

cecabank

2017
**Annual
Report**

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CECABANK IN FIGURES

01

2017-2020 Strategic Plan

The 2017-2020 Strategic Plan has defined a series of lines of action aimed at reinforcing the business by differentiating the services comprising Central Scenario and the incremental services, which pursue business growth through the innovation of products and services, as well as access to new markets.

OBJECTIVES BY LINE OF BUSINESS

Securities Services

Expand the leadership as a depositary by complementing the services offered in the value chain and enter the Portuguese market.

Treasury Management

Increase profitability of Securities Services streams by complementing the services offered in the value chain and consolidating the company's leading position in the banknotes business in Spain.

Banking Services

Expand the current client base in a context of consolidation of the banking sector, with innovations in digital services and payment methods.



Securities Services

Central Scenario

Depository
Securities

Incremental initiatives

FADO Project (Portugal
branch)
Funds platform
Expand value chain



Treasury Management

Central Scenario

Trading Room
Banknotes

Incremental initiatives

Access to the primary market
Bonds platform
Execution of equities
FX Sharing
Securities Lending



Banking Services

Central Scenario

National and international payments
Treasury Management and Risk Support
Payment Methods
Interactive Services
Technological Services
Regulatory
Advice Reporting
Banking Training School

Incremental initiatives

Promotion of digital services
Digital payments platform
Currency exchange in payment
networks



Internal transformation plan

OBJECTIVE

Promote the culture of
change

Initiatives

Commercial Plan	Blockchain
Systems Plan	Communications Plan
CSR Plan	Talent Management Plan
Quality Plan	Corporate Governance Plan
Innovation Plan	Efficiency Plan



Disruptive levers

OBJECTIVE

Achieve a significant
change of the
institution's size

Levers

Corporate operations
Strategic partnerships
Internationalisation

Main milestones of the Strategic Plan 2017-2020

First year

Securities Services

GROSS INCOME. IN MILLIONS OF EUROS



OBJECTIVE 2017

ACHIEVED 2017

Treasury Management

GROSS INCOME. IN MILLIONS OF EUROS



OBJECTIVE 2017

ACHIEVED 2017

Banking Services

GROSS INCOME. IN MILLIONS OF EUROS



OBJECTIVE 2017

ACHIEVED 2017

Objectives of the 2017-2020 Strategic Plan

Estimates
2020 Range

GROSS
INCOME
~270
million euros

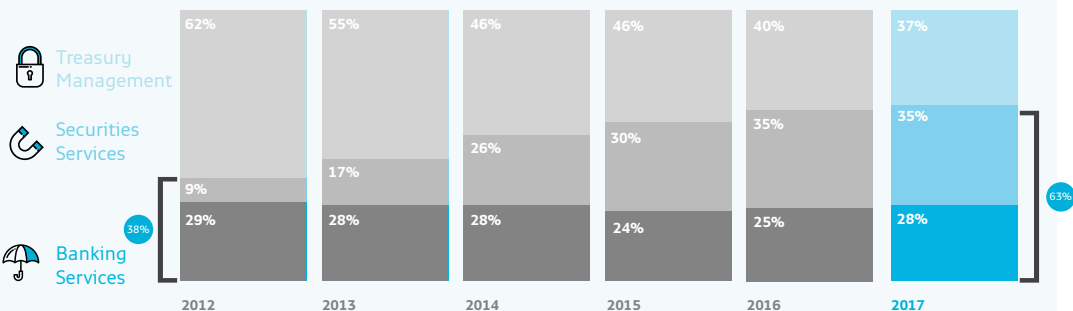
RETURN
(ROE)
9-11%

EFFICIENCY
(WITHOUT REPAYMENT)
40-45%

SOLVENCY (TIER 1
RATIO)
20-25%

Diversification of income

The business mix continues to progress towards a better balance between commissions and financial margins.



* % contributed by each
business line to the gross income

MISSION, VISION AND VALUES

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

Our main pillars

They are the **strategic values** that define and describe our behaviour as a banking institution.

CUSTOMER ORIENTATION

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

INTEGRITY

Because we are convinced that transparency and soundness are the foundations on which to build our credibility.

Vision. We strive to consolidate our leading position offering specialised solutions, for all types of financial institutions and corporations. We work together with our clients, building lasting relationships.



SPECIALISATION

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.

02

Our Values

CUSTOMER ORIENTATION

Flexibility and quality
We measure the satisfaction

160
clients

76
entities

86%
WoW experience

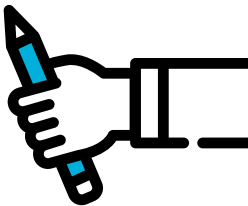
96%
WoW
experience in
new clients

8.3
satisfaction
index

8.3
recommendation
index

77%
continue
trusting in
Cecabank

Satisfaction
survey



INTEGRITY

Transparency and soundness



8 Proprietary Members • 5 Independent Board Members • 1 Executive-Director

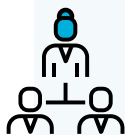


Following the sector's best practices of corporate governance, the number of Independent Board Members has **increased from 4 to 5**.



Corporate Social Responsibility

During 2017, Cecabank worked on defining its 2018-2020 Action Plan by identifying the relevant issues for its business from a perspective of social and environmental impacts. Cecabank's CSR policy is implemented in four scopes of action within the institution, with the aim of reinforcing the business and the long-term relationship with the clients and partners, incorporating their social, environmental and good governance concerns into the activity.



Our employees

- Initiatives in several areas: conciliation, training and the improvement of the working environment



Our business

- Cecabank includes the extra-financial analysis in the analysis of the potential counterparties.
- Risk management and control systems that provide security, solvency and transparency to the business' needs.
- Works tirelessly to obtain the recognition of its services' quality.
- Incorporation of Cecabank's office in London into the Climate Bond Initiative as an observer.



Environment

- Reduce consumption.
- LED lighting.
- Gas oil replaced by natural gas
- Approval of the energy efficiency audit in conformance with Royal Decree 56/2016 of 12 February.



Social actions

- 3rd Edition of the 'Tú Eliges' ('You Decide') programme.
- Humanitarian emergencies.
- Donations in kind.
- Food Bank Awards of Madrid

SPECIALISATION

The expertise in finance, technology and business allows offering products that incorporate high added-value.

TRAINING

27,109

hours of training in 2017

87%

satisfaction with the quality of the training

45%

online training

vs

55%

face-to-face training

100%

of the staff participated in a training activity

807€

average investment per employee

QUALITY

The new Strategic Plan includes the Quality Plan as an initiative to improve the organisation through three lines of work:

- Implementing quality management systems in those areas in which a differential value is obtained
- Measuring and analysing the client's voice.
- Establishing improvement plants aimed at:
 - Improving the quality of our processes
 - Improving the clients' experience

Certifications and acknowledgements



ER-0138/2005

Fund
Depository



ER-0138/2005

Securities
Custody and
Settlement



ER-0023/2015

Discount, Clearing
and Payment System



SI-0023/2015



ER-0003/2016

Financial
Reporting



CMMIDEV / 2SM



CMMISVC / 2SM

CMMI in Design and
Development



Best Custodian Bank 2017 - Global
Banking & Finance Review

SOLVENCY

27.43%

CET 1 Ratio at 31
December 2017

Risks

At Cecabank we have committed to an exhaustive risk control in order to keep the quantity and quality of capital, with one the highest solvency levels in the European Union.

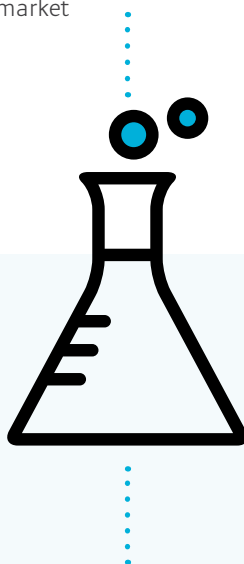
INNOVATION

Creativity to offer cutting-edge products and services

Commitment to R&D&I

Via the Innovation Plan established in the Strategic Plan:

- Comprehensive Securities Solution
- MiFID II certification programme
- Funds platform
- Access to the primary market
- Pyramid Analysis
- Internationalisation
- Technological projects



CK-Lab

Ck-Lab is a multidisciplinary initiative whose aim is to promote the financial sector's digital transformation, encouraging collaboration between entities, whether banks or fintechs.

ACTIONS 2017

Workshops in the payments scope

PSD2

Smart or digital strategy

eData

Fintech Forum Agreements and Fintech and Insurtech



03

Corporate Governance



From left to right.

SANTIAGO CARBÓ VALVERDE

Member / Independent

CARMEN MOTELLÓN GARCÍA

Member / Independent

FRANCISCO JAVIER GARCÍA LURUEÑA

Member / Proprietary

FRANCISCO BOTAS RATERA

Member / Proprietary

MANUEL AZUAGA MORENO

Vice-chairman / Proprietary

ANTONIO ORTEGA PARRA

Member / Proprietary

ANTONIO MASSANELL

Chairman*

*On 21 December 2017, Antonio Massanell presented his resignation.

JOSÉ MARÍA MÉNDEZ ÁLVAREZ-CEDRÓN

Director – CEO / Executive

JESÚS RUANO MOCHALES

Member / Proprietary

JULIA SALAVERRÍA MONFORT

Member / Independent

VÍCTOR MANUEL IGLESIAS RUIZ

Member / Proprietary

JOSÉ MANUEL GÓMEZ DE MIGUEL

Member / Independent

MARÍA DEL MAR SARRO ÁLVAREZ

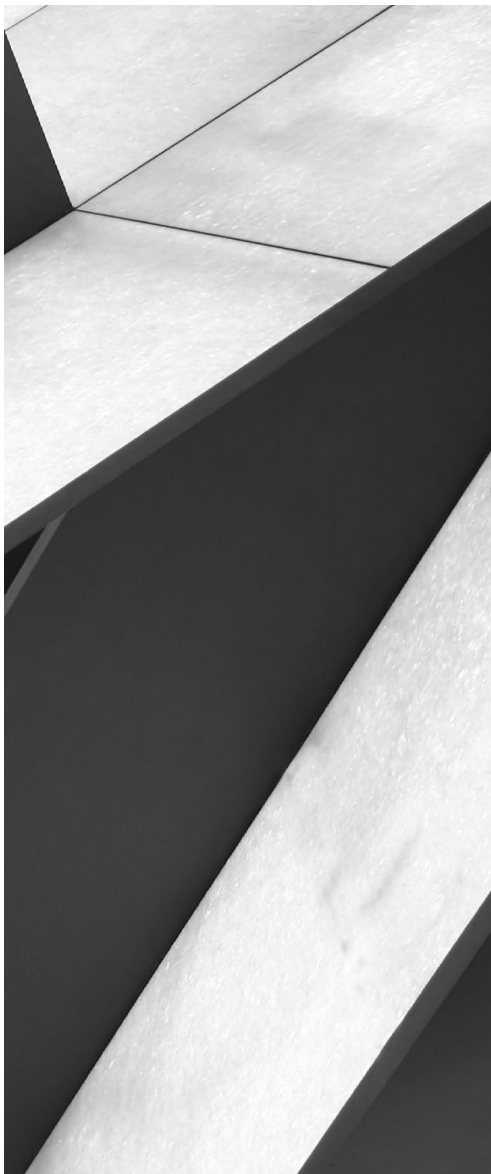
Member / Independent

JOAQUÍN CÁNOVAS PÁEZ

Member / Proprietary**

**On 30 January 2018 Joaquín Cánovas presented his resignation due to BMN's integration into Bankia.

04 Lines of business

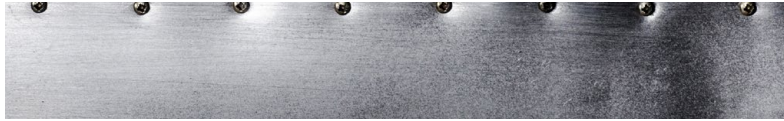


Securities Services



Groups all the services of the Securities Services chain, such as depositary services, securities custody and settlement, UCITs and pension funds. In addition, we offer the comprehensive management of collections and payments, thus providing our clients a global solution.

- 1. FUND DEPOSITARY
- 2. SECURITIES CUSTODY AND SETTLEMENT



Treasury Management



In the Trading Room public and private fixed-income, equity and derivative transactions are carried out in national and international markets. We work on the investment of resources and our own and we execute orders on behalf of clients.

1. TRADING ROOM

2. EXECUTION OF EQUITY

3. CORPORATE FINANCES AND DCM

4. BANKNOTES

Banking Services



At Cecabank, we have technology and process solutions specialising in payment methods and systems, as well as extensive knowledge on the banking regulation

1. PAYMENT METHODS

2. BUSINESS INTELLIGENCE AND CHANNELS

3. DISCOUNTING, CLEARING AND PAYMENT SYSTEMS

4. TREASURY MANAGEMENT AND RISK SUPPORT

5. FINANCIAL REPORTING

6. REGULATORY CONSULTANCY

7. INTERNATIONAL BUSINESS

8. BANKING TRAINING SCHOOL

9. CURRENCY EXCHANGE OFFICE



Securities Services

Groups all the services of the Securities Services chain.



cecabank
**2017 Best Custodian
 Bank in Spain**
 Global Banking & Finance Review



1. FUND DEPOSITARY

DEPOSITED ASSETS

**108,000
million €**

Shared by

959 IICs-FPs

Managed by

**27
companies**

2. SECURITIES CUSTODY AND SETTLEMENT

ASSETS
HELD

**140,000
million €**

=

DOMESTIC MARKET

Domestic market
Equity

**16,384
million**

Public
debt

**23,880
million**

Private Fixed-
Income-AIAF

**10,480
million**

INTERNATIONAL MARKET

Fixed-Income and
Equity

**88,967
million**

TRANSACTIONS
SETTLED

**More than
890,000**

=

DOMESTIC MARKET

Domestic market
Equity

**597,465
transactions**

Public
debt

**119,431
transactions**

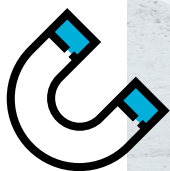
Private Fixed-
Income-AIAF

**19,934
transactions**

INTERNATIONAL MARKET

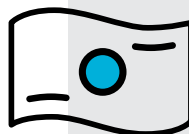
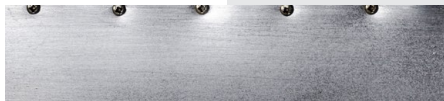
Fixed-Income and
Equity

**153,319
transactions**



Treasury Management

Transactions in
domestic and
international
markets.



TRADING ROOM

Trading of fixed-income products, OTC derivatives on interest rates, variable income, and currencies, currency trading and deposit operations in multiple currencies.

EXECUTION OF EQUITY

Equity execution desk for institutional clients. The service covers the main European, American and Asian markets, supported by the relationships with brokers offering 24-hour coverage.

CORPORATE FINANCES AND DCM

Structuring insurance and placement of issues; international roadshows and investor relations; and analysis of corporate operations for the acquisition and sale of assets.

BANKNOTES

**Wholesale
market
leader**

of foreign banknotes
in Spain

FOREIGN
BANKNOTE SALES
AND PURCHASES

+2,500
daily transactions

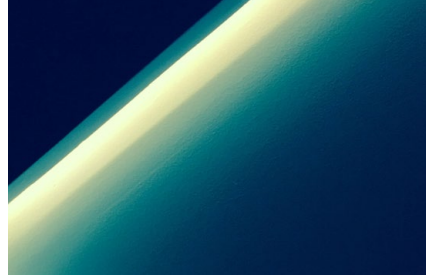
BANK
BRANCHES

+18,000
served by Cecabank



Banking Services

Technology and process solutions specialising in payment methods and systems, as well as extensive knowledge on the banking regulation.



1. PAYMENT METHODS

780 million

card transactions
processed in 2017

10 million

Cards

160,000

Businesses

99.9999%

Availability of the
systems

2. BUSINESS INTELLIGENCE AND CHANNELS

989,989,246

Number of transactions
on the online banking
platform

1,042,777

Number of Bizum
transactions
processed by
Cecabank

11,282,096

Transactions processed
by the payment
gateway (virtual POS)
owned by Cecabank

3. DISCOUNTING, CLEARING AND PAYMENT SYSTEMS

Main details 2017



SEPA TRANSACTIONS EXCHANGE
(EBA AND SNCE)

650,915,895

Transactions processed

SWIFT MESSAGES EXCHANGED

1,379,397

Transactions processed with
other BICs

ACCOUNTS PAYABLE AND
RECEIVABLE PORTFOLIO

3,615,752

Notes entering
228,874
Notes deposited

NON-SEPA FUND TRANSFERS
(TARGET / EBA)

204,263

Transactions processed

4. TREASURY MANAGEMENT AND RISK SUPPORT

23

Financial institutions, public
administrations, Collective
Investment Scheme Management
Companies and corporates

IT MANAGES COLLATERAL
CONTRACTS OF

10

Entities

5. FINANCIAL REPORTING

The **Comprehensive Reporting Service** has experienced a very favourable evolution with the Cirbe-Anacredit module and Pyramid Analysis. It also develops technology cooperation projects and the blockchain consortium.

6. REGULATORY CONSULTANCY

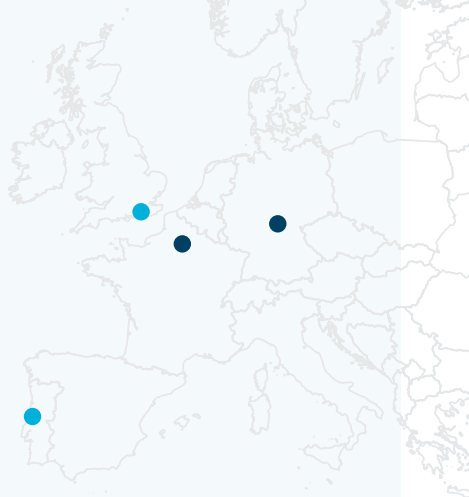
Regular publications

Regulatory outlook, monthly editions, and specials

Database of financial and interbank regulations

7. INTERNATIONAL BUSINESS

- OPERATING BRANCHES
 - London
 - Lisbon
- REPRESENTATIVE OFFICES
 - Frankfurt
 - Covering the German and Swiss markets
 - Paris
 - Covering the French and Benelux markets



8. BANKING TRAINING SCHOOL

The **Banking Training School** has by far exceeded the objectives set as a result of the courses and accreditation of MiFID II financial adviser, thus progressing in the diversification of clients.

THREE AREAS OF KNOWLEDGE:

Regulations and standards

Financial

Crypto economy, fintech and digital banking

9. CURRENCY EXCHANGE OFFICE

Immediate availability of 40 currencies in different denominations and amounts.

05

Cecabank in figures

OUR DETAILS DECEMBER 2017

* Individual details

TOTAL ASSETS

9,960,460

thousands of euros

PROFIT FOR
THE YEAR

73,218

thousands of euros

TOTAL NET EQUITY

1,057,679

thousands of euros

CET1

27.43%

OWN FUNDS

1,012,621

thousands of euros

Balance sheet (thousands of euros)		2017
Total Assets		9,960,460
Held-for-trading financial assets		2,144,770
Financial assets designated at fair value through profit or loss		256,876
Available-for-sale financial assets		1,772,261
Held-for-trading financial liabilities		1,539,978
Financial liabilities at amortised cost		7,032,621
Total Net Equity		1,057,679
Own funds		1,012,621

Income statement (thousands of euros)		2017
Net interest income		18,399
Gross income		263,201
Profit from operations		99,772
Profit before tax		108,156
Profit for the year		73,218

Solvency and Liquidity		2017
CET 1 Ratio		27.43%
Equity		725,969
Basic Equity (core capital)		724,332
2nd category Equity		1,637
Long-term Liquidity Ratio		261%

Cecabank Rating		2017		
		Short term	Long term	Outlook
Moody's	P-2		Baa2	Stable
Fitch	F-3		BBB-	Stable
Standard & Poors	A-2		BBB	Positive







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