



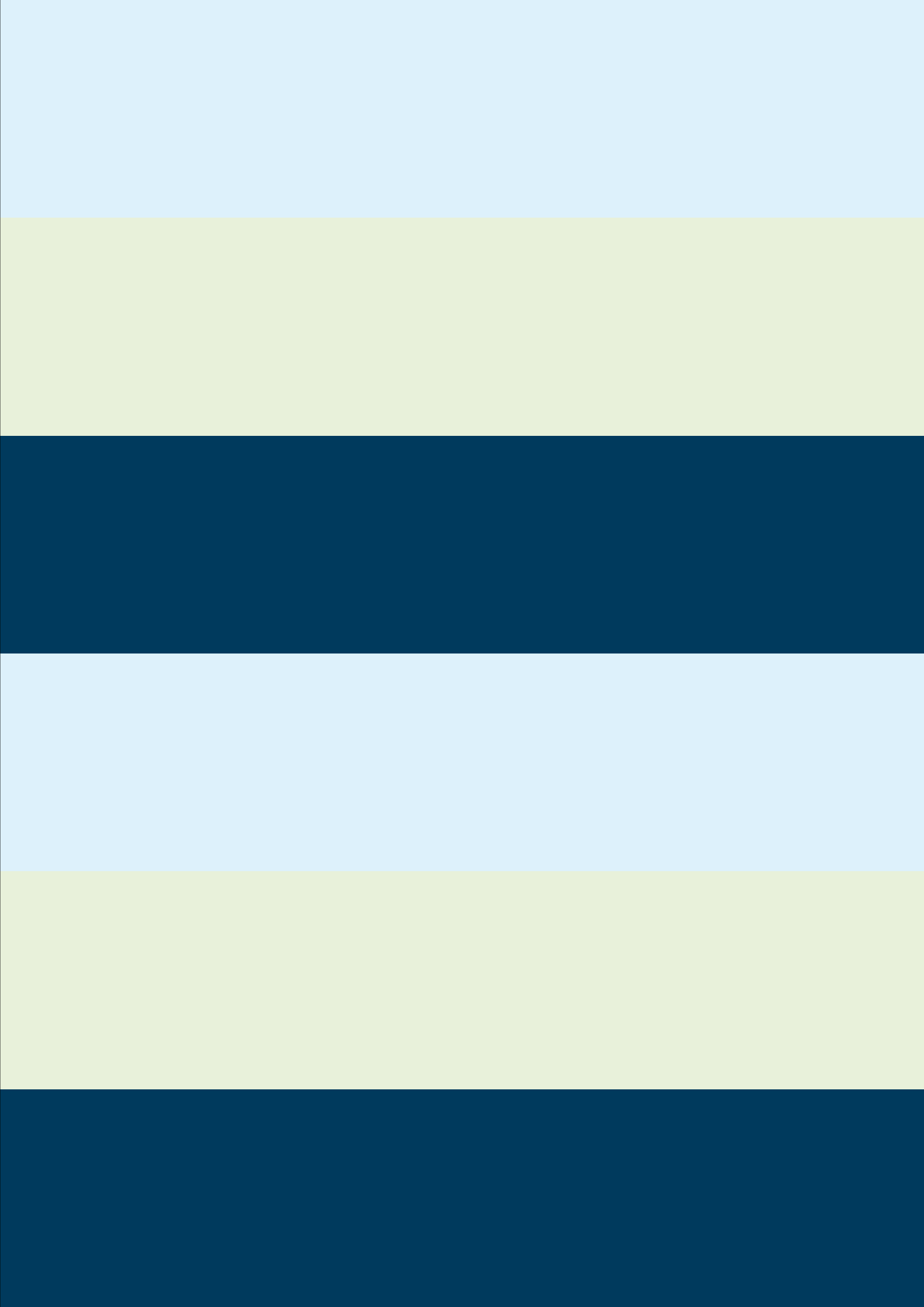
Annual Report 2019

cecabank



Annual
Report 2019

cecabank



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1. Letter from the CEO





José María
Méndez
Álvarez-Cedrón
CEO

2019 has been a good year for Cecabank. During these twelve months, we have renewed our leadership in the depositary market, with over 119,000 million euros deposited at year-end. We now work for 29 management companies of Collective Investment Institutions, Venture Capital, and Pensions. We have reached a total of 164,000 million euros in assets under custody and we support our customers with such relevant projects as their adaptation to MiFID II.

We hope to continue to gain a foothold because it is good for the system to have a Spanish stakeholder specialised in the Securities Services market.

Our action is based on a model of separation between manager and depositary, under the figure of an independent depositary, thus, we do not market products to private customers or manage portfolios.

All of this brings us closer to the best practices of the most advanced financial systems, contributing a fully neutral approach and avoiding conflicts of interest with our customers.

We understand that operational risk management is highly relevant in this activity, and it must be carried out from a sound solvency position. Cecabank has a CET1 ratio of over 35% – one of Europe's highest.

The Cecabank project has been recognised internationally for the second consecutive year as the best custodian bank in Spain by the European magazine Global Banking & Finance Review, which rewards excellence in customer service.

This comes in addition to Standard & Poor's improving our long-term rating, which now stands at BBB+ due to the consolidation of our business model, which has allowed Cecabank to have more diverse customer and service portfolios, despite the restructuring and consolidation process that the Spanish financial sector has undergone.

It should be noted that digitalisation in the banking sector is gaining increasing presence. At Cecabank we want to keep up with these transformations and adapt to them. We continue to carry out activities related to this area, such as the Securities Services conference, attended by more than 200 professionals, and the ck-lab conference, in which several specialists analysed the challenges of the digital environment in the financial sector. Along these lines, Cecabank also took part in the Innovation in Fintech sector forum, together with start-ups from the sector, strengthening its commitment to support the initiatives conducted by fintech companies.

Sustainability has become one of our core axes

At Cecabank we undertake ongoing work to improve the quality of our services and to be more competitive every day, with the aim of strengthening business and the long-term relationship with our customers and partners. This year we have continued incorporating their social, environmental and good governance concerns into our activity. I would like to take this opportunity to quote some of these:

The entity's Corporate Governance comprises 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). This internal regulation is subject to ongoing updates to adapt to national and international best practices. One example of this is the external assessment of the operation of our Board of Directors, which we began in the second half of the year.

Cecabank enforces ethical behaviour requirements with the aim of preventing the criminal risk of the legal entity to the greatest extent possible, and has several instruments that promote exemplary conduct as an entity, in order to combat corruption and bribery. These notably include the criminal risk organisation and management system, and the Corporate Code of Conduct, which formalises the commitment of all the professionals who provide their services at the bank with the highest standards of integrity, and which features a monitoring channel to receive claims and queries.

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. This year, the carbon footprint has been measured, the results of which have been verified by AENOR, with our footprint down by 13.8% in 2019, thanks to savings measures arising from the implementation of initiatives, such as the ISO 50001 Energy Management System. An action plan is currently being drawn up to extend this reduction throughout 2020.

On the occasion of the United Nations Climate Change Conference (COP25) held in Madrid in December, Cecabank joined the commitment to reduce the carbon footprint in its credit portfolios, in line with the goals of the Paris Agreement, and the "Collective Commitment to Climate Action" promoted by the UNEP FI.

It has also launched the 0 Paper project, which has cut 2019's total printing by almost 30% compared to the previous year and includes a clean desks protocol that promotes waste recycling in the office.

In the social field, it is worth highlighting the success that Cecabank achieved once again with the 5th edition of the Tú Eliges (You Choose) programme, through which the entity showcased its commitment by donating 100,000 euros to social action projects chosen by the employees themselves. Aid for

humanitarian emergencies, the blood donation campaign, collaboration with the Food Bank, and the creation of IT classrooms to encourage the inclusion of the most disadvantaged people and to promote social inclusion, are testament to our commitment to society.

2019 has undoubtedly been a year of challenges that, I am glad to say, we have overcome with the enthusiasm that characterises us. I am sure that in 2020 the Cecabank project will continue to be committed to its dedication to serve the entire Spanish financial system.

José María Méndez Álvarez-Cedrón
CEO

2. About Cecabank



2.1. Key figures

These are the main figures for Cecabank as of December 2019

Individual figures

Total Assets

11,719,500
miles de euros

Total Net Equity

1,106,684
thousand euros

Own Funds

1,087,635
thousand euros

Profit for the year

45,185
thousand euros

CET 1

35.2%

Balance sheet (thousand euros)	2019
Total Assets	11,719,500
Held-for-trading financial assets	1,849,540
Financial assets at fair value through other comprehensive income	2,072,461
Held-for-trading financial liabilities	1,211,746
Financial liabilities at amortised cost	9,211,764
Total Net Equity	1,106,684
Own funds	1,087,635

Income statement (thousand euros)	2019
Net interest income	-13,484
Gross income	210,253
Profit from operations	62,031
Profit before tax	63,057
Profit for the year	45,185

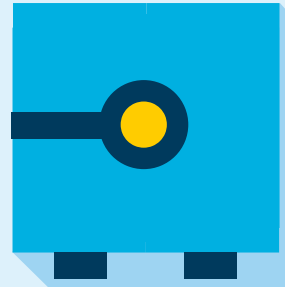
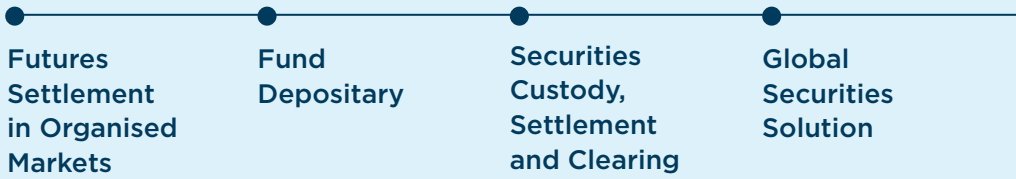
Solvency and liquidity	2019
CET 1 ratio	35.2%
Equity	1,087,635
Basic Equity (core capital)	858,758
Long-term liquidity ratio	324%

Cecabank rating	2019		
	Short-term	Long-term	Outlook
Moody's	P-2	Baa2	Estable
Fitch	F3	BBB-	Estable
Standard & Poor's	A-2	BBB+	Estable

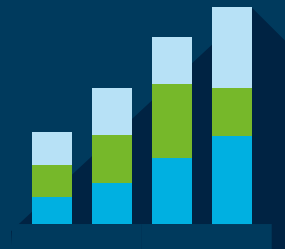
2.2. Our activity

Cecabank is a Spanish wholesale bank that is a leader in Securities Services. It offers innovative financial solutions tailored to its clients, guiding them through their projects to reach their business goals.

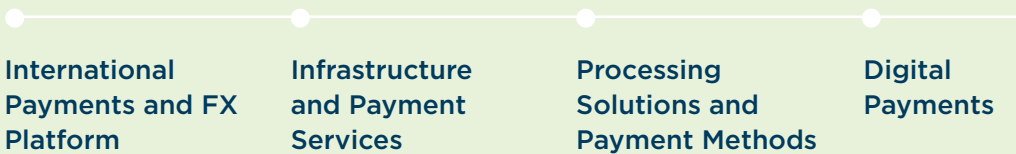
Securities Services



Treasury Management



Payments



Digital solutions



2.3. Cecabank 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.

Branches

United Kingdom

14 Curzon Street
London W1J5HN
Tel: 0044. 2037868171

Portugal

Avenida de Liberdade, 190-1ªA
1250-147 Lisboa
Tel: 351 21 0485010

Representation offices

Germany

Darmstädter Landstraße, 116
D - 60598 Frankfurt am Main
Tel: 0049. 69230964

France

21, Avenue Pierre 1er de Serbie
F-75116 Paris
Tel: 00331. 47235801



2.4. Shareholders and Shareholder Structure

Cecabank's shareholders are comprised by the following entities:

CECA
No. of shares
100,000,000
% of shares
89.08%

Caixabank, S.A.
No. of shares
3,059,729
% of shares
2.73 %

Bankia, S.A.
No. of shares
2,848,192
% of shares
2.54 %

Kutxabank, S.A.
No. of shares
1,352,325
% of shares
1.20 %

Unicaja
Banco, S.A.
No. of shares
1,299,440
% of shares
1.16 %

Liberbank, S.A.
No. of shares
888,958
% of shares
0.79 %

Ibercaja
Banco, S.A.
No. of shares
765,561
% of shares
0.68 %

Abanca
Corporación
Bancaria, S.A.
No. of shares
712,677
% of shares
0.63 %

Banco Bilbao
Vizcaya
Argentaria, S.A.
No. of shares
644,683
% of shares
0.57 %

Banco
Sabadell, S.A.
No. of shares
574,171
% of shares
0.51 %

C.A. y M.P.
Ontinent
No. of shares
57,920
% of shares
0.05 %

Caixa D'Estalvis
de Pollença
No. of shares
52,884
% of shares
0.05 %

As at December 2019, Cecabank's shareholder structure, aimed at the achievement of the bank's targets, is made up of the following (solely stakes above 1% displayed):



Trionis SCRL
78.62%



Eufiserv
Payments, SCRL
22.78%



Lico Leasing S.A.
9.84%



E6K Servicios de
Valor Añadido S.L.
9.4%



Sociedad
Española de
Sistemas de Pago
8.82%

Liberbank

Liberbank, S.A.
3.28%



Caja de
Seguros Reunidos,
Compañía
de seguros y
reasegurados
1.55%

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

Sistema de
Tarjetas y Medios
de Pago S.A.
1.29%

2.5. Presence in forums



View of the Securities Services Conference held by Cecabank

One of the strengths upon which the quality of Cecabank's activity is upheld is its broad network of experts, putting its entire knowledge at the service of its customers and society. These are nationally and internationally renowned specialists, who are invited to take part in outstanding benchmark forums in the industry.

The institution maintains a high level of dialogue with national and international authorities, as well as with sectoral associations and private institutions, and it collaborates with shareholders from various areas. The aim of the foregoing is to create forums for reflection and dissemination for the improvement of the banking sector, and spaces to support society.

Despite the context of low interest rates and high market volatility, during 2019 Cecabank has remained Spain's main Securities Services provider, protecting the treasury management business and boosting innovation, both in digital solutions and payment methods.

Cecabank ensures that excellence and quality of service continue to be one of the main foundations of its Securities Services operations. This has been recognised for the third consecutive year by the magazine *Global Banking & Finance Review*, which named Cecabank Best Custodian Bank 2019 Spain. Furthermore, and as a result of this effort to offer the best service to its customers, Cecabank holds AENOR Quality Management Certificates for the design and provision of the following services: Fund Depository, Settlement, Securities Custody and Administration, and Payment Management.

In 2019, Cecabank held a new edition of the Securities Services Conference, this time launching at a new location at Madrid's WIZINK Center. For six years this benchmark sector event has brought together professionals from the industry

to debate and contemplate operational and regulatory changes that have a direct effect on trading. At this event, which featured the participation of high-level representatives of the Spanish Securities Market Commission (CNMV), the Bank of Spain, and IOSCO, among others, attendees debated topics including the overall outlook for technology and regulation affecting securities services, the present and future of the ECB-T2S projects, the current and future state of pensions, and cryptoassets.

Through these conferences, Cecabank has been able to consolidate its position as a trusted benchmark in the banking and large corporations sector, as well as becoming the main promoter of the ecosystem that gives structures to the Spanish post-trading industry.

In parallel, the entity held the 12th Cecabank Trading and Risk Conference, its forum to share experiences in the field of treasury management, risk management and digital transformation in the financial sector. The event analysed treasury activity from four core axes: Technological infrastructure, market vision, macroeconomic forecasts and regulatory requirements.

Cecabank continues to consolidate its position as a financial innovation hub, in which it acts as a meeting point between banks and fintech companies. Along these lines, it held the event “ck-lab, the challenges of the digital environment” through the innovation hub that the bank created in 2017 to promote digital transformation in the financial sector through open innovation. The ck-lab event consisted of three round tables discussing topics such as the importance of the use of data in the digital environment, the current situation of major players in e-commerce and the challenges posed to the financial system by ongoing digital transformation and the emergence of fintech companies.

Cecabank also took part in the sector forum Innovation in Fintech in order to boost innovation together with start-ups from the sector, thus, showcasing its commitment through several initiatives. At the event, it emphasised that applications with artificial intelligence will be key to the sector’s development in the coming years. It also stressed the need for a regulatory framework that contributes to bolstering development and protecting users.

Event “ck-lab:
The challenges
of the digital
environment”



Event “Details on regulatory reporting”



This event is part of a project developed in collaboration with CEOE and PGS, which seeks to detect start-ups, thus championing innovation in the business fabric and contact between these new companies and collaborators who may be interested in the activities they carry out. It features more than six main themes, with Cecabank focusing on the area specialising in fintech companies. Within this area, artificial-intelligence-based applications are considered to offer the greatest value for users of financial services.

Along these lines, Cecabank has launched various initiatives in the field of financial innovation. All of them meet the needs of the market and the business of entities; these range from investing in start-up companies to collaborating and taking part in joint projects with them. Collaboration and cooperation are in the entity’s DNA, in its history and in its culture

Additionally, for the first time, Cecabank held the event “Regulatory reporting data: a view to harmonisation, quality, governance and use”. In the field of reporting, companies are at an incredibly special juncture, as European harmonisation projects are being undertaken, together with guidance for the entire financial sector towards data-driven models, with particular focus placed on data governance and quality. This allows companies to improve the use of regulatory data. The aim of the seminar was to convey the regulator’s vision, as well as the perspective of how companies are facing these challenges, and provide a path towards convergence between management and regulatory information.

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

For another year, Cecabank supported Spain Investors Day (SID), Spain’s benchmark financial forum, in which major international investors can learn about the outlook of our country’s main listed companies. The SID brings together companies from the Spanish economy’s core sectors, such as banks, technology, energy, security, infrastructure and tourism, among others.

With the sponsorship of Cecabank, El Confidencial and Finect again held the Iberian Value at CaixaForum. The purpose of this is to provide value to long-term investments (Value Investing) and discover companies that are currently undervalued but that have great future potential.

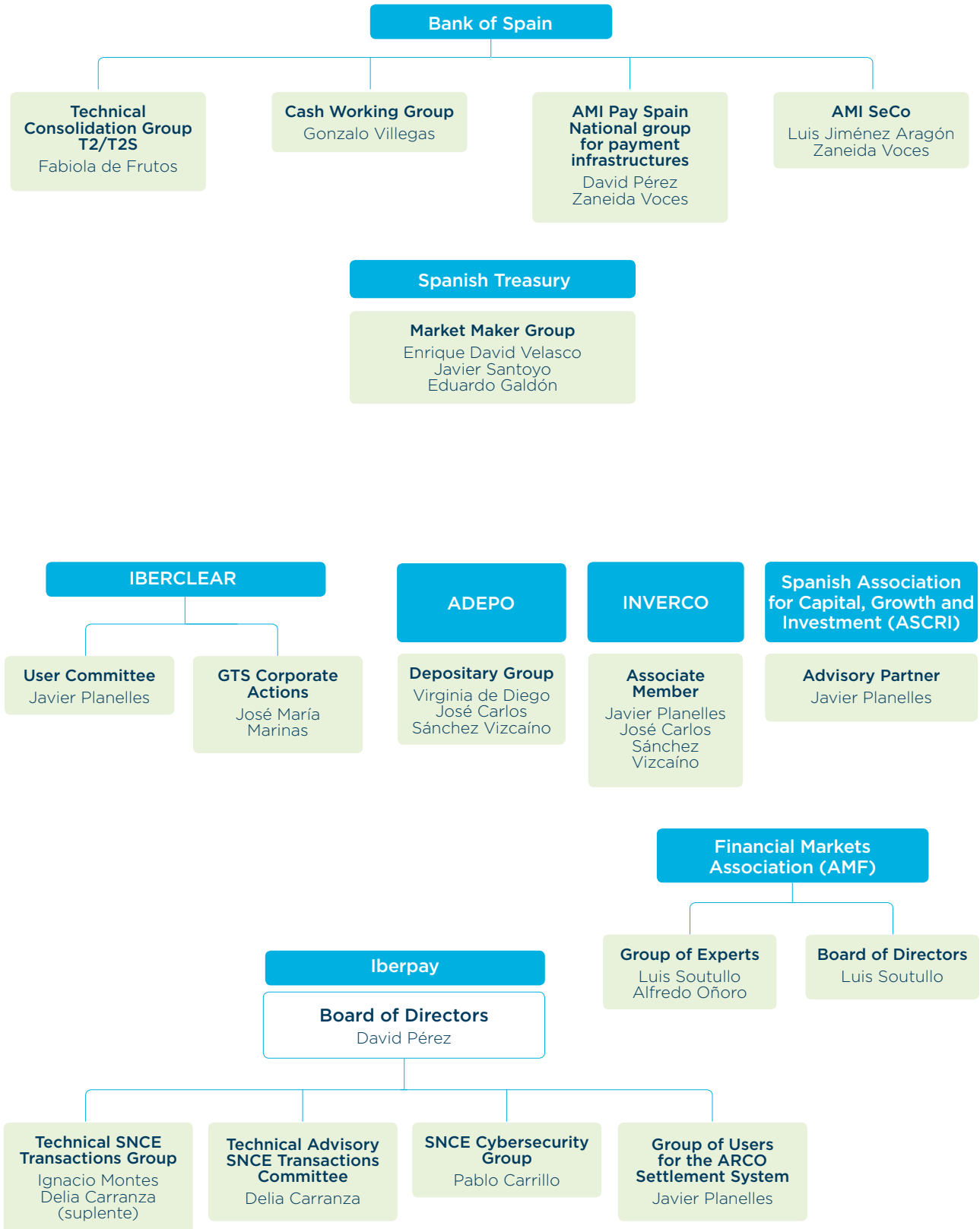
During 2019, Cecabank has boosted its corporate social networks, achieving a greater diffusion and impact of financial and business solutions and expertise. Furthermore, social networks also serve as a channel for disclosing information on the entity, and allow two-way communication with customers and stakeholder groups.

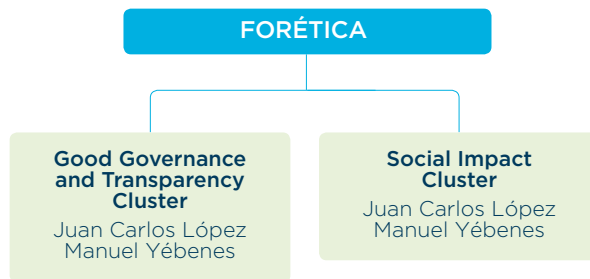
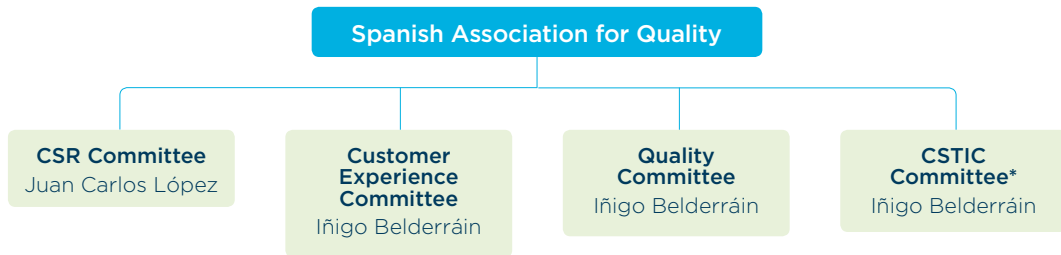
Cecabank has reached 6,853 followers on its LinkedIn company page. This has provided further visibility to our business, raising brand awareness, improving relations with our customers, and consolidating our broad network of experts. On Twitter, the leading social microblogging network, it has surpassed 1,250 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.

Cecabank
LinkedIn



National Representation Forums





Internal Auditors Institute

Partners
Juan Manuel San Juan

Managerial Progress Association

Lourdes López

ISO-AENOR

Biometrics SC37
David Alonso

Association for the Development of Customer Experience (DEC)

Members
Iñigo Belderráin

DIRSE

Development partner
Juan Carlos López

Asociación Española del Pacto Mundial

Members
Juan Carlos López
Carolina Elipe

SPAINSIF

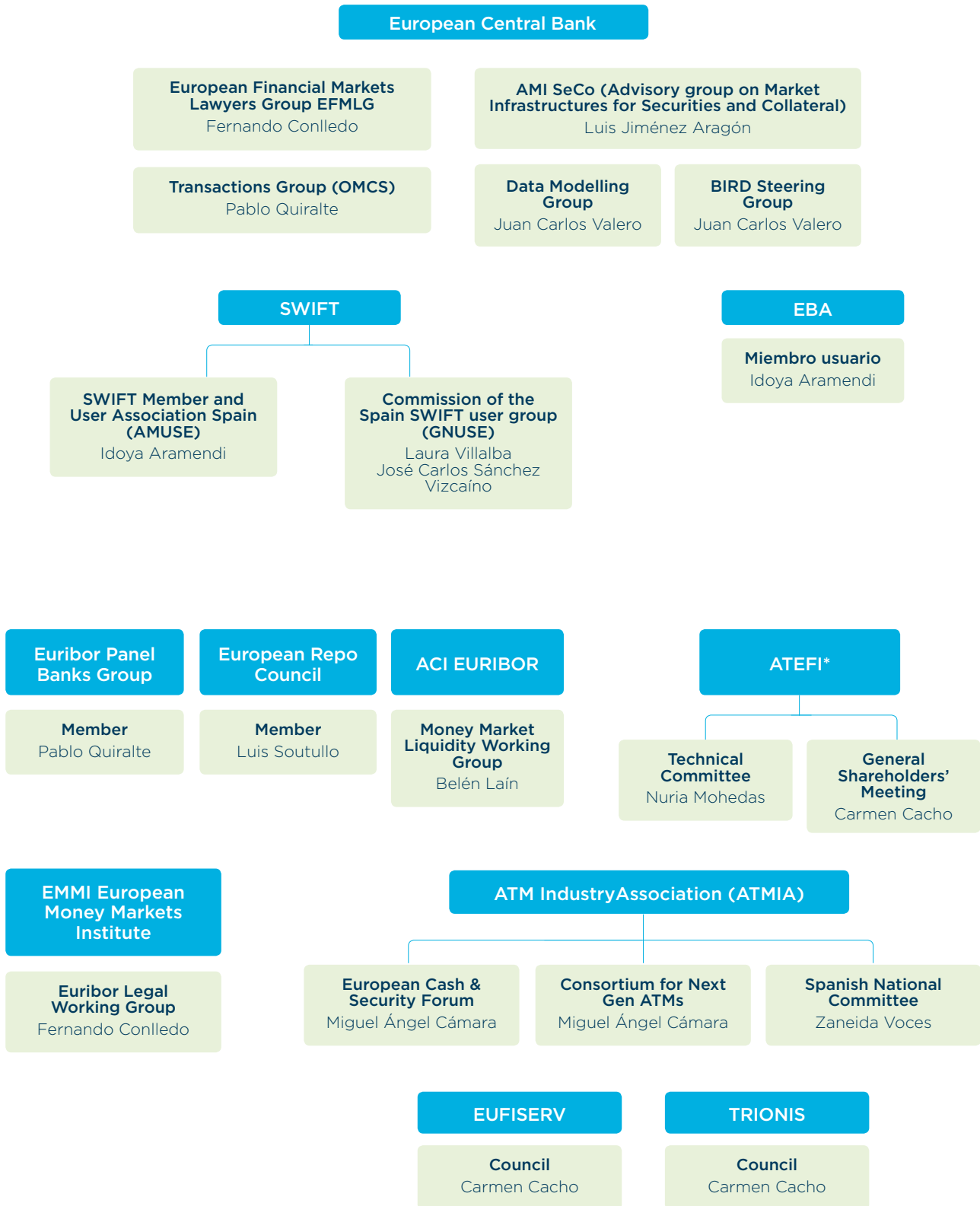
Members
Juan Carlos López
Manuel Yébenes

Grupo de Eventos Corporativos AEB / CECABANK

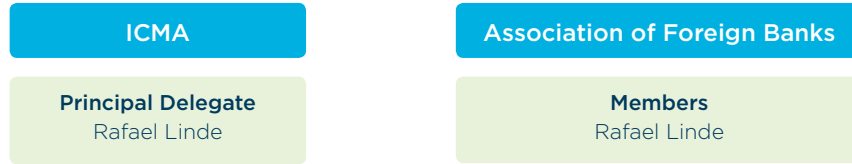
Members
José María Marinas

* CSTIC: AEC (Spanish Quality Association) Community in Communications and Information Technologies and Systems.

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, France, and Germany, through branches in London and Lisbon, and its representation branches in Frankfurt and Paris, thus, providing coverage in the markets of Switzerland and Benelux.

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 2019, there was an increase in the volume of business undertaken with non-Spanish customers, adding more Portuguese counterparties for FX and Money Markets activities, and increasing recurring income through brokerage in fixed-income markets with English customers.

In terms of the payment business, there has been a 10% increase in the management of pensions and the number of payments converted under the service of the company Global FX Payments has increased by 18 times, to which 12 more currencies have been added.

2.7. 2020 Strategic Plan

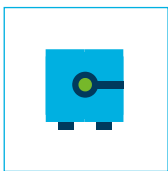


2.7.1 2020 Strategic Plan and business evolution

Cecabank is immersed in undertaking the Strategic Plan defined in 2016. The strategy is based on three core pillars: 1) strengthening recurring income; 2) growing our client base; 3) consolidating our leadership in the Securities Services market.

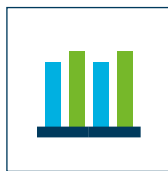
In 2019, we have continued implementing the defined strategy, adapting it as necessary.

The business model included in the Strategic Plan is structured into 3 broad lines of business, for which specific strategies are defined:



Securities Services:

Focused on maintaining our leadership in the depository business through purchasing opportunities that arise in the national market, extending the validity of existing contracts, complementing the services offering of the Securities Services value chain, and boosting forays into other markets.



Treasury management:

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



Digital payments and solutions:

Providing the market with many solutions in a mature business, conditioned 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 attract 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 main businesses 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. Furthermore, new initiatives have been created to respond to the changing needs of our customers and new business opportunities, while others have been closed or halted for different reasons.
- Internal projects focused on the entity's cultural transformation.

- Disruptive levers: In this section, the Strategic Plan contemplated the ongoing analysis of potential corporate opportunities that could substantially modify the size of the entity, should they occur.
- In global terms, at the entity level, 2019 was notable for the following performance of each of the components of the Strategic Plan:

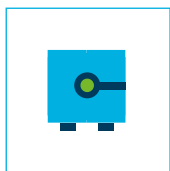
1 Central Scenario: the performance of the results has been affected by various reasons, such as the interest rate situation and market volatility, the lower growth in fees linked to the performance of fund assets, and the delay in implementing certain ongoing projects. All these factors have had an impact on the gross margin, conditioning its performance.

2 As regards incremental initiatives, three of them have been transferred to the central scenario, in order to meet the goals set forth in the Strategic Plan (digital payments, currency exchange in payment networks, and FX-sharing). A new initiative, Direct Debit Service, has also been identified and is now fully operational. The rest of the incremental initiatives continue to work towards achieving the goals set forth.

3 With regard to Transformation Initiatives, over the last three years, intensive work has been conducted on internal transformation plans, achieving significant progress in its implementation and maturity reached, and encouraging actions that promote a culture of change at the entity. One of the projects with the greatest impact in 2019 was undertaken in the area of sustainability. This year, as part of the commitment to the environment, the carbon footprint has been measured, and work is being carried out on an Action Plan to reduce the Carbon Footprint.

4 As regards Disruptive Levers, potential corporate operations are being analysed in practically all Cecabank's business areas. In 2019, the most noteworthy corporate operations related to the world of Securities Services.

The performance of the three lines of business in 2019 is set out below, with the services and initiatives that they include:



Securities Services

The Securities Services business comprises three services (Depository, Securities and Back Office) and two active incremental initiatives (FADO Project and Extension of the Securities Services' value chain).

The low growth in off-balance-sheet fund assets, the decrease in average fees due to the sale of lower-value funds, together with the delay in the transfer of funds from BPI in Portugal, have led to lower growth than expected in this line of business.

However, it continues to grow in terms of deposited volume, with 119,143 million euros and 158,749 million euros in balances custodied.

The Securities Services business has focused its efforts on strategic projects that supplement the value proposition.

With regard to the incremental business initiatives of Securities Services:



- In the FADO Project, the CMVM (Portuguese Securities Market Commission) has accepted the request to change the depository of the funds of the Portuguese bank, Banco BPI, and is all set to transfer these to Cecabank.
- The initiative to expand the Securities Services value chain comprises several projects:

1

The Fund Platform was incorporated after the strategic alliance reached with Allfunds in the first quarter of 2018, thus, expanding our offering of added value.

2

The Global Securities Solution is already operational with two customers and it is being implemented in two others.

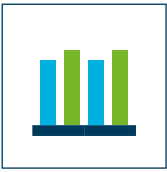
3

With regard to International Custody, CaixaBank and Bankia have been included in the service in 2019.

4

Implementation of the securities BPO (Business Process Outsourcing) service for outsourcing operational functions related to the settlement and custody of operations, adapting the capacities of the funds to meet the customer's needs.

- In addition, in terms of innovation, a new initiative is being designed related to the world of crypto assets.



Treasury Management

The central scenario comprises three services (Treasury Management, Equity Execution and Banknotes) and has incremental initiatives (Primary Market Access, Bond Platform, Securities Lending Program, and Home Currency Delivery).

The financial margin has been conditioned by the context of interest rates, market instability and geopolitical conflicts. Within this scenario, Cecabank has continued its strategy of customer diversification and creation of new products, such as the new incremental initiative of Customer Home Currency Delivery, which has been operational since the second half of the year. The Primary Market Access initiative, which has been incorporated into the central Treasury Management scenario since 2017, has exceeded the budget set for 2019.

With regard to Banknotes, it is worth noting the positive performance as a result of increased volume of customer purchases and the good tourism performance.

The Equity initiative is a fully operational service that serves as a gateway for new customers and to consolidate the link with existing customers.

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

1

The Bond Platform, which has been discontinued as it has not fulfilled the assumptions or expectations set forth in the Strategic Plan.

2

Securities Lending, which remains on stand by until the final approval of the Ministerial Order.

3

New customer Currency Home Delivery initiative-service. The service is at an initial stage.





Digital payments and services

This line of business includes nine different services (Payment Systems Services, Clearing, and Discounting; External Network; Payment Methods; Trading and Risk support platform; Financial Reporting; Interactive Services; Technology Services; Associative Services and Banking Training School), together with five incremental initiatives (Promotion of Digital Services, Digital Payments Platform, Currency Exchange in Payment Networks, FX-Sharing, and Blockchain).

The income from this line of business stands in line with the budget. In further detail, and grouped by the nature of the services provided, the following is noteworthy:

- Payments (includes Payments, Clearing and Discount systems, External Network, Payment Methods, and the initiatives FX-Sharing and Currency Exchange in Payment Networks) stands above the budget, thanks to the favourable performance of all its services and initiatives. In detail:

1

The Payments, Clearing and Discount service has renegotiated cash letter contracts due to the inclusion of new controls relating to the Prevention of Money Laundering, and its transfer activity has increased. The capture of new companies for the SNCE (Spanish National Electronic Clearing System) representation service is of particular note.

2

In the External Network the good performance of all the foreign branches (London, Lisbon, Paris and Frankfurt) is highlighted, together with the efficiency plan implemented, which involved the transfer of operations from the London branch to Spain.

3

Payment Methods has been characterised by positive performance based on the consumption and use of cards, renewed processing contracts and the Currency Exchange in Payment Networks initiative.

4

As regards the two incremental payment initiatives (FX- Sharing and Currency Exchange in Payment Networks), both have been transferred to the central scenario to meet the objectives set. In the case of FX-Sharing, 2019 was noteworthy for attracting major customers.

- Digital Solutions (includes the services of the Trading and Risk support platform, Financial Reporting, Interactive Services and Technology Services, and the incremental Digital Services Extension and Digital Payment Platform initiatives) stand in line with the budget:

1

The Trading and Risk support platform has focused its commercial efforts on extending the CVA (Credit Valuation Adjustment) service, and on developing the new SFTR (Securities Financing Transaction Regulation) service to increase customer loyalty.

2

Reporting has not met the budget figure due to the delay in the entry of customers into the module basic module, and the delayed development of certain projects and acquisition of licences by customers.

3

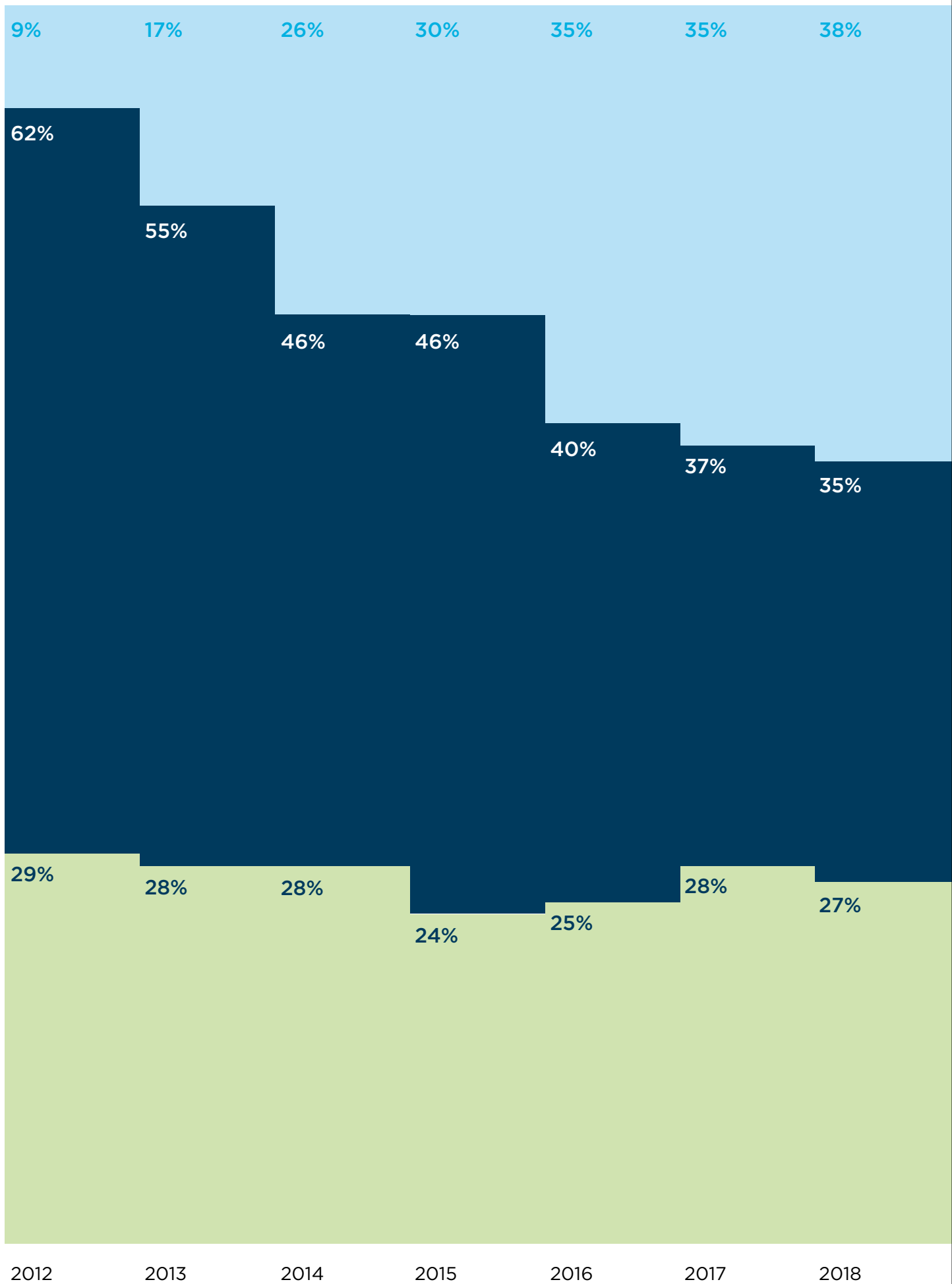
Interactive Services has performed favourably, backed by the renewal of online banking contracts, an increase in customers on the API platform, and increased operations and users in instant payments.

4

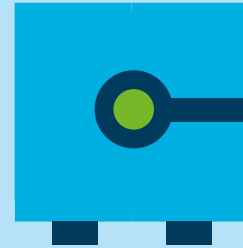
Most notable in Technology Services were the agreements reached to provide outsourcing services were as a result of the creation of ecosystems with referential partners.

5

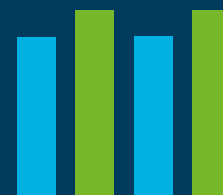
As regards incremental initiatives, growth in both users and the volume of digital payments has allowed the Digital Payment Platform to reach the goals set and to be transferred to the central scenario. In the case of the Extension of Digital Services, the projects of the new electronic invoicing platform and API platform have been completed, as they are now fully operational.



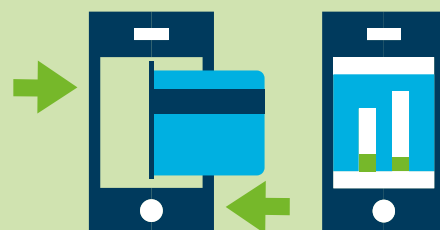
42%
Securities Services



29%
Treasury Management



29%
Digital Payments
and Solutions



2019

Internal transformation

The Strategic Plan includes a series of initiatives intended to transform the culture of the entity. The foregoing set of initiatives became the ckbeSMART Cultural Transformation Project in 2018.

Within this project, the Smart Day event was held, in which employees worked as a team, understanding the importance of change in order to survive from a recreational viewpoint. The event was a success, with 90% of respondents reporting being satisfied.

The main goals of the project are to extend new forms of work, enabling us to reduce time-to-market and gain efficiency, thanks to a new customer-oriented culture. 2019 highlights include the following:

- Measures for cultural transformation and talent management, including teleworking, flexible working hours, talent maps, internal mobility, clearing management systems and remuneration for objectives.
- New ways of working are being fostered by extending the use of agile methodologies. With this in mind, training in this type of methodology has been intensified and an agile branch has been set up, comprising internal and external agile coaches accompanying projects closely.
- A new model of work spaces has been designed, with greater dedication to collaborative and flexible spaces that facilitate the implementation of new forms of work. In this sense, the O Paper project has been launched, the aim of which is to reduce the use of paper to the extent possible using measures to review, digitalise, archive and adapt processes to reduce the need to use paper.
- All these measures are accompanied using the Digital WorkPlace, which aims to provide users with the IT tools they need to work quickly, without paper and securely from any location.

Smart Day





Furthermore, in 2019, sustainability became a core part of the company's agenda, with the launch of a Sustainability Plan with three pillars of work:

1

Environment: The carbon footprint has been measured, the results of which have been verified by AENOR. The figures show that our footprint down by 13.8% in 2019, thanks to savings measures arising from the implementation of initiatives, such as the ISO 50001 Energy Management System. An action plan is being drawn up to prolong this reduction throughout 2020.

It has also launched the 0 Paper project, which has reduced 2019's total printing by almost 30% compared to the previous year and includes a clean desks protocol that promotes waste recycling in the office.

2

A highlight in social action policy is the Tú Eliges (You Choose) programme, in which more than 80% of the workforce participated in 2019, and 100 thousand euros have been allocated in aid to NGOs and foundations voted for by employees; the contribution to two natural disasters, such as Tropical Cyclone Idai and the floods caused by Dana. Furthermore, the Employee Volunteering Programme for Secondary School children "Improve society, DIGITALISE IT" is included.

3

Our commitment to Good Governance is reflected in the Strategic Plan through a Corporate Governance initiative in order to have the market's highest standards in terms of good governance. In this regard, the Board undertakes self-assessment yearly. Another action in this area is the creation of the Global Risk Control Unit to adapt the company to the best standards of internal governance in the risk management and control model, and to clarify the borders between the first and the second line of risk defence.

2019 Strategic Plan



2.7.2 Strategic business objectives

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

In general, a highlight in 2019 includes the effort and results of the commercial activity. This strong commercial activity has been key in the non-traditional market (77%), with the aim of attracting new customers and continuing to diversify income.

With regard to the detail of achieving the goals set for 2019, the results are as follows:

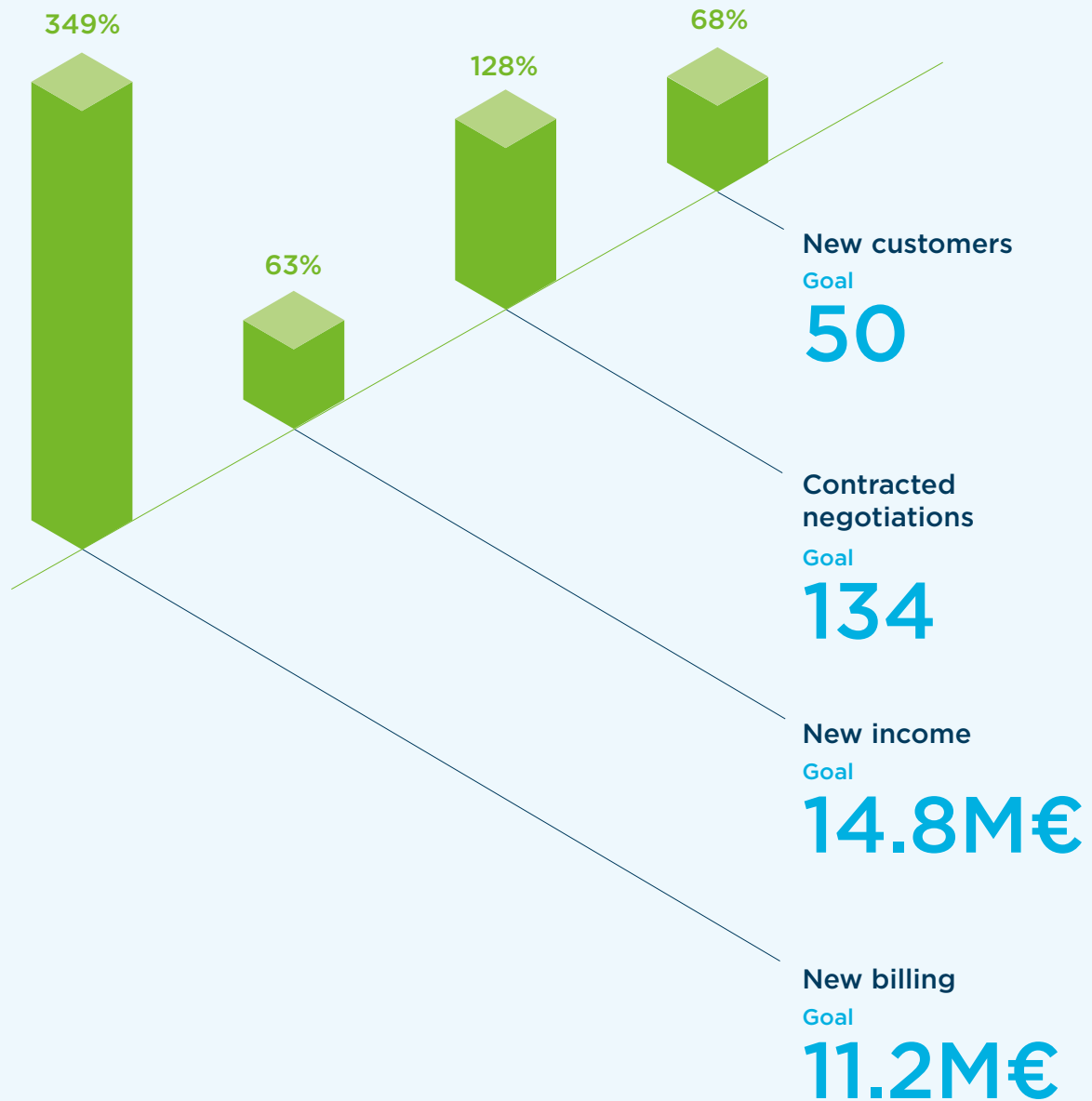
New billing: covering the estimated and annualised billing of new contracts registered in the period. The target for the whole of 2019 was 11.2 million euros, and the entity reach a figure of 39.2 million euros, chiefly due to the closure of some corporate operations in the area of Securities Services. However, excluding the success of one-off operations and thanks to the commercial strength, this goal would also have been achieved.

New income: This includes the actual impact on the income statement of new contracts during the current year (9.3 million euros). Despite the failure to achieve the goal as a result of the delay in implementing certain projects, the quality of this income stands out, chiefly representing recurring income that will have an impact in the coming years.

Contracted negotiations: includes all successfully closed new negotiations or renegotiations the estimated income of which is above 10,000 euros/year. The target for the year was 134 negotiations and the entity closed the year with a total of 171 negotiations signed. Most notable is the contribution of some lines of business to achieving the goal (i.e. Interactive Services, Reporting and Payments, Clearing and Discount).

New customers: includes customers who have signed up for a service or product and who have not contracted or received any services from Cecabank for three years. Despite continuing to attract new customers, the pace is lower than in previous years and somewhat lower than the target set for 2019.

2019 Strategic business objectives Degree of achievement



The Strategic Plan governance model

In 2019, 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:

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.

Furthermore, in 2019 the Board of Directors played a major role in the decision-making process on the company's strategy, making two key strategic observations, one following the half-yearly report and the other with annual monitoring.

The Strategic Plan Monitoring Committee (CSPE) met monthly during 2019, comprehensively reviewing the Strategic Plan through the approved monitoring methodology. In addition, all the incremental initiatives have been thoroughly reviewed with their managers on this Committee.





**GOVERNANCE
STRUCTURE**

Board of Directors

Monitoring Committee

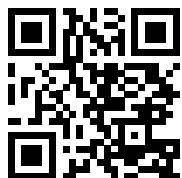
Sponsors

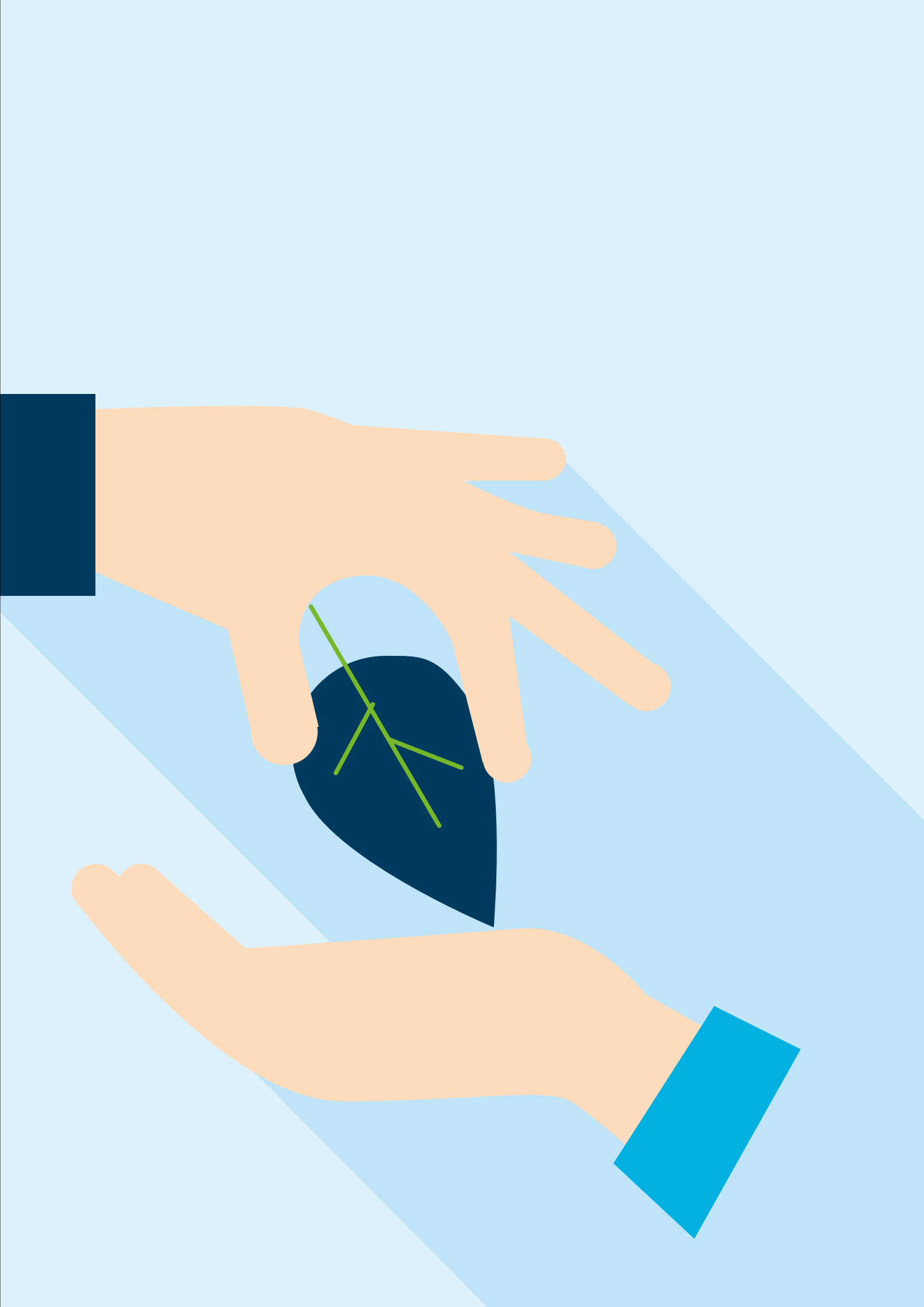
Project branch

**Initiatives and services
Leader and work team**

3. Cecabank milestones in 2019

These are the main milestones we have achieved in 2019





January Spain Investors Day

Over 1,200 guests attended the tenth edition of Spain Investors Day, promoted by Cecabank among other companies.



March Cecabank joins FX Global Code

We joined to the Global Code of Conduct of the Foreign Exchange Market, thus strengthening our commitment to transparency and quality on a global level.



May S&P improves the Cecabank rating

Cecabank's long-term rating is improved a notch from BBB to BBB+, emphasizing the consolidation of the business model.



Standard & Poor's
eleva el rating de
cecabank
hasta **BBB+**

February AENOR Energy Management Certificate

AENOR recognises our efficient energy management, awarding us the Energy Management Certificate.



April ck-lab conference

Over 200 banking and fintech professionals attended the new ck-lab conference, analysing the challenges of the digital environment in the financial sector.



June Award for best custodian bank

For the third consecutive year, we received the award for best custodian bank at a national level, which demonstrated our leadership in the depository and custody of securities.



July

More than 150 billion euros in assets under custody

We exceed 150,000 million euros under custody, a record figure in the sector that placed us at the top of securities custodians



cecabank
Superamos los
150.000 millones de euros
bajo custodia.



September

Allies of the SDGs

We joined the “My Plan is Agenda 2030” initiative, one of the most important global initiatives for business sustainability.



November

Securities Services event

For the sixth year we held Spain’s main post-trading forum, attended by more than 200 professionals from the sector.



cecabank



August Tú Eliges (‘You Choose’) programme

We donated 100.000 euros to 15 social action projects that were chosen by our employees. More than 80% of the workforce took part in this edition.



October Banking Training School Certificates for over 4,000 employees

Cecabank Training School certified over 4,000 employees in Real Estate Credit Contracts Act.



December Event Innovation in Fintech

We took part in the ‘Innovation in Fintech’ sector forum in order to boost innovation together with start-ups in the sector.

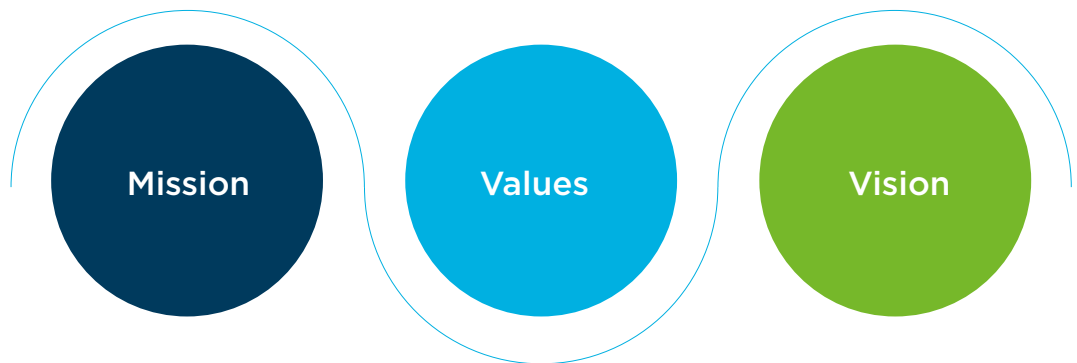


4. Culture Corporate



4.1. Cecabank vision

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



Cecabank works to provide support to financial institutions and other corporations using our experience as a wholesale Spanish bank with international exposure.

They drive and shape the way Cecabank works as a banking institution.

The entity endeavours to consolidate its leading position by offering specialist solutions for all types of financial institutions and corporations. Cecabank works together with its customers, building lasting relationships.

THESE VALUES ARE

Customer orientation

Offering an excellent service that forms the basis of a long path together.

Integrity

Transparency and integrity are the core of our ambition to build a bank known for its credibility.

Specialisation

It is Backed by a team of experts driven by dedication and efficiency.

Solvency

Resulting from the daily work carried out by professionals guided by caution and responsibility.

Innovation

Technology and creativity go hand in hand to offer the best specialised solutions every day.

4.2. Creation of value

4.2.1. Innovation

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

During 2019, the entity has continued fostering innovative initiatives and new ones have been launched, which are currently at different stages of progress.

Boost to the innovation function

In order to continue to strengthen innovation as a lever to grow business opportunities, in 2019 Cecabank strengthened its team with a new organisational unit geared towards innovation, with fully dedicated resources. This new unit complements the vision of innovation that is incorporated into the company's strategy.

Niuron Consortium

The first Blockchain consortium in the Spanish financial sector created in 2018, Niuron, (comprising eight institutions and led by Cecabank and Grant Thornton) successfully completed the project "Legal Entities Blockchain Platform Analysis" in 2019. A total of seven companies took part in this project.



Furthermore, work has continued in sessions to develop and conceptualise a new proof of concept: to combine a biometric authentication factor with the blockchain digital identity platform, in order to generate a banking digital identity system with strong authentication.

ck-Lab



In 2019, the entity continued driving its digital transformation initiative for the financial sector, through the ck-lab forum, in order to create ecosystems and foster collaboration. This innovation hub was created in 2017 to foster digital transformation in the financial sector through open innovation.

In April 2019, a new forum meeting was held on “The challenges of the digital environment. “The event was attended by nearly 200 professionals from banks, insurance companies, large companies, payment services companies, fintech companies and consulting firms, among others.

One of the topics of great interest at the ck-lab conference was the implementation of the PSD2 directive, and how it affects customer payment processes. On authentication, several participants agreed that biometric identification was the best solution for the future, although today only 40% of users use biometrics to access their online banking.

At this forum, Cecabank presented its innovative online monitoring solutions for fraud, electronic mandates, as well as biometric solutions, which are already implemented with some of our customers.

Lastly, the forum discussed the need for collaboration between banks and fintech companies as a way of improving customer services. Some studies indicate that 40% of fintech companies themselves are defined as complementary to the services provided by banks and 30% as collaborative.

Inizia

Work has continued throughout 2019 on Cecabank's new innovation investment model, which is committed to diversification, driving change and disruption investing in companies under a unique programme to help technological start-ups advance, through the ongoing analysis of several opportunities.

Inizia

In 2019, the first strategic alliance was forged with 2Gether, through which Cecabank will accompany this firm in developing its roadmap in the crypto world, while providing it with the services necessary to develop its business model.

As a result of this collaboration, new opportunities are being designed for Cecabank linked to the world of crypto assets, which will be developed in the coming year.

Participation in innovation forums and programmes

In 2019, Cecabank sponsored the vertical “Innovation in Fintech by Cecabank” within the CEOE initiative “Innovation in Company” and in collaboration with the innovation consultancy group Grupo PGS. The aim of this initiative is to promote innovation and collaboration between companies and start-ups.

The forum, focused on innovation in the fintech environment, featured professionals from organisations such as the General-Directorate of the Treasury, Banca March, BBVA, Caser, Allfunds, Orange Bank and several start-ups that are creating innovative and disruptive products for the financial sector.

Active participation in innovation forums enables Cecabank to identify potential start-ups that can provide an opportunity for collaboration through the different vehicles available with the aim of upholding a global innovation strategy aligned with that of the entity.

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 2019 stood at 35.2%.

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. Similarly, 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 portfolio. In addition, it includes foreign currency risk, defined as the current or potential risk affecting results or capital and resulting from adverse movements in exchange rates in the investment portfolio's operations.
- Interest-rate risk is the risk affecting or potentially affecting results or capital as a result of adverse movements in interest rates in the investment portfolio.
- Liquidity risk is the risk affecting or potentially affecting results or capital as a result of the bank being incapable of meeting its payment obligations upon maturity, without incurring unacceptable losses.
- Operational risk 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

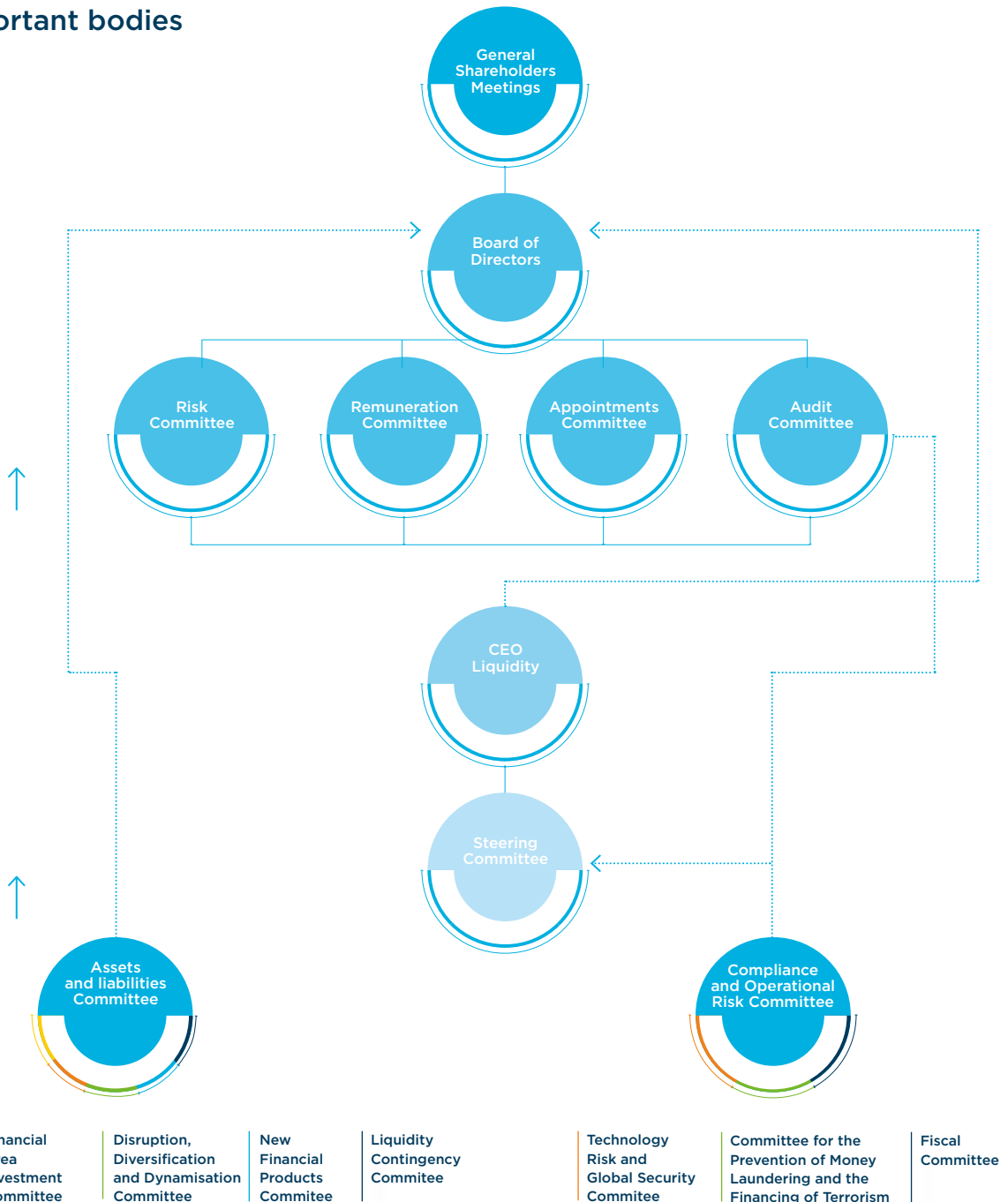
The outline of internal governance allows the risk assumed by the institution to be adequately identified, managed and controlled. For the monitoring of the implementation of management policies and the monitoring of risk profiles, Cecabank has established a supporting structure and a reporting system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

Most important bodies

from the point of view of risk management

Hierarchical dependence

Line of Reporting



4.2.3. Specialisation

Our Talent Management Plan “Crece” incorporates a comprehensive performance management model, a training portal 2.0, internal mobility policies, teleworking, flexible remuneration, a wellness programme and new working spaces. Thanks to the employee web portal People Korner, all these sections are interconnected and are accessed easily.

Cecabank's training is intended to drive the specialisation and development of new skills of the people working at the entity, facilitating their access to official certifications. We drive 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 customers and the markets.

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

The purpose is to contribute to the transformation and growth of Cecabank. In this regard, it is worth highlighting the following figures from 2019:



Hours of training

21.691



Online training

53%



Employee participation

100%



Face-to-face training

47%



Satisfaction level

83%

In order to assist in the labour integration of new university graduates, scholarships were again awarded to students, supported by the educational cooperation agreements entered with the most relevant universities and business centres of Madrid. In 2019, 64 candidates participated in the open processes, and finally 16 scholarships were awarded with Cecabank, providing the candidates with the opportunity to complete their studies with the practical training given by our company. In addition, the educational cooperation agreements with universities and educational centres have been extended.

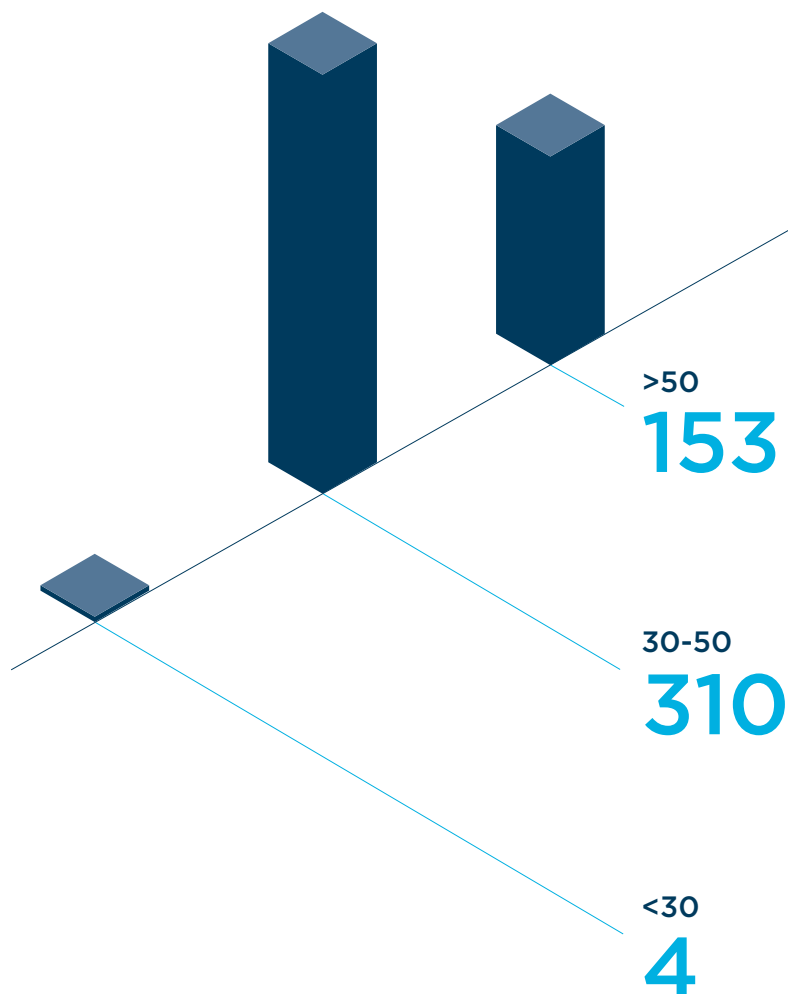
During 2019, continuing with the Functional Mobility Policy and adjusting profiles to the positions to be covered, and with talent retention and management being a strategic objective of the entity, we have carried out 10 internal selection processes, initiating 34 transfers.

With the purpose of incorporating profiles that add value and talent to the organisation and meet its needs, Cecabank incorporated 4 new employees after conducting selection processes with 20 candidates.

At 31 December 2019, Cecabank had 467 employees (230 men and 237 women).

All Cecabank employees hold permanent labour contracts.

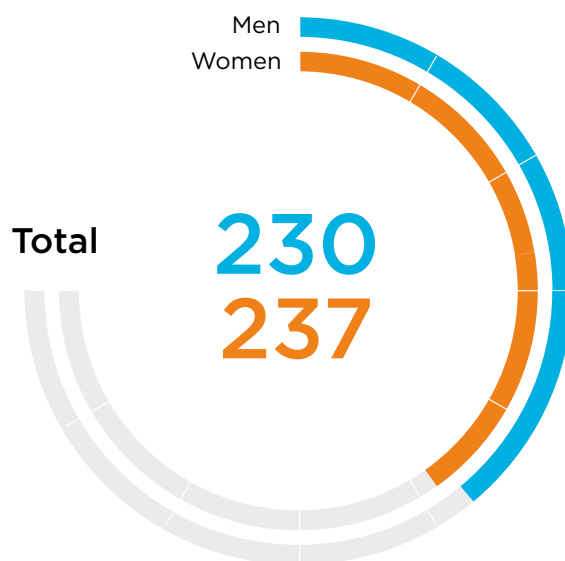
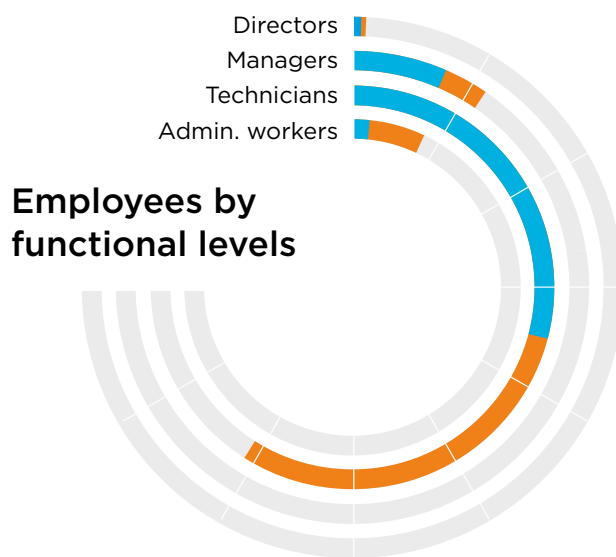
**Workers
by age bracket**



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

The distribution of the workforce by functional levels and sex as at 31 December 2019 is as follows:

Directors	Managers	Technicians	Administrative workers
7	59	357	44



4.2.4. Customer orientation



Cecabank provides services to 311 customers, including CECA member entities, banks and management companies, among others.

The bank continues extending a customer-oriented and ongoing improvement culture throughout the organisation.

Similarly, we have continued to develop the three defined lines of work:

1. Implementing quality management systems in those areas in which a certification is a differential value.

In 2019 the Depository and Securities Services (Pyramid) certification has been renewed (until 2023), and the certification of the Reporting (Pyramid) Services, Collections and Payments, and the Banking Training School has been maintained, all under the criteria of the ISO 9001:2015 Standard.

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

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

- Criminal Compliance Management System certificate in accordance with the UNE 19601:2017 standard.
- Energy Management System certificate in accordance with the ISO 50001:2011 standard.

In addition, the measurement of Cecabank's carbon footprint has been standardised, and a first measurement corresponding to 2018 has been conducted, externally verified by AENOR in accordance with the ISO standard 14064-1:2006 in order to make progress in reducing and compensating our carbon footprint.

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

The customer experience measurement model has been fully reviewed, seeking to gain a deeper understanding of the customer journey defined and validated with our customers.

The new model allows Cecabank to uphold its global vision, providing knowledge of the interactions within the customer journey, while identifying the detail of the relationship with each particular service, in order to achieve improvement plans that are perfectly suited to each service.

The new model has been validated with the units and enable further progress in the flow of information between the customer and Cecabank's services.

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

According to provisional data obtained from customer surveys (29/1/2020):

- In 2019, the satisfaction rate of our customers stood at 8.3 out of 10, and the Net Promoter Score (NPS) was 66%.
- A total of 79% of customers are highly inclined to strengthen their ties with Cecabank through new solutions. Furthermore, 71% of our customers state that our service offering covers all their needs.
- In addition, we have begun to develop management models for other stakeholders, incorporating the customer-oriented viewpoint inherent to the quality function and the methodologies developed for external customers.

3. Establishing improvement plants aimed at:

- Improving the quality of our processes.
- Improving the clients' experience, as it is the basis to establish long-lasting and trusting relationships with them

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 the year in order to cover the widest possible scope of activity and knowledge. It has also participated in the DEC (Association for the Development of the Customer Experience) during 2019.

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 Meetings, Board of Directors and its Committees), which are continuously updated to adjust to the best national and international practices.

The General Shareholders Meeting of 26 March 2019 established the number of members of the Board of Directors at twelve, comprising seven proprietary directors, four independent directors, and one executive director.

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

It also has four committees, all of them formed by directors with the functions in their respective operational regulations.

The various committees that comprise Cecabank's Board of Directors, all of which are chaired by independent directors, are as follows:



Appointments Committee

Chair/Independent Director

Julia Salaverría Monfort

Risk Committee

Chair/Independent Director

Carmen Motellón García

Remuneration Committee

Chair/Independent Director

M^a del Mar Sarro Álvarez

Audit Committee

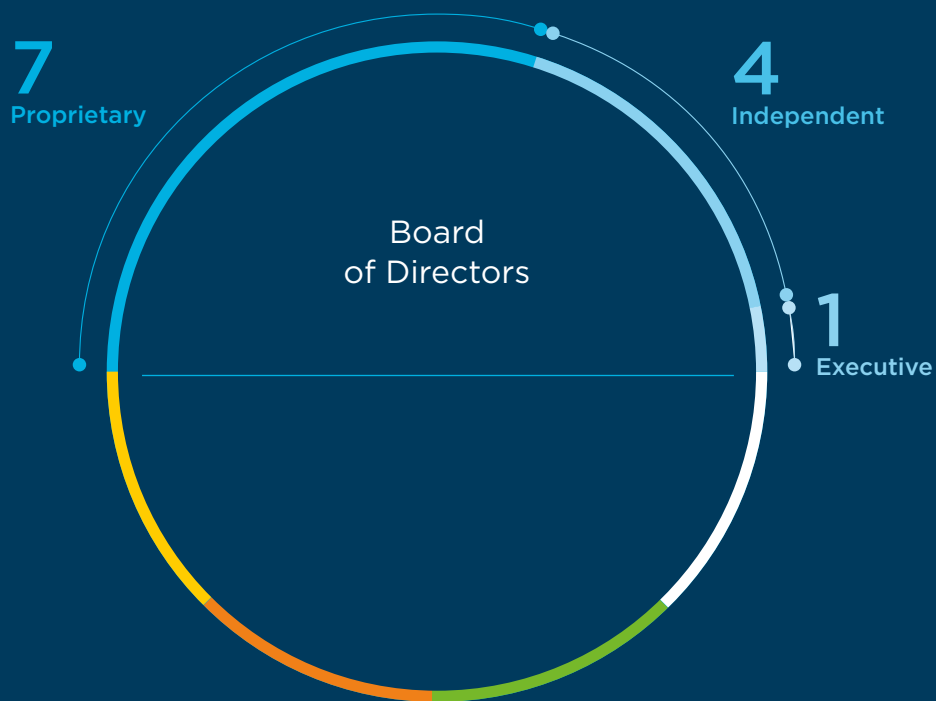
Chair/Independent Director

Santiago Carbó Valverde

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

Corporate Governance

The Board of Directors has 12 members (7 proprietary, 4 independent and 1 executive) and 4 specialist Committees with supervisory and advisory powers.



Appointments Committee

Chair

Julia Salaverría Monfort

Independent

Remuneration Committee

Chair

M^º del Mar Sarro Álvarez

Independent

Risk Committee

Chair

Carmen Motellón García

Independent

Audit Committee

Chair

Santiago Carbó Valverde

Independent

General Shareholders Meetings

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



Cecabank's General Shareholders Meeting convened once in 2019 (on 26 March), agreeing upon, among other issues, the following:

- Approving 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 2018.
- Approving the Consolidated Non-Financial Statement of Information corresponding to the financial year ended 31 December 2018.
- Applying the profit for the year ended 31 December 2018.
- Creating a capitalisation reserve.
- Setting the number of members the Board of Directors to twelve.
- Reappointing one proprietary director and two independent directors.
- Maximum level of variable remuneration for 2019, for personnel whose professional duties have a significant impact on the risk profile of the entity.

Board of Directors

Operation and related issues

Cecabank's Board of Directors has the broadest powers to administer the entity and, except in matters reserved to the General Shareholders Meetings in accordance with the provisions established in the applicable law and Articles of Association, it is the highest decision-making body and responsible for the risks assumed by the institution.



At 31 December 2019, Cecabank's Board of Directors comprises:

Name of the Board Member	Position	Category
D. Manuel Azuaga Moreno	Chair	Proprietary
D. Antonio Ortega Parra	Member	Proprietary
D. Francisco Javier Garcia Lurueña	Member	Proprietary
D. Jesús Ruano Mochales	Member	Proprietary
D. Francisco Botas Ratera	Member	Proprietary
D. Víctor Manuel Iglesias Ruiz	Member	Proprietary
D. Javier Pano Riera	Member	Proprietary
D ^a . María del Mar Sarro Álvarez	Member	Independent
D. Santiago Carbó Valverde	Member	Independent
D ^a Julia Salaverría Monfort	Member	Independent
D ^a Carmen Motellón García	Member	Independent
D. José María Méndez Álvarez-Cedrón	Board member - CEO	Executive
D. Fernando Conlledo Lantero	Non-member Secretary	-

According to the Articles of Association, the Board must hold at least six meetings a year, called by the Chairman.



In 2019, the Board of Directors met on eleven occasions, at the Chairman's initiative, and they analysed, among other matters:

- Regular monitoring of the 2017-2020 Strategic Plan.
- Regular monitoring of each line of business.
- Regular monitoring of the income statement and balance sheet.
- Growth options of the Securities Services business.
- The creation of a capitalisation reserve.
- The preparation of the consolidated and individual Annual Accounts, and the Consolidated Non-Financial Statement of Information, corresponding to the 2018 financial year.
- The annual suitability assessment of Directors and the Board of Directors as a whole.
- Policy for the Selection and Suitability Assessment of certain managerial positions of the entity.

- Self-assessment of the Board of Directors and its Committees, with the support of an external consultant.
- The Board of Directors' Training Plan.
- The Board of Directors' Action Plan.
- Regular monitoring of the activity of the Board commissions.

The Board of Directors has appointed a Secretary non-member, who is also the General Secretary of the institution, Fernando Conlledo Lantero. Among the main functions of the Secretary is to assist the Chairman 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 Articles of Association.

Term of position occupancy

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

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

Since June 2013, Cecabank has had a Policy for the Selection and Suitability Assessment of members of the Board of Directors, the CEO and similar members, the persons in charge of internal control and other key positions, in accordance with the provisions of Act 10/2014 on the regulation, supervision and solvency of credit institutions and other applicable regulations.

Due to the entry into force of the EBA-ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders, in September 2017, the aforementioned Suitability Policy was reviewed, and it was concluded that there was a need to begin work on a new text for the Suitability Policy.

At its meeting of 28 November 2018, the Board of Directors agreed, as the proposal of the Appointments Committee, to approve the Policy for the Selection and Suitability Assessment of members of the Board of Directors, the CEO or similar members of Cecabank. The content of the Board of Directors Selection Policy, approved by the Board of Directors on 24 May 2016, and of the Policy on the representation target for the gender that is least represented on the Board of Directors, approved by the Board of Directors on 25 November 2014, was rendered ineffective since they were incorporated into the Suitability Policy approved in 2018.

Furthermore, at its meeting of 30 April 2019, the Board of Directors agreed, as the proposal of the Appointments Committee, to approve the Policy for the Selection and Suitability Assessment of certain Cecabank executives. With the approval of the both policies, the Policy for the Selection and Suitability Assessment of members of the Board of Directors, the CEO and similar members, the persons in charge of internal control functions and other key positions, dated 25 June 2013, was rendered ineffective.

The Board's Training Plan

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

There are two goals to the Training Plan designed by the bank: 1) to immerse the newly appointed Directors into the organisation of the company with special emphasis on the key activities they conduct and 2) to provide them with further knowledge and skills to carry out their duties as a director.

In this regard, 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 2019, the Board Training Plan consisted of three training sessions given by renowned external experts and six immersion sessions given by the entity's management. These courses related to their key activities, accounting, audit, finance, risk management, IT and regulatory aspects, all of which are oriented within the scope of credit institutions and specifically focused on Cecabank's activity.

Gender diversity on the Board of Directors

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

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

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

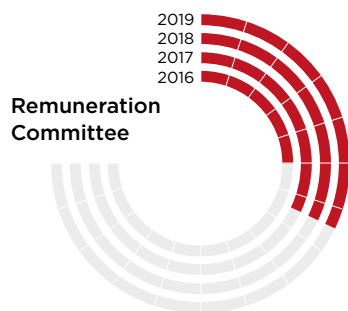
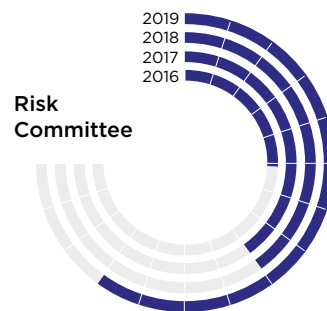
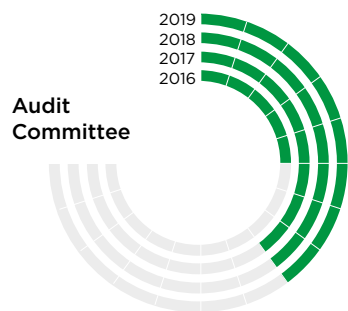
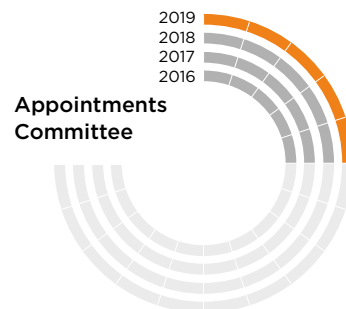
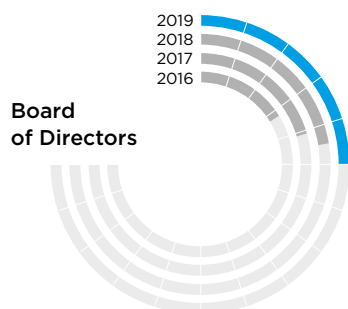
Regarding gender, Cecabank ensures that the selection and assessment processes comply with the principle of non-discrimination and equal treatment, they are not subject to implicit biases that hinder the selection of women, and measures are adopted that include women with the professional profiles among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

The bank has established the target of at least 50% female independent board members on the Cecabank Board of Directors. To calculate this percentage, in the event the number of independent directors is uneven, it is rounded up to the next whole number.

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

Evolution of Female Board Members joining the Board of Directors:

Governing Body	2016	2017	2018	2019
Board of Directors	16.67%	21.4%	23.1%	25%
Appointments Committee	25%	25%	25%	25%
Audit Committee	25%	40%	40%	40%
Risk Committee	25%	40%	40%	60%
Remuneration Committee	25%	33.3%	33.3%	33.3%



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.

Appointments Committee

This Appointments Committee, in accordance with the provisions established in article 39 of the Articles of Association and its own Regulation, is responsible for, among other duties, selecting and recommending candidates for positions on the Board; assessing the Board's balance in terms of knowledge, capacity, diversity and experience; regularly assessing the Board's structure, composition, size and activities, providing recommendations; regularly assessing the suitability of the Board and its members as a whole, and informing the Board; and regularly assessing the Board's policies with regard to selection criteria and the appointment of senior management, providing recommendations.

The Appointments Committee met on five occasions in 2019, and discussed, among other matters:

- Two executive suitability assessments and one assessment of the suitability of an internal control profile.
- Renewing the mandate of one proprietary director and two independent directors.
- Reducing and setting the composition of the Board of Directors to twelve members.
- Policy for the Selection and Suitability Assessment of certain managerial positions of the bank.
- The approval of a matrix of Board competences.
- The annual suitability assessment of the members of the Board of Directors and the latter as a whole.
- The self-assessment exercise of the Board of Directors and its committees.
- The preparation of a Board training plan for 2020.
- Monitoring the developments in terms of corporate governance.

The composition of the Appointments Committee as of 31 December 2019 is:

Julia Salaverría Monfort
Chair/Independent

Santiago Carbó Valverde
Director/Independent

Antonio Ortega Parra
Member/Proprietary

Fernando Conlledo Lantero
Secretary (non-member)

Javier Pano Riera
Member/Proprietary



Remuneration Committee

The Remuneration Committee, in accordance with the contents established in article 40 of the Articles of Association and its Regulation, is responsible for, among other duties, making decisions related to remunerations, which the Board of Directors must assume; reporting information on the General Remuneration Policy of the members of the Board of Directors, general directors or similar positions, as well as the individual remuneration and other contractual conditions of the members of the Board of Directors who perform executive duties, and ensuring compliance therewith; reporting information on the Remuneration Policy of senior executives, employees that assume risk, employees performing control functions and any employee that receives an overall remuneration that falls within the same scale of remuneration as applies to senior executives and employees that assume risk, whose professional activities significantly coincide with their risk profile; and reporting information on the incentive plans for directors or employees linked to the bank's profit and/or other variable indices/components.



During 2019, the Remuneration Committee met on four occasions, in which it analysed, among other matters:

- The determination of the composition of its Identified Staff.
- The assessment, with the support of an external expert, of the General Remuneration Policy.
- Amendments to the entity's General Remuneration Policy.
- Monitoring of the 2017-2020 Talent Management Plan.
- 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 2019 is:

M^a del Mar Sarro Álvarez
Chair/Independent

Santiago Carbó Valverde
Member/Independent

Jesús Ruano Mochales
Member/Proprietary

Fernando Conlledo Lantero
Secretary (non-member)

Audit Committee

The Audit Committee, in accordance with the provisions established under article 38 of the Articles of Association and its Regulation, is responsible for, among other duties: supervising the effectiveness of the internal inspection, internal audit, and risk management systems; monitoring the process of preparing and presenting the required financial information and submitting recommendations or proposals to the Board of Directors; raising before the Board, for it to be presented to the General Shareholders Meeting, the proposals for selection, appointment, re-appointment 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.

During 2019, the Audit Committee met on five occasions, in which it analysed, among other matters:

- The control function and its annual reports
- Financial and non-financial information.
- The effectiveness of the institution's internal control, internal audit, and systems of risk management.
- Cecabank's supervisory function as a depositary
- The auditor's independent report on customer asset protection.
- The report by an external expert on the prevention of money laundering and the financing of terrorism
- The Euribor contribution's process.
- Relationships with Supervisors.

The composition of the Audit Committee as of 31 December 2019 is:

Santiago Carbó Valverde
Chairman/Independent

M^a del Mar Sarro Álvarez
Member/Independent

Jesús Ruano Mochales
Member/Proprietary

Francisco Botas Ratera
Member/Proprietary

Carmen Motellón García
Member/Independent

Fernando Conlledo Lantero
Secretary (non-member)



Risk Committee

The Risk Committee, in accordance with the provisions established under article 41 of the Articles of Association and its Regulation, is responsible for, among other duties, advising the Board of Directors on the company's overall propensity to risk, both current and future, and its strategy in this field, and to assist it in monitoring the application of this strategy; ensuring 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; defining, together with the Board of Directors, the nature, amount, format and frequency of the information on risks that the Committee itself and Board of Directors must receive; and collaborating in the establishment of rational remuneration policies and practices.

The Risk Committee met on four occasions in 2019, and analysed, among others matters:

- The scorecard, risk profile and capital target of the Entity.
- Capital Self-Assessment Report (CSR)
- Pillar 3 Disclosures (P3D).
- The Risk Tolerance Framework (RTF).
- The implementation of the Global Risk Control Unit (GRCU).
- The review of the Recovery Plan.
- The Operational Framework for the granting of credit transactions to corporates and Public Administrations

The composition of the Risk Committee as of 31 December 2019 is:

Carmen Motellón García
Chair/Independent

Francisco Javier García Lurueña
Member/Proprietary

Víctor Manuel Iglesias
Member/Proprietary

Julia Salaverría Monfort
Member/Independent

M^a del Mar Sarro Álvarez
Member/Independent

Fernando Conlledo Lantero
Secretary (non-member)

Steering Committee



José María Méndez Álvarez-Cedrón
CEO



Juan José Gutiérrez Martínez
Corporate Director of
Technology Services



Antonio Romero Mora
Manager of Association
Services, Control and
Resources



Ainhoa Jáuregui Arnáiz
Corporate Manager of
Planning



Francisco Javier Planelles Cantarero
Corporate Director of
Operational Services



Andrés Martín Pintor
Corporate Manager
of Risks



Fernando Conlledo Lantero
General Secretary,
Corporate Director
of the General Secretary
and Legal and Tax Services



Luís Soutullo Esperón
Corporate Finance
Director

Area of activity and responsibilities

The Steering Committee has the following basic responsibilities:

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

The Committee, which is made up of the entity'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 Chairman 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 Chairman. In 2019 it met on 21 occasions.

4.2.5.2. Sustainability Policy

The aim of the Sustainability Policy is to identify Cecabank's areas of action that contribute to building lasting relationships with our stakeholder groups in order to maximise value creation.



Specific goals:

- Bolstering the Cecabank Strategic Plan. Social responsibility and sustainability are fully aligned with the entity's corporate culture and relate to its corporate values.
- Aligning the business and business management with the responsible practices of the entity's partners and customers.
- Matching the best business practices, going beyond not only merely complying with legislation, and voluntarily undergoing greater stringencies.
- Detecting and taking opportunities arising from a more holistic and long-term business model.
- Promoting lasting relationships of trust with all stakeholders, securing this relationship in the creation of shared value.

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 most relevant points of action on which specific initiatives are being conducted are:

1

Responsible and sustainable management of material resources, promoting efficiency in consumption and impacts on the social and environmental setting, both in their activity and in their 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.

- 2 The responsible management of our employees, the entity's core asset. The Sustainability Policy aims to contribute to improving the working environment and pride of belonging.
- 3 The implementation of a social action policy in keeping with the corporate characteristics and objectives of the entity. Social action takes leverage from the commitment of Cecabank's employees and fosters their pride of belonging.
- 4 Through the Sustainability Policy, the bank will continue to extend a customer-oriented and ongoing improvement culture throughout the organisation. Implementing quality management systems in the areas where certification provides a differential value, and measuring and analysing the customer's opinion, considering customer information as a key aspect of the business when it comes to making decisions.
- 5 The suppliers are an essential link in the value chain of our products and services. That is why Cecabank is working on approval processes for outsourced service providers. This approval process enables the entity to ensure all the aforementioned principles, assessing the supplier's 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.

Furthermore, in February 2017 Cecabank joined the Global Compact and in 2019 it continues to work to raise awareness around its ten principles, based on human rights, labour, environment, and anti-corruption. In addition, Cecabank is highly aware of the 17 UN SDGs and, through CECA, it supports the UNEP FI Principles for Responsible Banking.



Resource materials

Environmental matters

Cecabank's environmental impact, carrying out its activity in offices, is more limited compared to other industries. Thus, 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, such as replacing lighting with LED light bulbs and applying thermal insulation to the building, among others.

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 the UNE/ISO 50001 standard, 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 have been carried out at the entity, such as:

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



The performance of the main environmental indicators is as follows:

Building consumption		Year			
Alcalá, 27 & C. Gracia, 28-30	Measurement unit	2016	2017	2018	2019
Energy (Electricity)	GJ	9,909	6,124	8,095	7,021
Energy (Gas)	GJ	1,776	1,998	2,164	1,191
Paper (Ecological-Ecolabel)	Kg	40,270	37,800	27,310	23,900
Water	M3	4,294	4,907	3,766	3,871
Carbon Footprint	TonCO2		3,531	3,043	867



Cecabank is aware of its responsibility to climate change and the importance of participating in the fight to curb greenhouse gases. This is why, within its goal of knowing the impact of its activity on the environment, during 2019, a verified measurement of its Carbon Footprint was carried out in 2017 and 2018, obtaining the results that are illustrated in the table.

With regard to paper consumption, organisational efforts are being made to reduce and streamline the use of printing equipment, which have resulted in major savings on printing and paper toner.

On the other hand, the entity is also attempting to reduce its environmental impact through waste collection processes, separating paper and cardboard, glass and hazardous waste, among others, which are collected by authorised external professionals and taken to specialised plants.

Lastly, in 2019, Cecabank obtained the Carbon Footprint certification. All the direct and indirect emissions were identified by providing the data expressed in the table. The Carbon Footprint certification for 2019, which will be carried out in mid-2020, will comprise a major reduction as a result of having obtained the certificate of Supply of Energy Certified at Source (renewable) that applies to Cecabank's Data Processing Centres (DPC). Along the same lines, this year, procedures were also carried out to ensure that the electricity supplies of the corporate buildings have energy certified at source, which will be reflected in the Carbon Footprint certification corresponding to 2020.

It also covers the planning and implementation of other measures and projects to contribute to an even greater reduction of the carbon footprint for the coming years. In terms of the protection of biodiversity, it is not considered material, since Cecabank's activity is based on providing financial services and does not operate in protected areas.

Our employees

Workforce

With regard to personnel, one of the lines of action set forth in Cecabank's Social Sustainability Plan is the responsible and sustainable management of human resources. Furthermore, the different policies relating to professionals establish equality, integration and non-discrimination policies in the workplace.



Equality

In 2017, the new gender equality and work-life balance plan was approved. In 2018, detailed studies were drawn up on equality (wage gap and reconciliation measures), and in 2019 work was done to design training action on diversity for the entire workforce, and to draw up an action plan to obtain acknowledgement in this area.

Although Cecabank does not have people with disabilities in its workforce, during 2019 the selection processes for employment agencies have been enhanced, including many people with different abilities, resulting in the incorporation of 6 people with disabilities to provide temporary services with us.

Furthermore, Cecabank collaborates with organisations that promote the inclusion of people with disabilities in the work environment

Indicator description	Indicator unit	2018	2019
Total number of employees at Cecabank Spain	Number	470	467
Percentage of women at Cecabank Spain	Percentage (%)	50.21%	50.74%

Training

Cecabank's training is intended to drive the specialisation and development of new skills of the people working here, and to facilitate their access to official certifications. The entity drives 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 customers 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, and health and wellbeing.

Improvements have been made to the tools used during 2019, with part of the investment in training allocated to these new projects. Specifically, the entity has launched a training website, which records all the training actions carried out by the people working at Cecabank, and records all this activity in their CV. It also allows the managers to view the courses requested by their teams, as well as their status.

The second noteworthy milestone in 2019 was the acquisition of a new e-learning platform, named Learning Cloud. Online courses are being migrated to this platform, as well as new actions that we are designing ad-hoc.

A new system for measuring and recording all the training KPIs has also been implemented through Power BI.

Furthermore, Cecabank promotes employment through its 14 agreements with universities and study centres, and has provided traineeships to 16 students of different nationalities in 2019.

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, reconciliation measures (flexibility, or additional leave), group life insurance, group healthcare policy for employees, nursery and study grants, and toys for employees' children.

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

The following products are currently included in the ckb.Flex flexible remuneration plan:



65%
of the
workforce
benefited



Nursery voucher



Travel card



Food voucher



Training voucher



Medical insurance for the spouse and children of employees

The ckb.Flex plan has been widely accepted among the staff; approximately 65% of Cecabank employees have taken out, at least, one of the offered products.

The total number of product taken out stands at 703, the most frequently requested of these being:

- Health insurance for employees' relatives: taken out by 31% of staff members.
- Travel card: taken out by 35% of staff members.





Remote
working
119
employees

Conciliación

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

Thus, 119 employees appointed under remote working arrangements have been registered at 31 December 2019.

In addition, the work is organised according to the collective bargaining agreement, and compensatory measures are applied to employees with special timetables by providing longer holidays and higher wages.

Although Cecabank does not have a specific policy for disconnecting from work; the entity has made a commitment to respect the employees' rest periods, leave and holidays, promoting reconciliation in its Gender Equality Policy and the reconciliation of family and professional life.



In 2019, 15 employees benefited from parental leave, 8 men and 7 women.

Prevention of occupational hazards

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.



In 2019, 43% of the workforce undertook the voluntary medical examination provided by Cecabank every year to all its employees.

With regard to the ckbe-Well Programme launched in 2017 at Cecabank, a series of actions have been conducted to improve the health of employees. The purpose of this programme is to promote physical and mental health, and healthy eating among workers. Some of the actions carried out during 2019 are set out below: back school, in-company healthy eating days run by a nutritionist, organic market, and a healthy week with activities related to sports and food, and physiotherapy and nutrition services have also continued with excellent results. It is worth noting the major numbers of personnel who took part in all the activities organised within this health programme.

During 2019, the Spanish Social Security Institute granted Cecabank a bonus, representing an incentive of 10% on all contributions for occupational contingencies, when fulfilling the occupational risk prevention requirements.

In 2019, all employees have been represented in the Health and Safety Committee, and they have been subject to the Collective Bargaining Agreement for Savings Banks and Banks with the conditions and rights established therein, such as the freedom of association, among others.

No occupational illnesses were recorded in the workforce during the year, and 5 minor accidents were registered with 1 man and 4 women taking sick leave.

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 entity, 17 years, reflects this mutual and permanent commitment.

With regard to social dialogue, the bank has a Company Committee with 17 members, representing 4 trade union sections that meet on a quarterly basis, a Committee for Equality and the Prevention of Sexual Harassment, and a Pension Plan 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 the commitment of employees and the promotion of their pride of belonging.

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

- Tú Eliges (You Choose) programme, through which employees present social, environmental and cultural projects, and Cecabank funds those selected in an open vote among all employees.

In 2019, Cecabank launched the 5th edition of its Tú Eliges (You Choose) social aid programme. Cecabank employees presented 26 projects, out of which - after a vote in which 88.75% of the workforce participated - 15 finalist projects were selected, to which Cecabank provided support with 100,000 euros. Two years ago there were 7 winners and last year there were 12 projects, thus, the scope of the beneficiaries continues to increase, as well as the involvement of personnel.

The finalist projects of the Tú Eliges (You Choose) programme are set out below:

Categoría	Asociación beneficiaria	Importe
Social	Fundación el sueño de Vicky	15.000,00 €
Social	Asociación Perroterapia, Intervención Asistida con animales	13.000,00 €
Social	Asociación PAUTA: Psicopedagogía del Autismo y Trastornos Asociados	10.000,00 €
Social	Asociación madrileña de enfermos del Lupus	
Social	Asociación ALEPH-TEA	7.500,00 €
Social	Asociación Apromar	
Social	Asociación Dare	
Social	Fundación Menudos Corazones	
Social	Universidad de Lleida. Instituto de Investigación Biomédica	5.000,00 €
Social	Colegio Virgen de Lourdes	
Social	Asociación Hamor	
Medioambiental	Asociación Las Nieves	
Social	Asociación Alenta	3.000,00 €
Cultural	Asociación Achalay	
Cultural	Asociación Laborvalia	
Ayuda total		100.000,00 €



6 NGOs

- Humanitarian emergencies, for which Cecabank sets up a donations campaign to support those affected by humanitarian emergencies and matches employee contributions when launching donation campaigns for humanitarian emergencies. 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), Spain UNHCR Committee, Médecins du monde, Oxfam Intermón, Plan International and World Vision are the 6 NGOs that make up the Emergency Committee. The main actions in humanitarian emergencies this year were:



3,700
euros in
aid for
displaced
persons

- Cyclone Idai: during March 2019, Cecabank attended the international emergency appeal, collaborating urgently with UNHCR and donating 3,700 euros to build family tents and water tanks to attend to displaced people.
- Floods in the east of Spain from the Isolated Low at High Levels: in September 2019, the torrential rains in the east of Spain from the Isolated Low at High Levels causing huge amounts of material and human damage. A campaign was launched by the entity, in which Cecabank employees donated 1,537 euros, an amount that was matched by the bank. The aid was distributed equally between the Spanish Red Cross and Médecins du Monde, both of which were already working on the ground with those affected.

- Donations: in 2019, the entity was able to collaborate with the following foundations and schools by donating computer equipment: Fundación Pama, Fundación Senara, Pinar de San José state school, and Fundación Bobath. The following were also of particular note:



- Operation Kilo for the Food Bank: through a website, Cecabank employees were able to make their charity purchase to help the poorest families in our community. The Madrid Food Bank is the only recipient of this charity project by Cecabank, which helps to distribute food among homeless people, the elderly, children and the unemployed, etc. The Madrid Food Bank works with more than 550 charities in the Community of Madrid. Cecabank is not oblivious to these needs and, through its alliance with the Madrid Food Bank, it collaborates every year through this Christmas Operation Kilo. In 2019, a total of 2,245 euros were raised among employees, an amount that was matched by the bank, making the final contribution 4,490 euros. This amount translated to more than 2,400 kilos of food distributed to the charities most in need.



**Record
participation**

- Blood donation campaign: In April, a blood donation campaign was conducted in collaboration with the Red Cross at the bank's facilities, with record employee participation figures for the year.
- Madrid Food Bank Collaboration: Cecabank has collaborated with this organisation since its inception by sponsoring "Calle Cecabank" at its headquarters, located at the San Fernando Educational Centre. The collaboration of these sponsorships has amounted to 12,000 euros this year.



180
kilos of clothes

- Madre Coraje clothes and shoes container: during the last quarter of the year, a container was installed for clothes and shoes donation at the entity, with more than 180 kilos of clothes collected. According to the NGO's data, the clothing donated has been used to send 352 kilos of food in humanitarian aid, feeding approximately 3,520 people.
- IT classrooms sponsored by Cecabank: in order to promote digitalisation, financial education and social inclusion, Cecabank's Sustainability and Stakeholder Relations Department has sponsored the construction of two IT rooms:
 - 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 Customers

Cecabank provides services to 311 customers, including CECA member entities, other retail and savings banks, and management firms, among others, extending a customer-oriented and ongoing improvement culture throughout the organisation.

During 2019, the entity continued undertaking the following three lines of work:



Implementing quality management systems in those areas in which certification is a differential value.



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



Establishing improvement plans aimed at:

- improving the quality of our processes.
- improving the customers experience, since it is the basis for establishing lasting and trusting relationships with them.



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

- In 2019 the Depositary and Securities Services (Pyramid) certification has been renewed (in force until 2023), and the certification of the Reporting (Pyramid) Services, Collections and Payments, and the Banking Training School has been maintained, all under the criteria of the ISO 9001:2015 Standard.
- Within the four scopes certified by the ISO 9001:2015 standard, Cecabank has focused further on ongoing improvement and the development of the standard's principles beyond the fulfilment of the standard's requirements.
- The certification of other certified management systems has been supported and upheld for all of Cecabank:
 - Criminal Compliance Management System certificate in accordance with the UNE 19601:2017 standard.
 - Energy Management System certificate in accordance with the ISO 50001:2011 standard.
- In addition, the measurement of Cecabank's carbon footprint has been standardised, and a first measurement corresponding to 2018 has been conducted, externally verified by AENOR in accordance with the ISO standard 14064-1:2006 in order to make progress in reducing and compensating our carbon footprint.



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

- The customer experience measurement model has been fully reviewed, seeking to gain a deeper understanding of the customer journey defined and validated with our customers.
 - The new model allows Cecabank to uphold its global vision, providing knowledge of the interactions within the customer journey, while identifying the detail of the relationship with each particular service, in order to achieve improvement plans that are perfectly suited to each service.
 - The new model has been validated with the units and enables further progress in the flow of information between the customer and Cecabank's services.
 - The information obtained has been incorporated as an instrument to improve the different businesses by means of specific actions and the detection of needs.
- According to provisional data obtained from customer surveys (29/1/2020):
 - In 2019, the satisfaction rate of our customers stood at 8.3 out of 10, and the Net Promoter Score (NPS) was 65%.
 - A total of 79% of customers are highly inclined to strengthen their ties with Cecabank through new solutions. Furthermore, 70% of our customers state that our service offering covers all their needs.
- In addition, we have begun to develop management models for other stakeholders, incorporating the customer-oriented viewpoint inherent to the quality function and the methodologies developed for external customers.



Establishing improvement plans aimed at:

- Improving the quality of our processes.
- Improving the clients' experience, as it is the basis to establish long-lasting and trusting relationships with them.

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 the year in order to cover the widest possible scope of activity and knowledge. It has also participated in the DEC (Association for the Development of the Customer Experience) during 2019.

Our Suppliers

Cecabank has 112 non-resident suppliers and 554 Spanish suppliers, which represents 83% of the total volume of suppliers and has a positive effect on job creation and local development.



The suppliers are an essential link in the value chain of 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.
- The Policy for Delegating the Custody Function.



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 transparent, loyal and responsible relationship with its suppliers, establishing communications channels to learn about their expectations and setting out fair, stable and transparent 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 allows ensuring 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 the supply chain and becoming an instrument of operational and reputation risk management.

Following these principles of action, in 2019 a specific organisational unit was created to manage procurement and contracts called “Central de Compras” and an electronic platform of suppliers and contracted services has been set up with the following goals:

- 1 General dialogue with suppliers for their selection, information requirements, approval, inclusion of e-billing, etc.
- 2 Selecting suppliers through tender and generation of RFPs, providing transparency, uniformity, objectivity and greater concurrency.

- 3 Regularly supporting the approval of previously selected suppliers according to the nature of each service to be provided and its subsequent execution, requesting up-to-date and accurate supporting documentation from the supplier, all of which is automatically and systematically supported.
- 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 of service levels and of the outsourcing requirements, and preparing automatic reports for the authorities.

5. Our business model



5.1. Economic and regulatory environment



5.1.1. Political context

Domestic outlook



The political situation in Spain has been characterised by uncertainty and instability throughout 2019. The crisis of the traditional party system, regional tension and the rise of the extreme right have been the main political destabilisers in a year in which the Spanish people have had to go to the polls up to three times.

The fierce opposition by the People's Party and Citizens-Party of the Citizenry, following the no-confidence motion against Mariano Rajoy in June 2018 that hoisted the Spanish Socialist Workers' Party (PSOE) to governance, the inability of conducting the General State Budgets and the Catalan crisis, led Pedro Sánchez to call the first general elections of the year for 28 April. The PSOE (123 seats) won a slight victory, forcing it to reach an agreement with the party led by Pablo Iglesias, Podemos (42 seats), which broadly fragmented the Parliament with the entry of Vox (24 seats) and the rise of Citizens (57 seats), given the overwhelming loss of votes suffered by the People's Party (66 seats).

In the midst of negotiations to form a Government, on 26 May, the so-called "electoral superSunday" took place. This day was characterised by the turnout of the elections of autonomous communities, and municipal and European elections on the same date. In electoral terms, the strength of the "candidates for change" in the city councils of Madrid and Barcelona weakened. Manuela

Carmena was voted out of power, which fell into the hands of the People's Party's, José Luis Martínez Almeida, and Ada Colau needed the support of the Catalan socialists and three councillors from the party of the former French Prime Minister, Manuel Valls, to retain her seat of mayor at the Saló de Cent.

The PSOE was also the main winner of the 2019 Autonomous Elections, winning in 10 of the 12 autonomous communities in which it was voted, and regaining the overall majority in Extremadura and Castile-La Mancha. However, it did not manage to form a Government majority in the region with the greatest regional weight, Madrid, the leadership of which was assumed by the People's Party's Isabel Díaz Ayuso.

The prevailing spirit of agreement in the governments of the Autonomous Communities has often not been reflected in the formation of the Spanish Government in 2019. Given the inability of reaching an agreement with the party of Pablo Iglesias, due to the refusal of the acting president, Pedro Sánchez, to let the leader of the purple party enter the Government, and due to Iglesias' ministerial demands, further elections were called for 10 November.

These elections were a new milestone for Spanish democracy: for the first time since the transition, two parties were now able to reach an agreement to form a coalition government. The PSOE, the election winner with 120 seats, and Podemos, with 35 seats, managed to shake hands to form a two-colour government. The government went ahead with votes in favour of the PSOE (120 seats), Podemos (35), PNV (6), Más País (2), Compromís (1), Nueva Canarias (1), Teruel Existe (1), and BNP (1), with the abstention of ERC (13) and EH Bildu (5).

The elections also confirmed that the far right was here to stay (Vox rose from 24 to 52 seats), and the appearance of a new political phenomenon: the cantonalization of the state. Thus, the province of Teruel - through the Teruel Existe party - obtained 1 seat in the Congress of Deputies, managing to channel the "España Vacía" (Emptied Spain) movement, that has spread throughout the provinces of the interior of the peninsula that feel aggrieved by their different living conditions compared to the peripheral provinces.

From a financial point of view, the new Government proposed measures after the elections such as establishing a tax on financial transactions, imposing a 0.2% tax on purchase operations of Spanish shares executed by financial sector operators. It was also proposed to establish an increase in the minimum corporate tax rate to 18% and to open the door to applying an exclusive tax on banks to finance pensions. These measures are in addition to others such as the partial repeal of the 2012 labour reform, and increasing the minimum wage to 1,200 euros per month, which is subject to debate in 2020.

International politics

Europe

The European Union has undergone an overhaul 2019. Thus, from 23 to 26 May, European Elections took place. Stripping out the results, of the 751 members of the European Parliament (54 of which are Spanish), the European People's Party received the most votes with 182 seats, although far from the 216 it obtained in 2014. They are followed by the socialists with 146 seats, also at a considerable distance from the 185 representatives they obtained in 2014. The Liberals have benefited from their falls, gaining a representation of 109 seats, 50 more than in 2014, and the Greens took 69 seats, 17 more than in 2014.

In mid-July, these results resulted in the election of Germany's Ursula Von der Leyen of the European People's Party (EPP) as president of the European Commission. Von der Leyen thus became the first woman to be appointed to this post, after being elected by the European Parliament by 383 votes in favour, 327 against and 22 abstentions.

The German's work plan has been designed as an instrument to gain the support of the social democratic and liberal groups. Thus, Von der Leyen made green pledges to these parties before her inauguration and committed to the fight to combat climate change, through the idea of launching a European Green Deal. The German parliament also boosted its interest in completing the Capital Markets Union and in giving greater flexibility to the Stability and Growth Pact.

In addition to the Commission, the European Union's main bodies have been renewed. Thus, the European Council is now led by former Belgian Prime Minister Charles Michel; Italian journalist David Sassoli commands the European Parliament; and the French former director of the IMF, Christine Lagarde, is at the head of the ECB.

As for Brexit, the Boris Johnson's victory in the British general elections in December, in which he won by more than ten points over Jeremy Corbyn's Labour Party, gave him a sufficient majority for the House of Commons to endorse the UK's withdrawal from the EU on 31 January 2020. The fulfilment of Brexit will mark the beginning of a new negotiating process that must establish the future relationship between the United Kingdom and the European Union.

America and Asia

In 2019, the United States Policy has been characterised by accusations that Donald Trump pressured the Ukrainian authorities to filter compromised information on Joe Biden, the Democrats' candidate for the 2020 primary election and Barack Obama's former vice president.

The House of Representatives, under the leadership of Nancy Pelosi, has now begun the presidential impeachment process, given the proximity to the primary elections in the parties and with the presidential elections in November 2020, which could cause cracks between republican supporters facilitating Donald Trump's exit from the White House.

On the other side of the Pacific Ocean, China has been suffering from severe disturbances in Hong Kong over the past few months, which could become the launching point of an early social movement that the Chinese Government is trying to contain within the former British colony. Throughout 2019, the Asian engine suffered from the ongoing trade tensions with the United States and is awaiting a new tariff agreement that lays the foundations for the reunion between the two powers.

Similarly, Latin America has suffered heavy stress due to social protests in 2019. Chile, one of the most prosperous countries in the region, along with others such as Bolivia, whose president Evo Morales left the country and headed to Mexico after the military declaration in November, and Venezuela, which will hold elections to the National Assembly in October 2020, are some of the most fragmented states in social terms in this geographical area.

5.1.2. Economic framework and the state of the markets

2019 has witnessed increasing uncertainty and economic slowdown on a global level, although at the end of the year the market attitude has been stimulated by: signs of stabilisation in manufacturing activity and global trade; the general rerouting towards an accommodative monetary policy; the more positive news about the trade negotiations between the United States and China and the curtailed fear of a no-deal Brexit.

The IMF estimates that the world economy would have grown by 2.9% in 2019 compared to 3.8% in the previous year, as a result of the noteworthy slowdown in trade and the fragility of global industry. The slowdown has spread to advanced economies, which grew by 1.7% in 2019 (compared to 2.2% in 2018) and emerging economies, where activity was down to 3.7% (compared to 4.5% in 2018).

The eurozone registered a 1.2% increase in 2019, hampered by the weakness of Germany, which has led to a significant contraction in the industrial sector and Italy. In 2019, the Spanish economy continued the slowdown that began in 2018, registering 2% growth – four tenths down on 2018.

The slowdown is fundamentally due to a smaller contribution of internal demand, while external demand has remarkably resisted the fragile context of global trade throughout 2019. Thus, on a domestic level, reduced private consumption is noteworthy, in a context of a slight upturn in savings due to the effect of pent-up demand and a slowdown in investment, both in construction and capital goods. However, it is worth noting that the strength of industrial activity is greater than expected, especially given the global industrial growth and reduced expectations throughout the year.

Job creation slowed down in 2019 and the unemployment rate is estimated to stand at 14.2% for the year. The main obstacle in this scenario is the absence of a reduction in the public deficit, which would stand at around 2.5% of GDP at year-end, leaving public debt close to the levels of 100% of GDP for the year on a whole.

As regards stock markets, the main indices closed the year with gains, unlike last year. The accumulated returns have been higher in Europe, where the Euro Stoxx 50 accumulated 25% (although with scattered results, standing at 26% in the case of the German Dax, compared to just 12% in the case of the Ibex). In the United States, the Dow Jones closed the year gaining 22% and the Nikkei was up 18%.

In the government debt markets, the return on ten-year bonds has remained at exceptionally low levels, although they have recovered from the all-time lows that were reached at the end of the summer, when the fear of a recession agitated the markets. The volatility of risk premiums has been particularly intense in Italy and Portugal, followed by Spain, closing the year with a risk premium of 159 bp, 62 bp, and 65 bp, respectively.

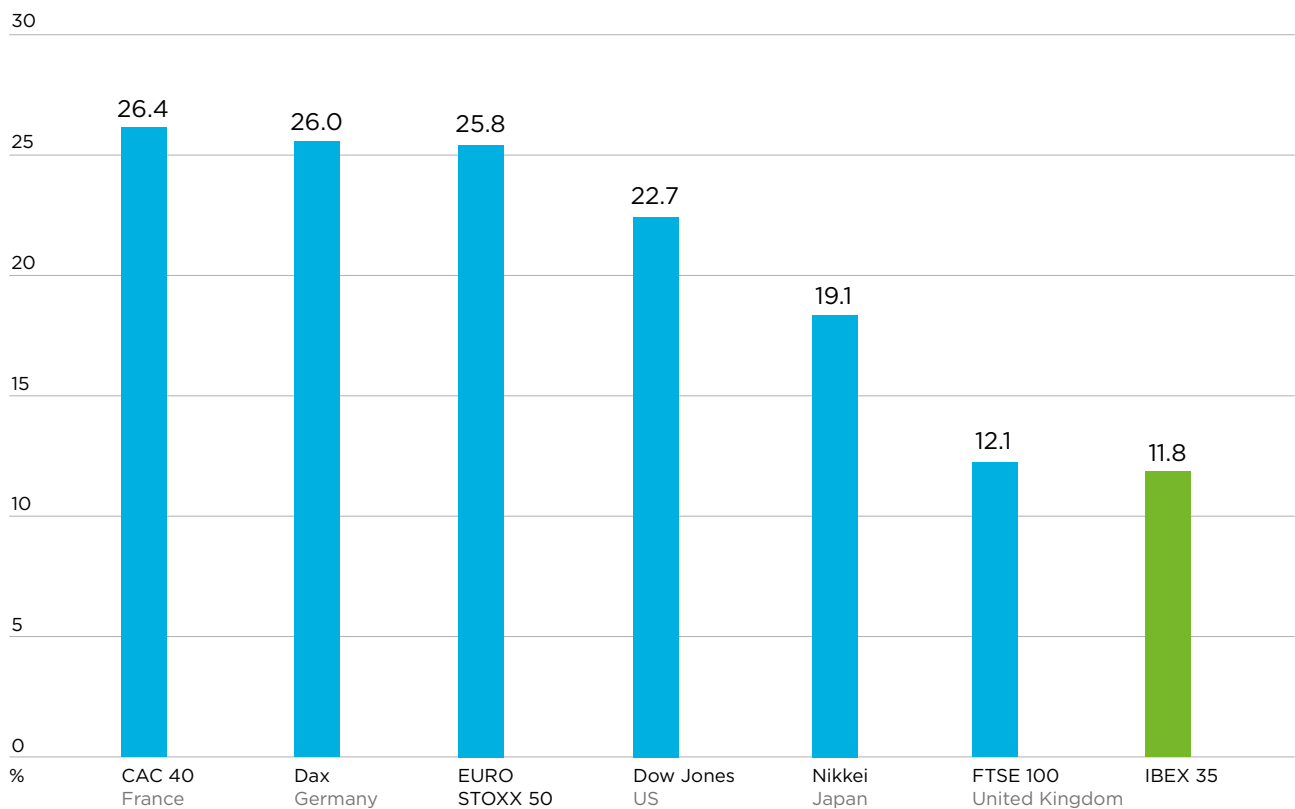
Monetary policy has continued to be a focus of attention and in the face of increasing uncertainty and a global slowdown, central banks have consolidated their accommodative policies:

- The Fed reduced interest rates three times in the year, with the interest rate of the federal funds standing 1.5% and 1.75% at its October meeting. Powell pointed out that the current monetary policy is the right one,

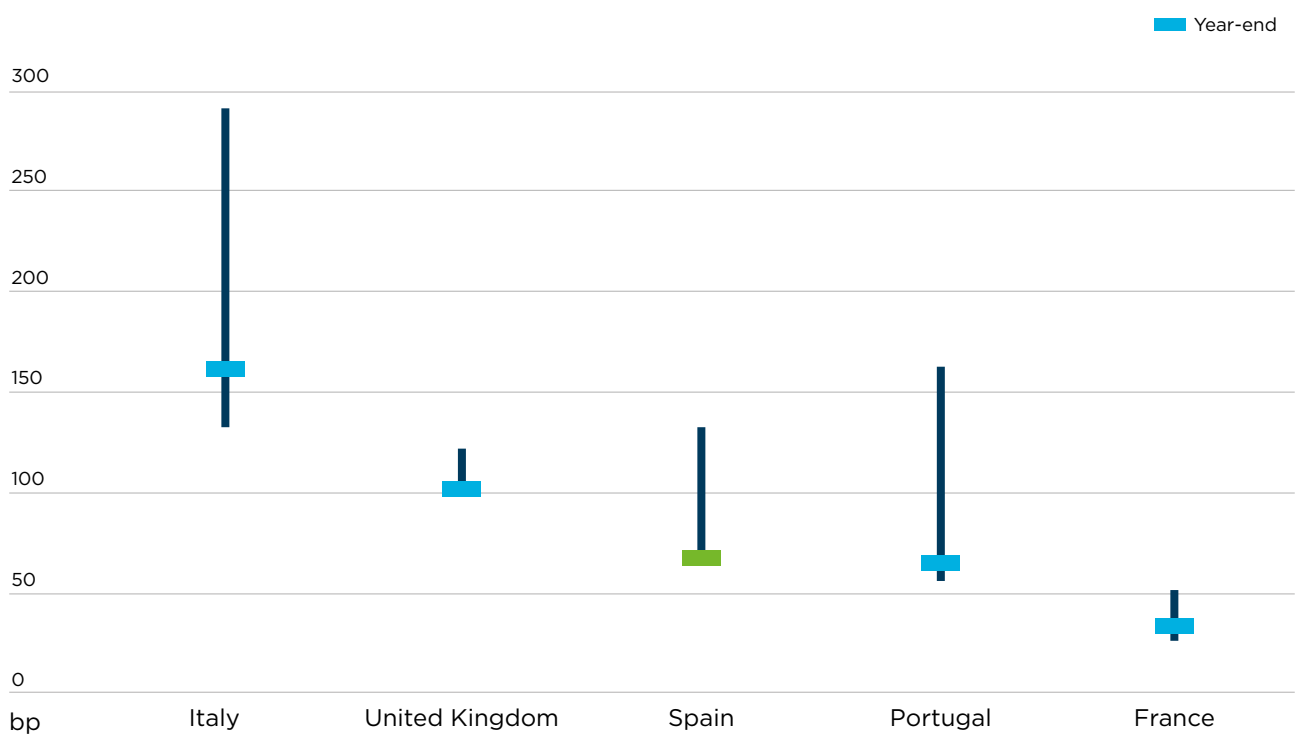
leaving the declaration that “the entity will act as necessary to sustain economic expansion” out of his statement, which has been interpreted by the market as a pause in preventive cuts.

- The ECB launched a new stimulus package in September: an interest rate cut on the marginal lending facility at 10 bp (to -0.50%), applying a tiering system, and resuming net asset purchases (QE) at a rate of 20 billion euros per month. Its new president, Christine Lagarde, intends to continue the expansionary measures, but announces a strategic review of the ECB’s monetary policy throughout 2020. This would include a possible change in the definition of price stability, a review of the set of instruments, and an improvement to communicating monetary policy decisions.

International share indexes. Annual performance in 2019



Risk premiums compared to Germany. Performance in 2019



Banking business developments

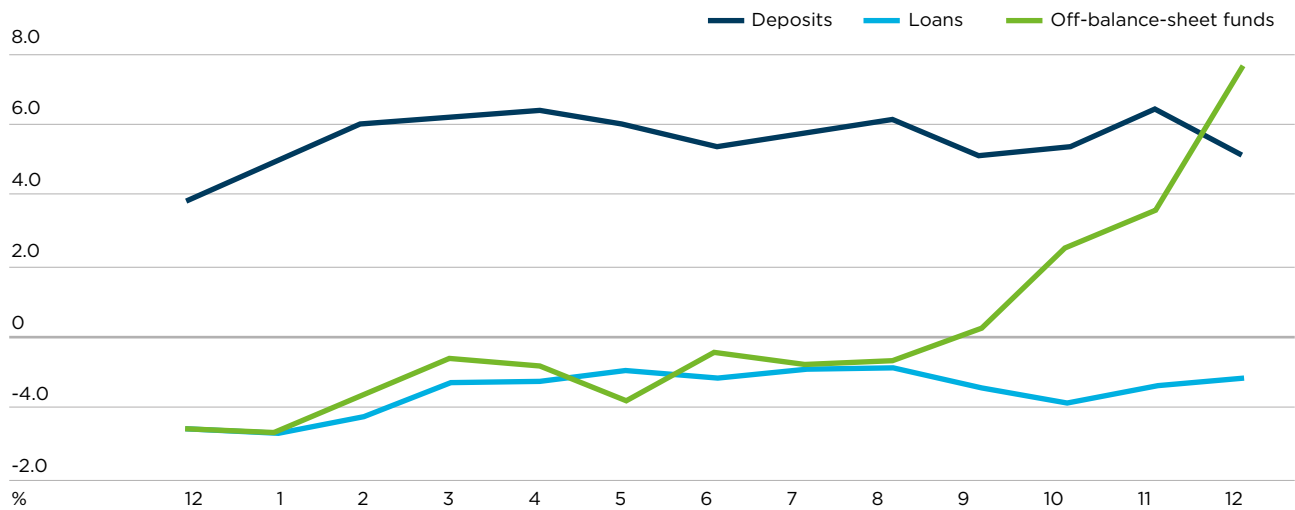
In a context of a slowdown in the Spanish economy and a prolonged extremely low level of interest rates, credit institutions have recorded a decrease in the pace of retail activity.

The balance of loans to the private sector continued to drop in 2019, reaching -1.2% year-on-year in November in the entire system. New loans granted have fallen by 0.6% year-on-year as at November, chiefly due to the drop in loans to companies.

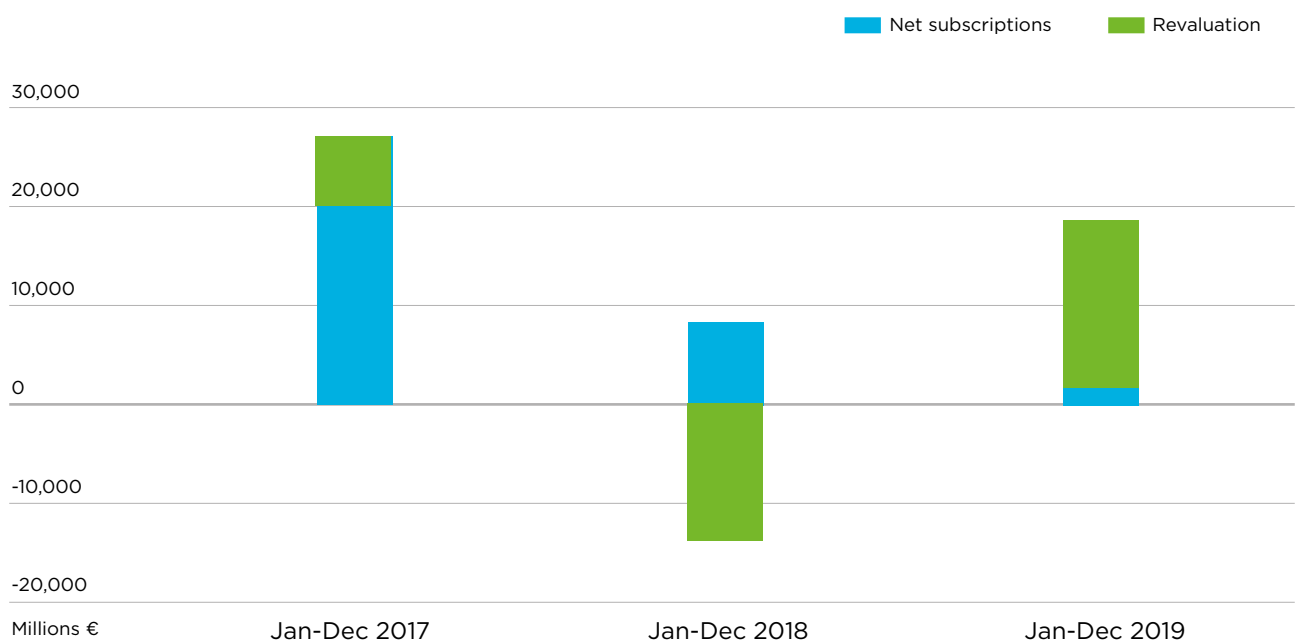
The volume of non-performing assets continued to contract in 2019, allowing the NPL ratio to drop to 4.8% in October 2019, approaching the levels reached in December 2009 and moving away from the high recorded at the start of 2014 (13.7%). Retail deposits have grown at a pace above 6%, driven by demand deposits, although hindered by term deposits due to the environment of low interest rates, the latter representing approximately 15% of the total.

Some of the uncertainty that has shaken the financial markets in 2019 has dissipated at the end of the year, enabling the stock markets to recover and positive performance of investment and pension funds. Thus, investment funds registered a year-on-year positive annual growth rate of 7.4% in December, as so did pension funds, at 8.8%. According to INVERCO data, investment funds experienced a 19-billion-euro rise in 2019, as opposed to the accumulated fall in the same period of 2018, as a result of the revaluations of portfolios recorded thus far this year. Thus, investment funds close the year with the best annual accumulated return on record, at 7.2%.

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 terms of regulations in 2019 were as follows:

National

1T

- Bank of Spain Circular 1/2019, of 30 January, amending Bank of Spain Circular 8/2015, of 18 December, to branches of credit institutions and credit institutions members of the Deposit Guarantee Fund of Credit Institutions, on information to determine the calculation base of the contributions to the Deposit Guarantee Fund of Credit Institutions.
- Royal Decree 102/2019, of 1 March, creating the AMCESFI (Macroprudential Authority Financial Stability Board), establishing its legal regime and implementing certain aspects relating to macroprudential tools.
- Order ECE/228/2019, of 28 February, on basic payment accounts, the process of switching payment accounts and requirements affecting price comparison websites.
- Act 5/2019, of 15 March, regulating real estate credit contracts.

2T

- Royal Decree 164/2019, of 22 March, establishing a free regime of basic payment accounts for the benefit of people in a situation of vulnerability or at risk of financial exclusion.
- Circular 2/2019, of 29 March, of the Bank of Spain, on the requirements of the Informational Document of Fees and Commissions and the Status of Fees and Commissions, and comparison websites for payment accounts, amending Circular 5/2012, of 27 June of the Bank of Spain, regarding credit institutions and payment service providers, regarding the transparency of banking services and responsibility when granting loans.
- Circular 1/2019, of 28 March, of the CNMV (National Securities Market Commission) amending Circular 1/2009, of 4 February, on the Collective Investment Institution Categories based on their investing vocation, partially amending Circular 3/2011, of 9 June.
- Royal Decree 309/2019, of 26 April, partially implementing Act 5/2019, of 15 March, regulating real estate credit contracts and adopting other financial measures.
- Order ECE/482/2019, of 26 April, amending Order EHA/1718/2010, of 11 June, on the regulation and control of advertising of banking products and services, and Order EHA/2899/2011, of 28 October, on transparency and protection for customers of banking services.

3T

No relevant events.

4T

- Bank of Spain Circular 3/2019, of 22 October, exercising the power conferred by Regulation (EU) 575/2013 to define the threshold of the significance of expired credit obligations.
- Bank of Spain Circular 4/2019, of 26 November, on financial credit establishments, on public and confidential financial reporting and financial statement formats.
- Circular 2/2019, of 27 November, of the CNMV (National Securities Market Commission), amending Circular 1/2017, of 26 April, on liquidity contracts.
- Royal Decree 736/2019, of 20 December, on the legal framework for payment services and payment institutions, amending Royal Decree 778/2012, of 4 May, on the legal framework for electronic money institutions, and Royal Decree 84/2015, of 13 February, implementing Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions.
- Order ECE/1263/2019, of 26 December, on transparency in the conditions and information requirements applicable to payment services, amending Order ECO/734/2004, of 11 March, on the Customer Service departments and services and the consumer ombudsman of financial institutions, and Order EHA/2899/2011, of 28 October, on transparency and protection of banking service customers.

International

1T

- Commission Delegated Regulation (EU) 2019/348 of 25 October 2018 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for assessing the impact of an institution's failure on financial markets, on other institutions and on funding conditions
- Commission Implementing Regulation (EU) 2019/482 of 22 March 2019 amending Commission Implementing Regulation (EU) 2016/1368 establishing a list of critical benchmarks used in financial markets pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council.
- Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges.

2T

- Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No 575/2013 as regards minimum loss coverage for non-performing exposures.
- Directive (EU) 2019/713 of the European Parliament and of the Council of 17 April 2019 on the fight against fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision 2001/413/JHA.

- Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories.
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.
- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.
- Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services.
- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.
- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.
- Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014.
- Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019 amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings
- Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP).

- Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.
- Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014.
- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.
- Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector.
- Commission Regulation (EU) 2019/2104 of 29 November 2019 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8.
- Regulation (EU) 2019/2115 of the European Parliament and of the Council of 27 November 2019 amending Directive 2014/65/EU and Regulations (EU) No 596/2014 and (EU) 2017/1129 as regards the promotion of the use of SME growth markets.
- Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds.
- Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU.
- Directive (EU) 2019/2161 of the European Parliament and of the Council of 27 November 2019 amending Council Directive 93/13/EEC and Directives 98/6/EC, 2005/29/EC and 2011/83/EU of the European Parliament and of the Council as regards the better enforcement and modernisation of Union consumer protection rules.
- Regulation (EU) 2019/2176 of the European Parliament and of the Council of 18 December 2019 amending Regulation (EU) No 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board.
- Regulation (EU) 2019/2175 of the European Parliament and of the Council of 18 December 2019 amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (EBA); Regulation (EU) No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), Regulation (EU)

No 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority), Regulation (EU) No 600/2014 on markets in financial instruments, Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and Regulation (EU) 2015/847 on information accompanying transfers of funds.

- Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing.

5.2. Lines of business



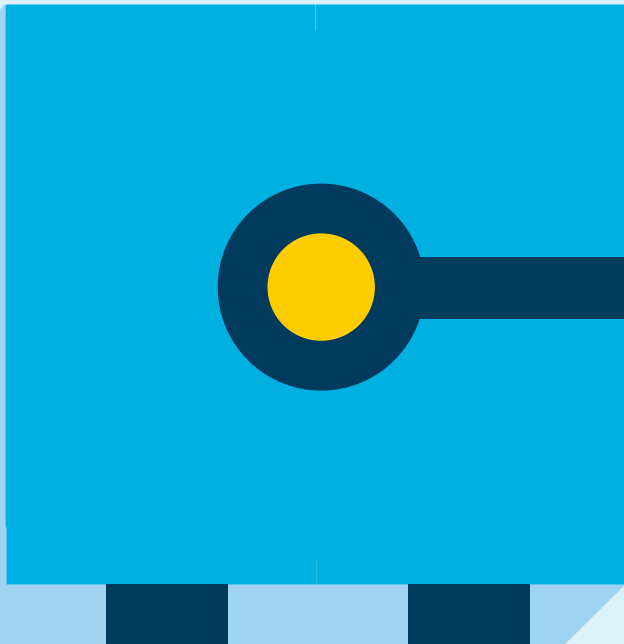
5.2.1. Securities Services

Futures Settlement
in Organised Markets

Securities Custody,
Settlement and Clearing

Fund
Depositary

Global Securities
Solution



Access to the settlement of futures and options through efficient and automated management

Access to the most important ETD clearing houses at a global level

+5.7
million contracts settled

Assets under custody above

164,000
million

Settled operations

653,000

Deposited assets over

119,100
million

29
management companies

Complete **omni-channel solution** for trading national and international equities, fixed-income securities, ETFs, investment funds and pension funds

Flexible and adjustable, agile and efficient

MiFID II Compliance



For yet another year, Cecabank is Spain's main provider of securities services in Spain. Its differential position is a result of its independence, given that the bank does not belong to a retail banking group; it is also based on neutrality, focusing on the custody and depositary business and not providing asset management services.

Cecabank ensures that excellence and quality of service continue to be one of the main foundations of its Securities Services unit. This has been recognised for the third consecutive year by the magazine Global Banking & Finance Review, which named Cecabank Best Custodian Bank Spain 2019.

In addition, and as a result of this effort to offer the best service to its customers, Cecabank holds the following AENOR Certificates: quality management for the design and provision of fund depositary, and securities settlement, administration, and custody services; payment management; and Energy Management System.



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 order to increase investor protection, the depositary institution's obligations have been strengthened; this figure has also been introduced in other products, such as the case of the Venture Capital Firms and Voluntary Social Welfare Entities, thus making the depositary 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 (BRRD). The existence of a depositary, especially if it is independent, enables company assets to be clearly separated from their customers' assets. This favours the interests of investors in the event of crises.

The presence of Cecabank in all national and international specialised forums and our experience in the market help us provide added value to our clients and uphold a close collaboration with the authorities in implementing the new regulation. Following on from this, the entity is represented on: the CNMV Advisory Committee, the Depositary Association (ADEPO), and the European Trustees & Depositary Forum (ETDF). 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 Banks Group - Group of Securities Experts; the Securities Market Practices Group; and lastly, on the European Committee for Standardisation.

The Securities Services business focuses on boosting innovation with operational and regulatory changes and new technologies that make processes more efficient and suited to the customers' needs. Custodians and depositaries must face a new reality and undertake a digital transformation process aimed



at increasing transparency towards employees, suppliers and customers, and adapting their new products to the new needs and at the lowest possible cost. Given the relevance, Cecabank has undertaken a significant process of digital transformation of its Securities Services business, with the aim of strengthening its value chain, profiting from the opportunities presented in the new environment.

This year for the sixth consecutive year, Cecabank held the Securities Services Conference “Post-trading challenges in a transformation environment”, establishing itself for yet another year as the main Spanish post-trade forum. At the event, upwards of 250 attendees from more than 200 institutions representing securities companies, CII and pensions fund management companies, venture capital firms, and banks, all came together to discuss current issues such as the overview of the technology and regulation on securities services, and also on the present and future of ECB-T2S projects. The situation of pensions was discussed, closing with a round-table debate focused on crypto-assets, assets of the future.

With regard to the incremental business initiatives of Securities Services:

- The Global Securities Solution was consolidated in 2019. This is a service that meets the requirements established by MiFID II for the marketing of assets on the internet and that affects the processes of arranging and executing transactions in the market, the training of professionals and the tools that are used to communicate with customers. In 2020, efforts will focus on expanding the customer base, as well as further developing the sales actions with investment services companies, offering the various services we provide, especially the Portfolio Management Support service.
- With regard to the FADO Project (the implementation of the Portuguese subsidiary), in operational terms, the subsidiary is prepared to ensure that the migration of the Depository of Investment Funds managed by BPI Gestión de Activos will be completed in the first quarter of 2020.

As well as conducting initiatives directly linked to the business, the Robotics project has also been ongoing, involving deploying a network of automated processes using advanced technology. Automation actions have continued to be implemented in different processes in all the business units in 2019, achieving significant economies of scale and operating efficiencies that have led to improving the quality of the service provided to customers. At the end of 2019, 27 processes were supported by 240 fully-operational robots.



Fund depositary

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

The entity supports 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.

During 2019, the total amount of assets deposited in Cecabank closed above 119,100 million euros. For yet another year, Cecabank is the first national independent depositary for collective investment institutions and pension funds.

Deposited assets over

119,100
million €

Shared by

859
CIIs-PFs-VCFs-VSWE*

Managed by

29
companies



2019 Main milestones

1

Extension of the depositary agreement with Unicaja and Liberbank, extending the term of the agreements.

2

Involvement in several competitive processes related to the depositary business.

3

The entity has started working with 2 Venture Capital management companies: Faraday and Kobus.

* Collective Investment Institutions, Pension Funds, Venture Capital Firms, and Voluntary Social Welfare Entities.



Securities custody and settlement

Cecabank has expanded the range of services it offers to its customers, providing them with access to the most advanced functionalities allowed by the European settlement platform T2S, individual accounts, access to electronic pledges and auto-collateralisation. For yet another year, in 2019, Cecabank upholds its leadership as a supplier of settlement and custody services in the Spanish market.



2019 Main milestones

1

Incorporated into the sub-custody services of CaixaBank, Bankia, Abanca Portugal and Eurocaja Rural.

2

The start of the provision of services of outsourcing securities to banks.

3

Business is being diversified by offering the proxy-voting service to management companies.

4

Attracting new customers (i.e. KBL, Diaphanum, Finanbest, Ninety-nine, Arfina Capital, Criteria, Repsol, Renta Market, and Kobus Partners).



Key figures

December 2019

Assets under custody above

164,000

million €

(Including own portfolio)

Settled operations

653,000

No. of settled operations

National Market

Equity

328,820

International Market

Fixed Income and Equity

241,012

Public Debt

66,895

Private Fixed Income - AIAF

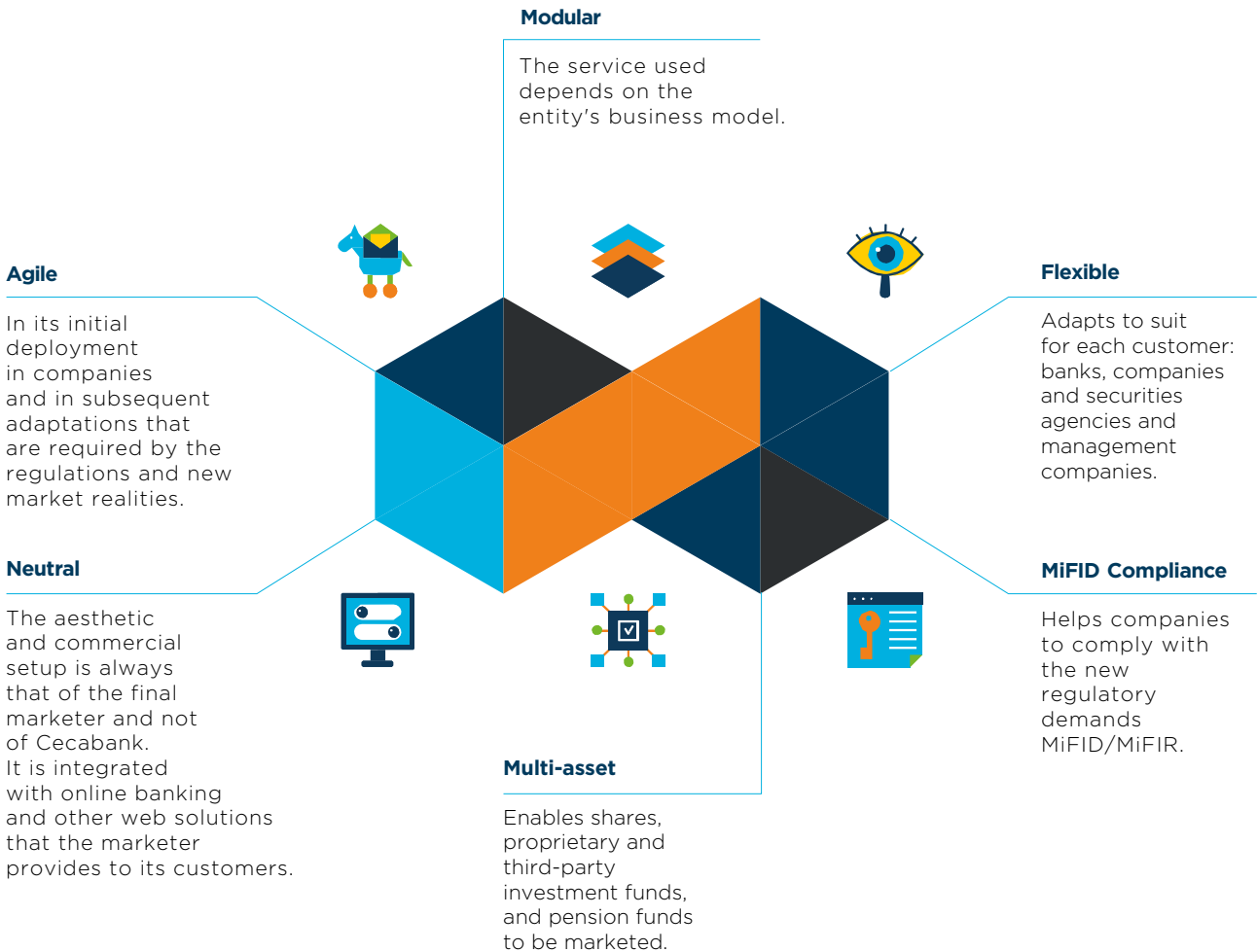
16.240



Global Securities Solution

The Global Securities Solution 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 customers and, in turn, provide them with most advanced technological and operational tools on the market.

The Global Securities Solution was consolidated in 2019. This is a service that meets the requirements established by MiFID II for the marketing of assets on the internet and that affects the processes of arranging and executing transactions in the market, the training of professionals and the tools that are used to communicate with customers. In 2020, efforts will focus on expanding the customer base, as well as further developing the sales actions with investment services companies, offering the various services we provide, especially the Portfolio Management Support service.





Futures and options settlement in organised markets (ETD)

Cecabank provides its customers with access to the settlement of futures and options, offering an efficient and automated management thereof. This activity is intended for customers 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 2019

Number of contracts settled

Over

5.7
million contracts settled

Operational accounts

1,458
operational accounts

5.2.2. Treasury Management

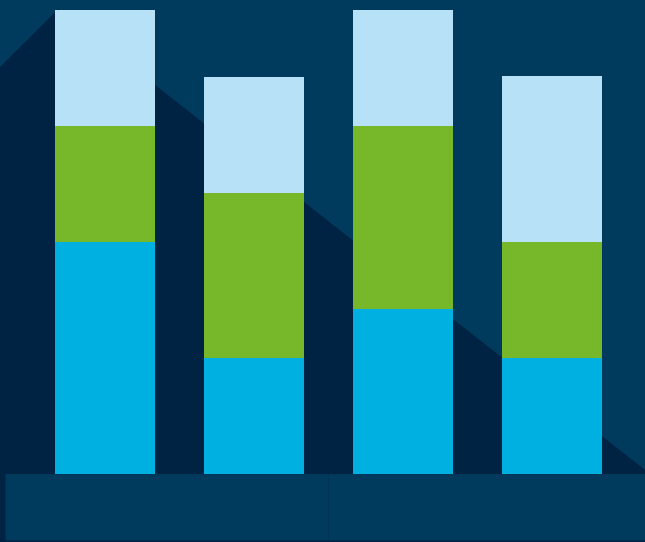
Equities
Sales

Debt Capital
Markets

Technology
Solutions

Financial
Markets

Banknotes



Equity trading desk for institutional customers

Financing various operations for major corporations and support to the refinancing processes of several Autonomous Communities

PaaS service for all the needs of treasury management activity

Experts in specialised technology

Cecabank is the Spanish Treasury Public Debt market maker

Direct member of the main Central Counterparty Clearing Houses

Cecabank offers a wide range of financial assets, trading on the main national and international markets

Over
2.500
foreign banknote purchase and sale transactions

Over
14.000
bank branches receiving foreign banknote services

Leaders of the wholesale foreign banknote market in Spain



The Trading Room carries out operations on the main national 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 2019:

- 1** The entity has consolidated its commitment to technological innovation with the further presence of the FX SICE platform, integrated into the online banking of certain banks.
- 2** The entity's liabilities have been optimised, anticipating the changes expected in the inter-bank markets and the indexes.
- 3** In turn, customers have been diversified, with increasing numbers of non-traditional customers in terms of both number and income. Some major Spanish corporates are particularly important and are accompanied by extremely specific solutions.
- 4** We have continued to increase the brokerage business, which provides further stability and recurrent revenues and fees.
- 5** We have consolidated the solvency perception that the market, counterparties and other economic agents have of Cecabank. This is represented in the stability of the ratings provided by the rating agencies, which have upheld Cecabank's levels following the rises in recent years. This has positioned the institution at the forefront of Spanish banks.



Equities sales

Brokerage of equities for institutional customers in the main global markets through operational circuits that rely on the infrastructures of global investment banks.

Debt Capital Markets (DCM)

Cecabank has supported the refinancing processes of several Autonomous Regions, with which we have carried out short- and long-term bilateral transactions.

Banknotes

Cecabank is the market leader in Spain for wholesale foreign banknotes in Spain, and we provide services to almost all the country's financial institutions. The bank has a wealth of experience in securities logistics and transportation, at both a national and international level. Thanks to our logistics structure and economies of scale, we can offer clients a highly flexible, top-quality service adapted to their every need. Over the course of 2019, Cecabank received upwards of 2,500 foreign banknote purchase and sale transactions per day and carried out the whole process of transport, handling and insurance.

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 saving and improvement in the quality of service. Over 14,000 bank branches are currently served directly by Cecabank in this way.



5.2.3. Payments

International Payments and FX Platform

Infrastructure and Payment Services

Processing Solutions and Payment Methods

Digital Payments



FX Global Payment Solution,
**our solution for cross-border
payment services**

Over
80
countries

Comprehensive management solutions for **payments, exchanges and discounting** of notes: representation on the SNCE (Spanish National Electronic Clearing System), EBA, processing of cheques, channelling payment orders and SWIFT technical solutions

Cheques
110,727
cheques processed

Account payable and receivable portfolio
173,669
notes deposited

SEPA transactions exchange (EBA and SNCE)

583,143,180
transactions processed

858
million transactions
with card

10
million cards
processed

Over
150
thousand businesses

Daily average
amounts settled
120
million euros

Availability
of the systems
99.997%

The **“ealia” multi-purpose mobility payment platform**, the C2eR E-commerce system and the HCE solution, among others, are particularly noteworthy.

30
million transactions
processed by Bizum



Digital Payments

In 2019 Cecabank has continued to improve its multi-purpose payment platform, ealia. Below are some of the new features provided in 2019 to the entities in their activity of processing and providing payment solutions:

1

In the field of Bizum, there has been major growth in the processing activity, with the number of transactions processed by Cecabank within this scheme increasing to 29,930,884.

2

The online purchase system known as C2eR has been implemented and development has begun to enable the payment of lottery prize money through Bizum, which will be launched in 2020.

In line with the ongoing growth of e-commerce activity, transactions processed by Cecabank's payment gateway (virtual POS terminal) amounted to 7,101,865.

Processing solutions and payment methods

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 customer's strategic vision as a partner and companion on the same journey through innovation and change. This has led to new customers reaching out for the entity's solutions.

2019 has been noteworthy due to the consolidation of the use of series of added-value solutions in the scope of payments, which have helped to grow the profitability of the customer business. Cecabank solutions, such as the DCC (Dynamic Currency Conversion) service help entities to maximise the return of the currency conversion business on their networks of POS terminals and ATMs.

Other innovative solutions that show significant growth are those related to mobile payments: Cecabank made available to its clients services such as the HCE (Host Card Emulation), which allows integrating card payments by mobile phone, as well as linking services to Apple Pay and Google Pay wallets to enhance these mobile phone payment solutions available to customers. The observed adoption of these services is growing significantly.

As in previous years, Cecabank continues to achieve excellent results in the fight against fraud. Again the institutions processed by Cecabank are the Spanish leaders 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 recognised – on their official websites – Cecabank's full compliance with the security requirements established in the PCI DSS standard. This 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 helping each one of them to grow within the challenges of regulation and innovation.

858
Million transactions

Daily average amounts settled
120

Cards issued
10

120
million euros settled
daily

Over
150
thousand businesses processed

Availability of the systems
99.997%

Infrastructure and Payment Services

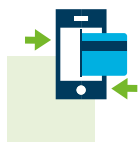
The certifications we have been awarded in this area are testament to our culture of continuous improvement and service excellence. The strengths of our service are focused mainly on four pillars: personalised customer service; flexibility and adaptation to our customers' needs; confidentiality; and neutrality.

In 2019 we adapted to the new versions of SEPA payment "Rulebooks", in transfers and direct debits, with both customers and represented companies.

As regards the improvement of efficiency, the following services have been integrated into operations: collection and payment services – at operational level – of the London Branch, and foreign trade and fronting services of funding to local entities and autonomous communities for payments to ICO suppliers.

The entity renewed its AENOR UNE EN ISO 9001 quality certification for exchange, clearing and settlement of collection and payment transaction services (transfers, direct debits, and fund transfers), as well as the UNE-ISO/IEC 27001 certification for the information security management system for SEPA operations. These certifications are evidence of the culture of ongoing service and quality improvement which is at the core of the Cecabank's Strategic Plan.

The operations of collective investment and pension fund management companies have been facilitated in the depositary field in terms of the management of current accounts, the management of payments and collections, and carrying out exchange and settlements of transfers.



In 2019 Orange Bank was operationally incorporated as a customer in the SNCE (Spanish National Electronic Clearing System) representation service. Paraguay's Banco Familiar has also been included in the Swift international payment orders channel service, ICO has been included in the Swift infrastructure connection service, and Eurocaja Rural in the management of cash-letter remittances.

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.

In the area of payment and collection services, the entity has designed and implemented a new service for paying taxes to the Spanish Tax Agency and Social Security contributions, for the corporate customers of Barclays Bank Spain.

Key figures 2019

December 2019

**Cross-border exchange of cheques /
Currency Exchange**

110,727
Cheques processed

SWIFT messages exchanged

2,137,429

Transactions processed with BIC Cecabank

843,407

**Non-SEPA Fund Transfers
(TARGET / EBA)**

226,704

Transactions processed

970,933
Nominal value (in millions of euros)

**SEPA transactions exchange
(EBA and SNCE)**

583,143,180



Transactions processed

431,879

Nominal value
(in millions of euros)

Exchange of traditional transactions
in the scope of the SNCE

11,819,188

Transactions processed

81,215

(in millions of euros)

Account payable and receivable portfolio

3,040,044

Notes entering

5,286

(millions of euros)

173,669

Notes deposited

499

(millions of euros)

Outstanding guarantees

235

Transactions processed

62.72

(millions of euros)

5.2.4. Digital solutions

Digitalisation
of Processes

Omni-channel
Service

Business
Intelligence

Technology
Solutions

Technological
Outsourcing



Generating all kinds of **banking remittances and a virtual payment gateway**

Application hub that enables users to export information from the backend to third parties

Fraud Monitoring with collaborative intelligence

Digital identity services in contracting and signing processes

During 2019, we implemented developments to facilitate the incorporation of the standard 3D secure 2.2

Pyramid Analysis is a tool that allows comparisons with benchmark peers to determine competitive stance

We have begun producing an application platform that complies with PSD2 regulations

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

The Trading and Risk platform is a PaaS service that covers all the needs of treasury activity

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.

Technology Solutions

Trading and Risk 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:

1

Treasury Management and Capital markets

2

Monitoring of market, counterparty, and operational risk

3

Regulatory reporting

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.

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

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

Over the course of 2019 the scope of services has 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, the coverage of the existing mobile solution has been increased to improve the user experience and their interaction with the Trading and Risk platform.

23

Financial institutions, Public Administrations, Collective Investment Scheme Management Companies and corporates.

We manage collateral contracts of

10

entities

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 that works based on the Data Point Model (DPM).

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 equipped for financial institutions, insurance companies and payment networks, as well as for new profiles, as is the case with 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.

The most significant initiatives carried out in 2019 were as follows:

1

Start of the services for outsourcing the technological infrastructure of All Funds Bank.

2

Agreement for outsourcing the technological infrastructure of the Minsait Payment Methods (Indra) solutions.

3

Closing of the contract for the technological outsourcing of the Union Duero insurance application.

4

Work starts on outsourcing the technological infrastructure for Eurocaja's banking core, which will begin in 2020.

Digitalisation of Processes, Omni-channel Services and Data Analysis

In the area of electronic banking, Chaabi Bank's new mobile online banking system was launched in 2019. There has been ongoing development of Eurocaja's online banking system, whose banking core will be hosted at Cecabank. In 2019, the number of online banking operations carried out by the companies to which Cecabank provides services amounted to 772,966,874, with over 99.9% service availability. Similarly, the number of SMS sent to customers has risen to 48,038,976, largely due to the new requirements established by PSD2 for strong authentication in access to online banking.

An API-fication platform has been put into production for 13 companies and for the bank itself, which complies with the new PSD2 regulations. It has also obtained – from the Bank of Spain – an exemption from the TPP (Third-Party Provider) fallback access mechanism, as provided for in Article 33.4 of the Commission Delegated Regulation (EU) 2018/389 of 27 November 2017.

During 2019, developments have been carried out to facilitate the incorporation of the 3Dsecure 2.2 standard and to support the strong customer authentication (SCA) needs in e-commerce that will be launched in 2020, due to the extension granted for this purpose by the EBA.

An electronic mandate project has also been developed and will be put into production in 2020.

ck-Lab

In 2019, Cecabank continued to drive its digital transformation initiative for the financial sector, called ck-lab. On 4 April 2019, an event was held under the title “The challenges of the digital environment” open to banks and fintech companies, with more than 100 professionals in attendance, and discussing issues such as data in the financial environment, e-commerce, and the cooperative relationship between banks and fintech companies.

Cecabank was recognised with the Tutor Award by Camilo José Cela University, in acknowledgement of entities that foster the link between universities and companies to provide the best training to future professionals.

The ck-lab initiative held workshops during 2019 with various entities on topics such as PSD2, digital payments, and data management to support them in their transformation processes. The lab is thus consolidated as a benchmark hub in the sector.

Data and Technological Innovation

In 2019 Cecabank launched the inPulso platform. It is a Business Intelligence as a Service (Blaas) platform that helps to build a 4D model of a customer, through a marketplace of Financial Artificial Intelligence (FAI). This is achieved through the ongoing evolution of algorithms and continuous and automatic learning based on BI and big data technologies, natural language processing (NLP) and artificial vision and Intelligence (AI, ML and DL). In 2020, it will be deployed in companies.

5.2.5. Retail services

Currency Exchange Office



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

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

Banking Training School

In June 2019, Cecabank was recognised by the Bank of Spain as a certifier of the Real Estate Credit Contracts Act (LCCI).

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, Cecabank certified 8,339 students in the new Real Estate Credit Contracts Act, 3,752 in July alone, with a 96.6% pass level.

The MiFID II training and certification programmes also remain ongoing, certifying 1,952 students in 2019. Since 2017, the School has certified upwards of 12,000 students.

The Banking Training School has redesigned the MIFID II and LCCI ongoing Training programmes, which can be modulated, transversal and have cross-validations, allowing each company the bespoke configuration of its training for its contents of interest.



Cecabank has also resumed key sector contacts: Fundae's State Joint Committee, Gref and DGIII, and not least its traditional partner, financial institutions, hold over 3 training committees throughout the year.

The School also echoes the main concerns of the sector, such as the new regulatory challenges regarding the Insurance Distribution Directive (IDD), and the EBA suitability guidance, designing a Director Training School.



6. Financial Information



6.1. Financial Information

6.2. Risk management

The ratings awarded to Cecabank as at 31 December 2019 have remained the same in the case of Fitch Ratings and Moody's, and they have been raised a notch in the case of Standard & Poor's. These ratings are as follows:

Cecabank rating	2019		
	Short-term	Long-term	Outlook
Moody's	P-2	Baa2	Estable
Fitch	F3	BBB-	Estable
Standard & Poor's	A-2	BBB+	Estable

The most noteworthy aspects of the agencies' ratings include the bank's participation in the Spanish Securities Services business, while it holds a strong position in terms of depositary activity. The sound, specialised and well-established franchise that guarantees Cecabank a stable source of income and results is taken into account.

Its capitalisation levels and the broad solvency margin regarding regulatory capital requirements are also highlighted, as well as its conservative risk profile resulting from a moderate risk appetite, its sound financing structure, and comfortable liquidity position. The internal governance scheme and the effective management of the main risks incurred while undertaking its business are also underlined.

7. Annual Accounts

7. Annual Accounts 2019

Cecabank, S.A. and subsidiaries composing the Cecabank Group

Independent Auditor's Report
on Consolidated Financial Statements

Consolidated Statements

Annual report

Director's report

· Appendix, Non-financial information

Independent Limited Assurance Report

7. Annual Accounts 2019

**Cecabank, S.A.
Individual Annual Accounts,
management report
and report
corresponding audit
to the 2019 financial year.**

Auditor's Report

Financial Statements

Annual Report

Management Report

