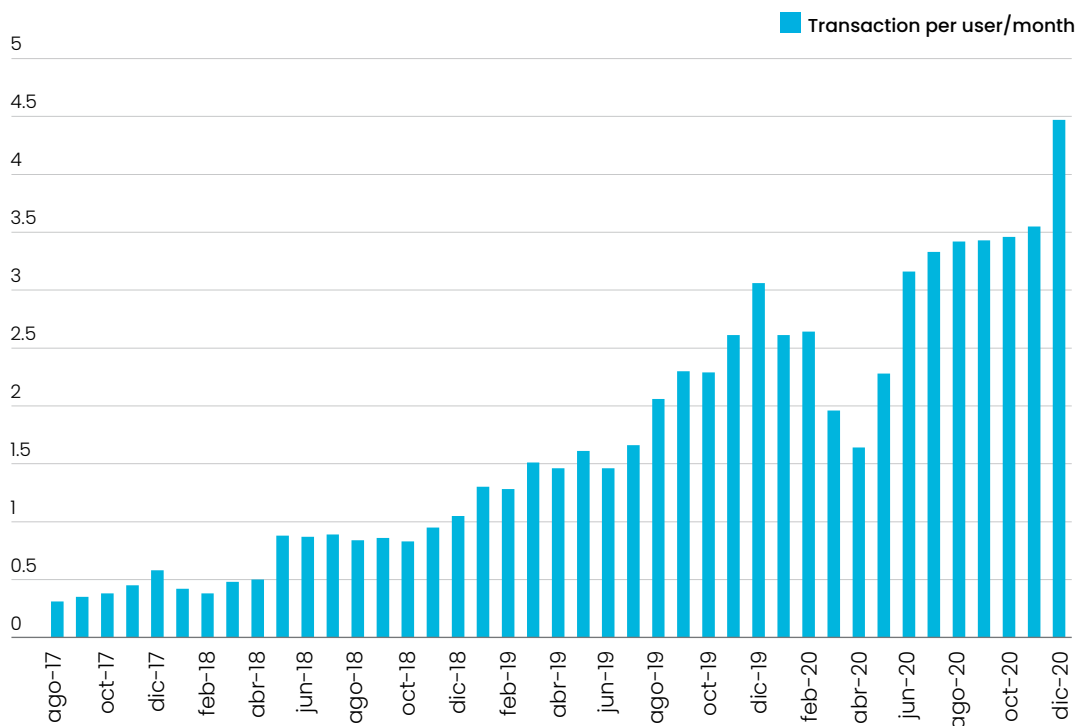
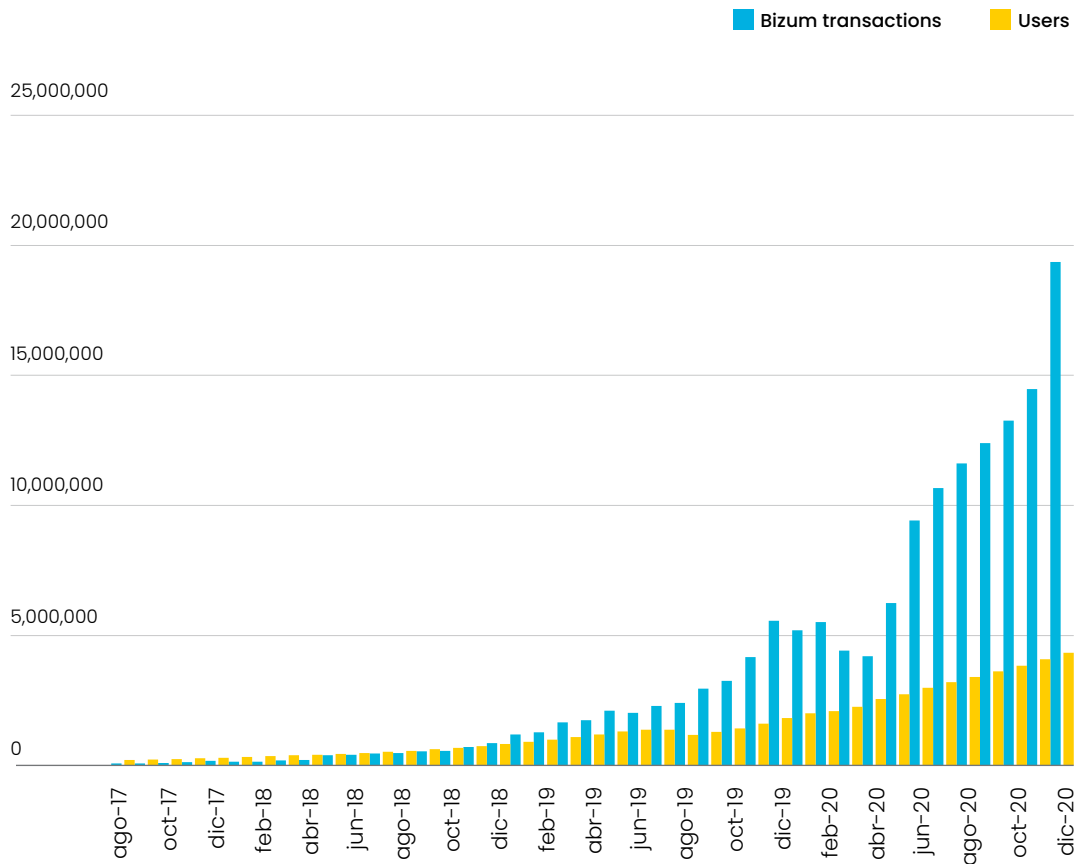
Digital Payments

Processing Solutions and Payment Methods

Payment Infrastructures and Services

International Payments and FX Platform

Bizum transactions processed by Cecabank





Digital Payments

Processing Solutions and Payment Methods

Payment Infrastructures and Services

International Payments and FX Platform

Processing Solutions and Payment Methods

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.**

For yet another year, 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 client's strategic vision as a partner and companion on the same journey through innovation and change.

Thanks to these values, Cecabank and **VISA**, a leading technology company in digital payments, reached a **long-term strategic alliance in Spain and the rest of Southern Europe**, which enables banks and fintech companies to process all or part of their transactions through the Visa network (VisaNet) and obtain quick and direct access to Visa products and innovation. This has led to new clients reaching out for the entity's solutions.

This agreement comes at a crucial time for digital payments in Spain. The definitive impact of e-commerce, driven by changes in consumer habits brought on by Covid-19, **has accelerated the growth of online purchases by 40%** in 2020. As a result, the demand by the entire payment ecosystem for access to innovative, agile and secure payment solutions increased. The strategic alliance between Visa and Cecabank aims to respond to this need, reinforcing and ensuring that these payments can take place at any time and from anywhere, also adapting to local circumstances to facilitate the success of this initiative.

Despite the widespread drop in consumption due to the confinement measures, **card payment transactions increased**, especially e-commerce and digital payments, while cash withdrawals at ATMs decreased, among other reasons, due to the recommendation by authorities and businesses themselves that customers use their cards to minimise the handling of bills and coins.

Elsewhere, during 2020, **we worked intensely on adapting payment solutions for e-commerce businesses**, both in terms of strong customer authentication and e-commerce tools that allow them to offer customers said authentication at the time of purchase with the least possible friction, in line with the standards set forth by the second Payment Services Directive, also known as PSD2.

As in previous years, Cecabank continues to achieve excellent results in the fight against fraud. Again, the institutions processed by Cecabank are at the forefront in Spain in terms of the lowest rates of fraud in transactions thanks to the efficiency of the Espia system operated by our organisation.

Once again, VISA and Mastercard have used their websites to recognise Cecabank's full compliance with the security requirements established in the PCI DSS standard. Said compliance was verified in accordance with the PCI Security Standards Council by an external auditor certified by the organisation.

Cecabank's commitment is to keep researching the market and developing solutions that bring value to our clients and help each one to grow within the challenges of regulation and innovation.



Digital Payments

Processing
Solutions
and Payment
MethodsPayment
Infrastructures
and ServicesInternational
Payments and
FX Platform

Over
800
million
transactions

Cards issued
7
million

Over
100,000
businesses
processed

**Average daily
amounts settled**
110
million euros
settled daily

**Availability
of systems**
99.998%

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 service, flexibility and adaptation to our clients' needs, confidentiality and neutrality.

During 2020, the necessary adaptations were made to **implement the new SWIFT standard** for deposit confirmation of customer payments, and the new Iberpay account ownership confirmation procedure, in coordination with online banking.

With regard to improving efficiency, the **operational management of the Foreign Network's FxSharing activity**, was consolidated during the year, and the operational management of the Paris Representation Office was also assumed as a result of its closure.

The bank was satisfactorily audited by the SWIFT company in the Service Bureau activity and has 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 ongoing service and quality improvement which is at the core of the Cecabank's Strategic Plan.

We facilitated the operations of collective investment managers and pension funds in depositary matters with respect to the management of collections and payments, as well as the exchange and settlement of participant transfers, and also provided operational support for the transfer of Kutxabank investment and pension funds. In addition, operational measures were taken internally and with the correspondent network to streamline the processing of payments from Blackrock, a co-manager of Vidacaixa funds.

In 2020, Chaabi Bank was incorporated as an operational client in the SNCE (Spanish National Electronic Clearing System) representation service, and Orange Bank's service was expanded. In addition, Caixa Geral and Caja de Arquitectos were included in the cross-border cheque management service, in the *cash-letter* modality. Caixa Geral was integrated into Abanca in the areas of bills of exchange and swaps. The bank has been awarded a 5-year contract for the SWIFT infrastructure connection coverage service, put out to public tender by ICO.

We are 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 the ISO 20022 standard.



Digital Payments

Processing
Solutions
and Payment
MethodsPayment
Infrastructures
and ServicesInternational
Payments and
FX Platform**KEY FIGURES 2020**

December 2020

**Cross-border
exchange of cheques /
Currency Exchange****77,327**

Cheques processed

SWIFT messages exchanged**3,721,222**Transactions processed
with BIC Cecabank**795,455**Transactions processed
with other BICs**SEPA transactions exchange
(EBA and SNCE)****603,985,896**

Transactions processed

480,092

Nominal (in millions of euros)

64,572

Nominal (in millions of euros)

4,509

Nominal (in millions of euros)

**Non-SEPA Fund Transfers
(TARGET / EBA)****223,312**

Transactions processed

1,134,000

Nominal (in millions of euros)

**Exchange of traditional
transactions in the scope
of the SNCE****9,288,839**

Transactions processed

**Account payable
and receivable portfolio****258,278**

Incoming notes

113,800

Notes deposited

Outstanding guarantees**218**

Transactions processed

70.51

Nominal (in millions of euros)



International Payments and FX Platform

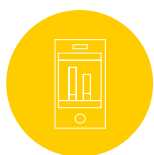
The service for international payments with currency exchange, Global FX Payments, contributes high added value to a standard correspondent banking relationship.

Digital Payments

Processing
Solutions
and Payment
Methods

Payment
Infrastructures
and Services

**International
Payments and
FX Platform**



Digitalisation of Processes

Omni-channel Service

Business Intelligence

Technology Solutions

Technological Outsourcing

5.2.4 Digital Solutions

Digitalisation of Processes

- Generating all kinds of **banking remittances and a virtual payment gateway**. During 2020, the latter has been adapted to receive Bizum payments and support Strong Customer Authentication (SCA) requirements in the field of e-commerce.

Omni-channel Service

- **Multi-channel Banking Platform:** In 2020, the number of online banking operations carried out by the companies to which Cecabank provides services amounted to 671,752,085, with over 99.9% service availability. Similarly, the number of SMS sent to customers rose to 115,510,224, largely due to the new requirements established by PSD2 for strong authentication in electronic banking access, as well as the success of new payment methods such as Bizum.
- **Application hub** that enables users to export information from backend to third parties. In 2020, a payment initiation solution was developed allowing Cecabank to act as TPP (Third Party Provider)
- Fraud Monitor, with collaborative intelligence, adapted in 2020 to the requirements of the PSD2 in the field of e-commerce.
- Digital identity services in arranging and signing processes.
- During 2020, Strong Customer Authentication (SCA) mechanisms were implemented in e-commerce under standard 3Dsecure 2.2.
- Also, as part of its solutions for adapting the existing service-mode API platform to PSD2 regulations for banks, Cecabank, acting as a Third Party Provider (TPP), **incorporated a payment initiation solution**, whereby it can trigger payments against the PSD2 APIs offered by banks, both for use in e-commerce and in the institutions' own electronic banking systems.

Business Intelligence

- Cecabank's Pyramid Analysis solution allows a bank to access regulatory benchmarking to find out its comparative situation in key management variables, such as its business model, profitability, efficiency, credit quality, solvency and liquidity. o liquidez.



Technology Solutions

RISK AND TRADING PLATFORM

The Trading and Risk Services Centre provides SaaS (Software as a Service) related to support, maintenance, and development of various applications for the following activities:

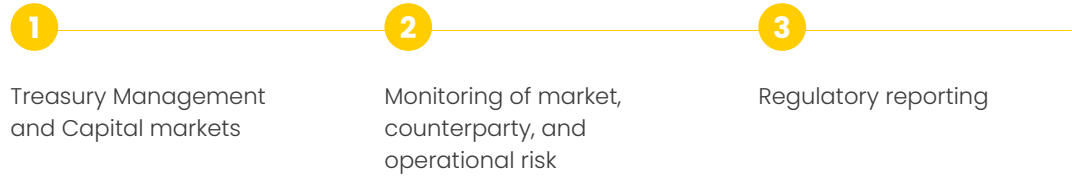
Digitalisation of Processes

Omni-channel Service

Business Intelligence

Technology Solutions

Technological Outsourcing



This area also provides services for the comprehensive management of collateral and the RRaaS solution (Regulatory Reporting as a Service) to cover requirements related to EMIR, MiFID II, SFTR, Initial Margin, SA-CCR and FRTB regulations.

Cecabank's Trading and Risk Services Centre provides services to all types of financial institutions, public administrations, collective investment institution management companies and corporates and access to standard computer applications specialising in the different activities of a Trading and Risk Rooms, run by leading providers in the domestic 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 2020, the scope of services expanded both in terms of the number of users and the range of services covered.

In response to the growing trend of using mobile devices and the rapid evolution of their characteristics, we increased the coverage of the existing mobile solution to improve the user experience and their interaction with the Trading and Risk platform.

**Financial institutions,
Public Administrations,
SGIC and corporates**

27

**We manage
collateral
contracts of**

10

banks



Digitalisation
of Processes

Omni-channel
Service

Business
Intelligence

Technology
Solutions

Technological
Outsourcing

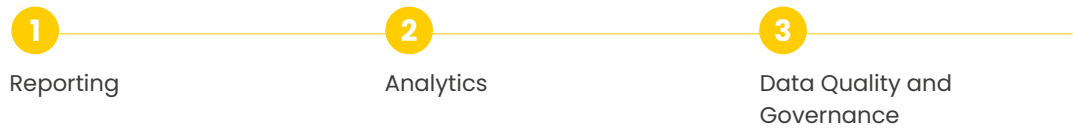
PYRAMID REPORTING

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 based on the Data Point Model (DPM).

Pyramid’s three main lines of action are as follows:



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 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 2020 are as follows:

- Incorporation of new regulatory requirements linked to COVID-19.
- Adaptation to EBA 2.9 and EBA 2.10 reporting frameworks linked to regulatory changes in FINREP, COREP, MREL and SBP fundamentally.
- Start-up of the new financial consolidation module.

Relevant details:

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



Digitalisation
of Processes

Omni-channel
Service

Business
Intelligence

Technology
Solutions

**Technological
Outsourcing**

Technological Outsourcing

Cecabank has infrastructure designed for outsourcing technology and has proven technological knowledge, experience and skills through 20 years of relevant outsourcing projects.

Our **technological outsourcing services are especially qualified for financial institutions**, insurance companies and payment networks, as well as for new profiles, such as the Fintech sector. The infrastructure and associated support and management services comply with the banking regulations in force, while offering a platform designed to reach the most demanding levels of availability and security.

This infrastructure also supports the services provided by Cecabank as a wholesale bank and in many of which it is a leader in its sector, whether in the field of payments, treasury management, securities services, or in the area of digital solutions.

2020 was a year of consolidation for Cecabank's Technological Outsourcing and saw the implementation of different projects initiated in 2019. Furthermore, the bank maintained a steady pace of bringing in new projects and additional services for existing clients.

The most significant initiatives carried out in 2020 were the following:

- Start-up of services for outsourcing the technological infrastructure of the Minsait Payment Methods (Indra) solutions.
- Strong increase in additional services for clients: All Funds, Eurocaja, Banca March and Grupo Caminos.
- Start-up of outsourcing services to provide contingency services to Telefónica's media payment processing company in the US and Minsait's media payment processing company in Chile.
- Closing of the contract for the technological outsourcing of Minsait's payment processing company in the Dominican Republic.



5.2.5 Retail services

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 for top quality banknotes at competitive prices and ample public opening hours.

During 2020, **the branch remained open at all times**, and did not even close during the most difficult times of the confinement.

Banking Training School

In June 2019, Cecabank was recognised by the Bank of Spain **as a certifier of the Spanish Real Estate Credit Agreement Law (LLCCI, acronym in Spanish)**.

Thus, the Banking Training School fulfils its chief goal of supporting the sector in training and certification set by the regulators: CNMV and Bank of Spain.

In 2019 and 2020, Cecabank **certified 10,116 students in the new Spanish Real Estate Credit Agreement Law**, with a 94% success rate.

Likewise, **MiFID II training and certification programs are ongoing**, and **304** students received certification in 2020. **Since 2017**, the School **has certified upwards of 13,000 students**.

The Banking Training School improved the design and expanded the contents of the Continuous Training programs in MiFID II and the Spanish Real Estate Credit Agreement Law, increasing the number of cross-validations, which 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 client.

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

The School also echoes the main concerns of the sector, such as the new regulatory challenges regarding the Insurance Distribution Directive (IDD); sustainability, with the creation of specific ESG financial adviser programmes; the EBA suitability guidelines with the design of an ad-hoc School for training advisers; and a cybersecurity programme.

06. Financial information



6.1 Results

Cecabank S.A. Profit and loss account for the year ended December 31, 2020 (in thousands of euros)

The notes and annexes can be viewed in the following chapter, [Annual Accounts](#).

	2020	2019
Interest income (Note 28)	100,465	79,300
Financial assets at fair value through other comprehensive income	31,334	20,444
Financial assets at amortised cost	10,793	13,326
Other interest income	58,338	45,530
Interest costs (Note 29)	(85,832)	(92,784)
Net interest income	14,633	(13,484)
Dividend income (Note 30)	3,667	12,756
Commission income (Note 31)	163,432	142,716
Commission expenses (Note 32)	(25,696)	(21,437)
Gain or loss on deregistering financial assets and liabilities not measured at fair value through profit or loss, net (Note 33)	24,126	29,340
Financial assets at amortised cost	3	3
Financial liabilities at amortised cost	(689)	-
Other financial assets and liabilities	24,812	29,337
Profits or losses on financial assets or liabilities held for trading, net (Note 33)	(14,725)	(47,978)
Profits or losses on financial assets not held for trading at fair value through profit or loss, net (Note 33)	(3,141)	2,728
Profits or losses on assets or financial liabilities measured at fair value through profit or loss, net (Note 33)	-	-
Gains or losses resulting from hedge accounting, net (Note 33)	(1,199)	680
Exchange differences, net	43,219	75,248
Other operating income (Note 34)	46,769	33,959
Other operating costs (Note 37)	(5,153)	(4,275)
Gross margin	245,932	210,253
Administrative expenses	(117,050)	(114,066)
Staff costs (Note 35)	(49,942)	(44,337)
Other administrative expenses (Note 36)	(67,108)	(69,729)
Depreciation and amortisation (Note 39)	(57,367)	(44,297)
Provisions or reversal of provisions (Note 16)	8,636	11,561
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or losses due to modification (Notes 22 and 38)	(5,770)	(1,421)
Financial assets at fair value through other comprehensive income	(3,146)	(788)
Financial assets at amortised cost	(2,624)	(633)
Impairment/(reversal) of impairment on investments in joint ventures and associates	-	-
Impairment/(reversal) of impairment on non-financial assets	-	-
Tangible assets	-	-
Intangible assets	-	-
Other	-	-

Profits or losses on deregistering non-financial assets, net (Notes 11 and 12)	(10)	(4)
Negative goodwill recognised in the income statement	-	-
Profits or losses from non-current assets or disposable groups of elements classified as held for sale or inadmissible as discontinued operations (net) (Note 10)	-	1,031
Pre-tax profit or loss from continuing operations	74,371	63,057
Tax costs or income on profits from continuing operations (Note 20.2)	(20,017)	(17,872)
After-tax profit or loss from continuing operations	54,354	45,185
After-tax profits or losses from discontinued operations	-	-
Profit for the year	54,354	45,185

6.2 Activity

Cecabank, S.A. Balance al cierre del ejercicio 2020 (en miles de euros)

Asset	2020	2019
Cash, cash balances in central banks and other demand deposits (Note 5)	5,348,908	2,268,107
Financial assets held for trading (Note 6.1)	1,857,991	1,849,540
Derivatives	961,056	981,563
Equity instruments	146,992	379,531
Debt securities	749,943	488,446
Memorandum item: Loaned or delivered as a guarantee with right of sale or pledge	90,560	99,786
Financial assets not held for trading at fair value through profit or loss (Note 6.2)	28,791	39,017
Equity instruments	6,451	8,497
Debt securities	21,720	30,117
Loans and advances	620	403
Memorandum item: Loaned or delivered as a guarantee with right of sale or pledge	488	-
Financial assets measured at fair value through profit or loss (Note 6.3)	-	-
Financial assets at fair value through other comprehensive income (Note 7)	2,462,912	2,072,461
Equity instruments	2,638	14,269
Debt securities	2,460,274	2,058,192
Loans and advances	-	-
Memorandum item: Loaned or delivered as a guarantee with right of sale or pledge	1,381,955	823,287
Financial assets at amortised cost (Note 8)	3,886,709	5,074,354
Debt securities	299,012	307,700
Loans and advances	3,587,697	4,766,654
Credit institutions	2,497,154	4,038,453
Clients	1,090,543	728,201
Memorandum item: Loaned or delivered as a guarantee with right of sale or pledge	1,042,859	464,711

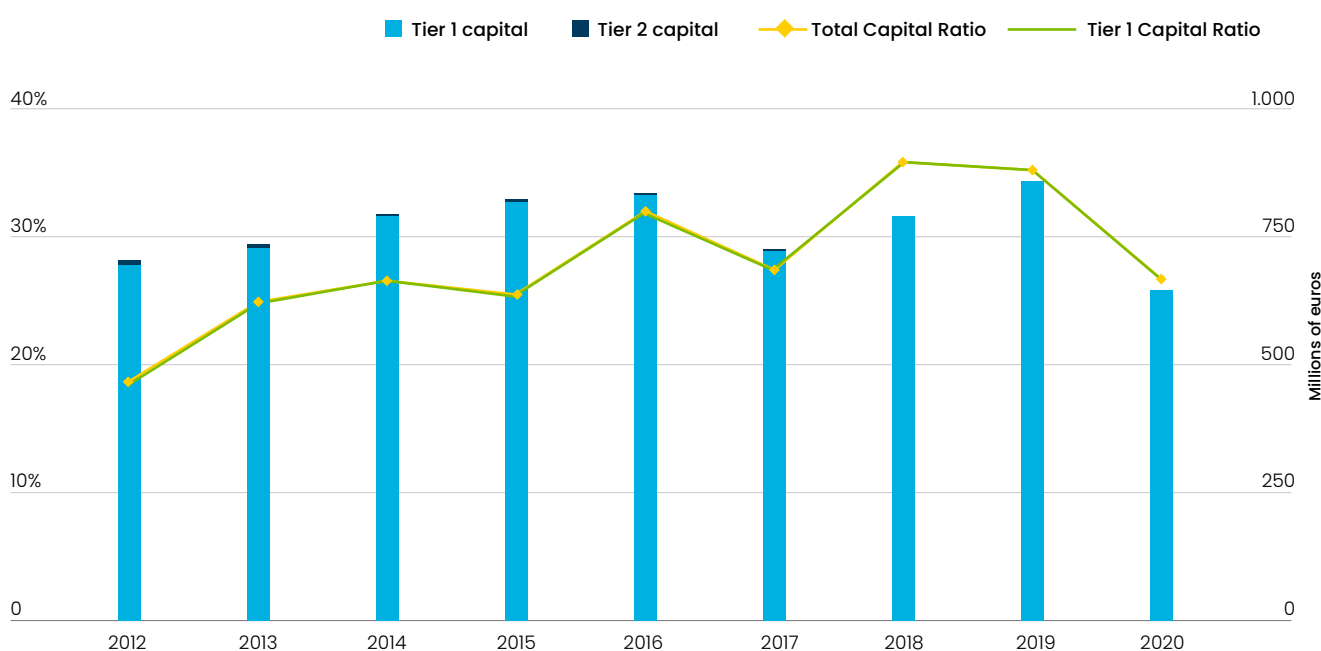
Derivatives - accounting of hedges (Note 9)	694	12,784
Fair value changes of hedged items in a portfolio hedged against interest rate risk	-	-
Investments in subsidiaries, joint businesses, and associate companies (Note 11)	312	312
Subsidiaries	312	312
Joint businesses	-	-
Associate companies	-	-
Tangible assets (Note 12)	51,962	52,627
Tangible fixed assets	45,140	45,622
For own use	45,140	45,622
Investment property	6,822	7,005
Of which: Leased out under an operating lease	-	-
Memorandum item: Acquired under financial lease	2,177	2,694
Intangible assets (Note 13)	491,594	195,334
Goodwill	-	-
Other intangible assets (Note 13.1)	491,594	195,334
Tax assets (Note 20)	76,154	86,391
Current tax assets	2,216	3,492
Deferred tax assets	73,938	82,899
Other assets (Note 14.1)	58,729	65,571
Remaining other assets	58,729	65,571
Non-current assets and disposable groups of elements classified as held for trading (Note 10)	3,032	3,002
Total assets	14,267,788	11,719,500
Liabilities and equity	2020	2019
Held-for-trading financial liabilities (Note 6.1)	1,293,973	1,211,746
Derivatives	1,088,340	1,021,166
Short positions	205,633	190,580
Financial liabilities designated at fair value through profit or loss (Notes 6.3)	-	-
Financial liabilities at amortised cost (Note 15)	11,639,413	9,211,764
Deposits	11,404,436	9,063,006
Central banks	464,729	445,990
Credit institutions	1,571,405	1,673,014
Clients	9,368,302	6,944,002
Other financial liabilities	234,977	148,758
Derivatives - hedge accounting (Note 9)	16,473	13,463
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-

Liabilities protected by insurance or reinsurance contracts	-	-
Provisions (Note 16)	80,900	101,848
Other long-term benefits for employees	29,051	41,656
Pending legal issues and tax litigation	7,621	9,011
Commitments and guarantees granted	288	303
Remaining provisions	43,940	50,878
Tax liabilities	19,935	14,329
Current tax liabilities	4,075	-
Deferred tax liabilities	15,860	14,329
Other liabilities (Note 14.2)	56,397	59,666
Liabilities included in disposal groups of hedged items of a portfolio hedged against interest rate risk	-	-
Total liabilities	13,107,091	10,612,816
Own funds	1,136,282	1,087,635
Capital	112,257	112,257
Paid-up capital (Note 18)	112,257	112,257
Share premium (Note 18)	615,493	615,493
Retained earnings (Note 19)	339,382	309,108
Other reserves (Note 19)	14,796	5,592
Profit/loss for period (Note 3)	54,354	45,185
Other accumulated overall result	24,415	19,049
Items that will not be reclassified as results	11,218	13,016
Actuarial profits or losses on defined-benefit pension schemes (Note 17)	9,894	7,274
Fair value changes of equity instruments measured at fair value with changes in other comprehensive income	1,324	5,742
Items that can be reclassified as results	13,197	6,033
Fair value changes of debt instruments measured at fair value with changes in other comprehensive income (Note 17)	13,197	6,033
Total equity	1,160,697	1,106,684
Total liabilities and equity	14,267,788	11,719,500
Pro Memoria		
Loan commitments granted (Note 27.1)	570,499	713,894
Financial guarantees granted (Note 27.1)	-	-
Other commitments granted (Note 27.1)	1,060,366	1,516,957

6.3 Robust capitalisation

At the close of 2020, **the solvency ratio of Cecabank was 26.61%**, fully comprised of Common Equity Tier 1 capital (CET1), i.e. the CET1 solvency ratio was also 26.61%. The main factor that affected the evolution of these ratios was the increase in the intangible assets resulting from the acquisition of new businesses related to securities services operations during the year.

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



6.4 Ratings

The **ratings awarded to Cecabank** at 31 December 2020 by international agencies Fitch Ratings, Moody's, and Standard & Poor's, are as follows:

	Short-term	Long-term
FITCH RATINGS	F-3	BBB-
MOODY'S	P-2	Baa2
STANDARD & POOR'S	A-2	BBB+

In 2020, the three rating agencies reaffirmed the long-term and short-term rating assigned to Cecabank and, on 29 July 2020, Fitch improved the outlook to stable.

Despite the adverse economic environment caused by the pandemic and the likely impact it will

have on the financial sector, the three agencies acknowledged the significant achievements achieved in 2020, mainly due to the **expansion of the depositary business** through the contracts signed with Kutxabank and Bankia. This consideration is reflected in the outlook put forth unanimously by the three agencies.

The strengths taken into consideration by rating agencies include the **specialization of Cecabank's business**, which holds a leading position in Spain in the depositary segment, further reinforced by the acquisitions and expansions of the business executed in 2020, accompanied by a moderate risk appetite, satisfactory capital buffers and adequate funding and liquidity.

07. Annual accounts



**7.1 Individual
Annual Accounts 2020**

**7.2 Consolidated
Annual Accounts 2020**



CECABANK VIDEO



ANNUAL REPORT 2020

