

cecabank

2016 ANNUAL REPORT





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Augmented Reality app**

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BUSINESS
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IN FIGURES



2013-2016 STRATEGIC PLAN



2013-2016 STRATEGIC PLAN

The 2013-2016 Strategic Plan has led to a major transformation of the company.

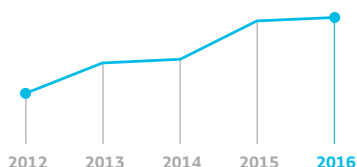
Main achievements

1. Improvement of the main ratios

PROFIT

76,347

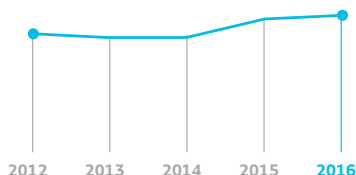
thousands of euros



FEES AND OTHER NET OPERATING PRODUCTS

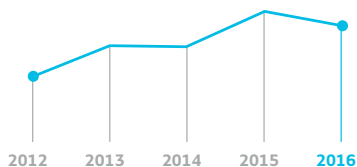
158,400

thousands of euros



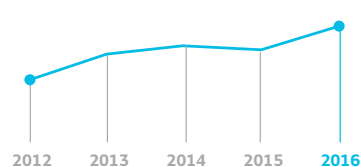
ROE

8.47%



CET1

31.87%



12.96%

Spanish financial system (Q3'16)

L/T RATING

	2012	2013	2016
Moody's	Ba1	Ba3	Baa2
Fitch	BBB-	BBB-	BBB-
S&P	BB+	BB+	BBB



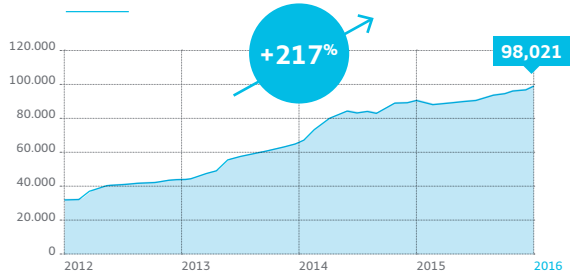
2. Business model consolidation



Securities Services Leadership in Depositary Services

Cecabank has achieved a position of leadership in the depositary and securities services market

ASSETS DEPOSITED IN CECABANK
(Millions of euros)



Treasury Management Consolidación

Consolidated business despite volatility in the markets and the narrowing of the financial margin

Greater diversification of the client base of the **Trading Platform**.

Growth in the **banknote** business, driven by increased tourism and new clients.



Banking Services Innovation

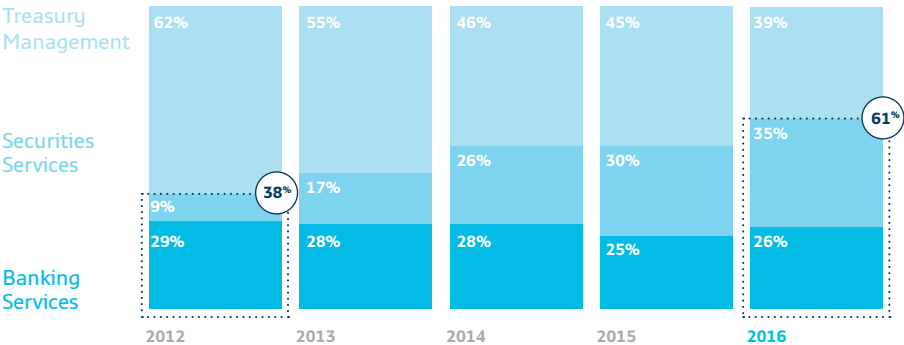
Development of new projects based on innovative digital and payment solutions



3. Diversification of income

The business mix has reached a greater balance between fees and interest margin.

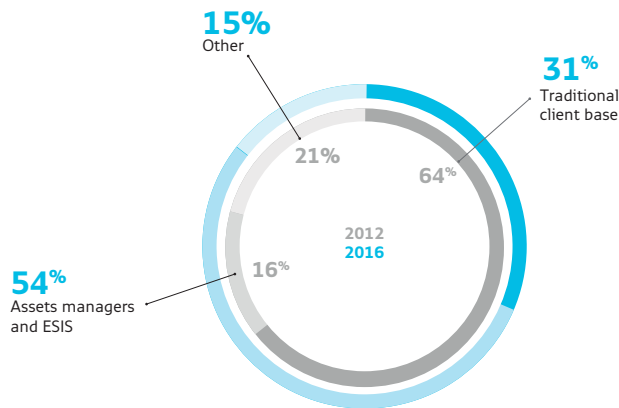
DISTRIBUTION OF INVOICING BY LINES OF BUSINESS
% on Gross Income



4. Diversification of client base

The composition of the client portfolio has been transformed since 2012.

EVOLUTION OF INVOICING BY TYPE OF CLIENT
Fees and other operating income



2017-2020 NEW STRATEGIC PLAN

A new Strategic Plan has been developed during 2016 with a time horizon of 2017-2020, which included the participation of shareholders, board members, executive directors and employees of different levels.

Strategy



Securities Services

Expand the **leadership** in depositary services supplementing the **offer of value chain services**.



Treasury Management

Increase the **return** of flows derived from Securities Services supplementing the **offer of the value chain** and consolidating the **leadership of the banknote business** in Spain.

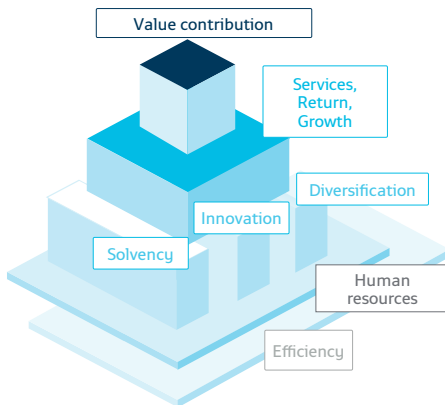


Banking services

Broaden the **current client base** with regards to consolidation of the banking sector, innovating **digital services** and payment methods.

Objectives

The 2017-2020 Strategic Plan seeks a gross income volume of ~€270m and an ROE of 9-11%.



ESTIMATES

Objectives of 2017-2020 Strategic Plan Range 2020

INTEREST
MARGIN

~ 270
million euros

EFFICIENCY
(WITHOUT REPAYMENT)

40-45%

RETURN
(ROE)

9-11%

SOLVENCY
(TIER 1 CAPITAL RATIO)

20-25%

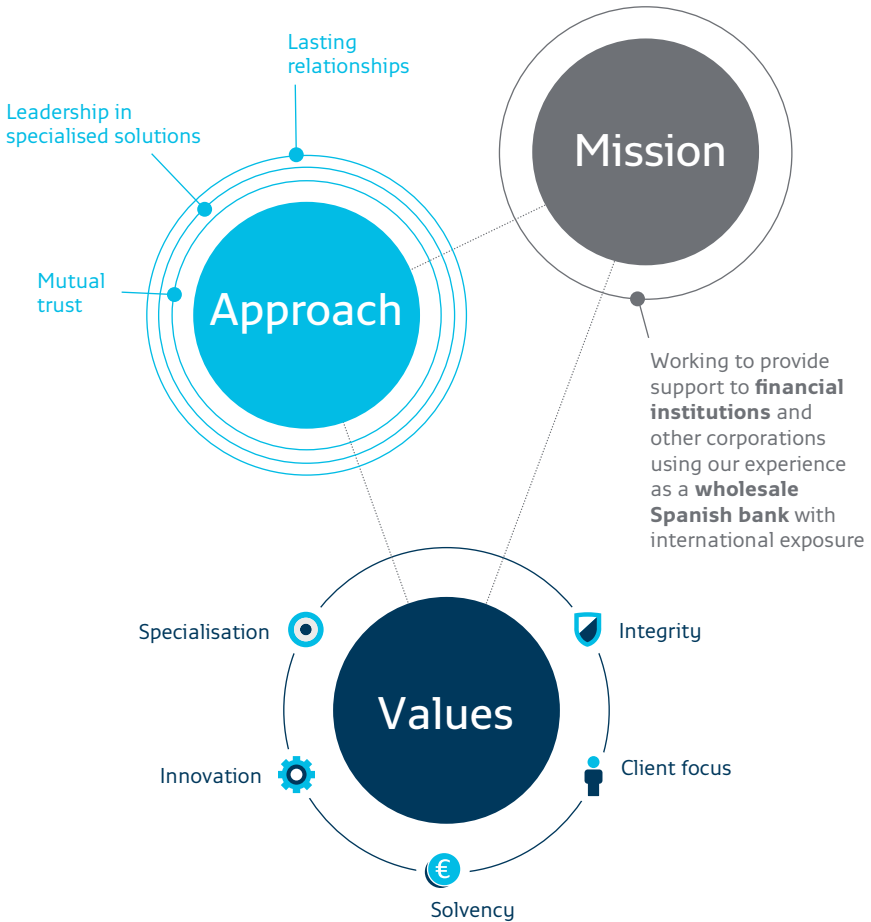


CORPORATE CULTURE



OUR VALUES

The new strategic plan has redefined **the mission, approach and values** of our institution, which have been adapted to reflect the new reality and ensure a coherent stance with the strategic objectives, both from an internal and external perspective.



CORPORATE CULTURE BASED ON EXCELLENCE AND QUALITY

Quality

2016 Customer Satisfaction Survey Results

Our clients
value us

and also
recommend us

8.5 Overall
Satisfaction



82% clients state
maximum satisfaction

8.5 Understanding
of your needs

85% clients consider that
it is very easy to do
businesses with Cecabank

8.8 Technical ability
of the team



92% clients will continue
taking out our services

8.3 Technology that
supports businesses

8.5 Our Portfolio

58% of clients state they are
Cecabank Partners

Certifications of the main businesses



Fund
Depositary



Securities
Custody and
Settlement



Discounting,
Clearing and
Payment System



Financial
Reporting



CSR POLICY

Due to both its heritage and vocation, Cecabank remains close to the environment it operates in.

Thus, the importance of generating value by considering ethical, social, environmental factors, and good governance, all resonate.

At Cecabank we strive to establish lasting relationships with our customers, bringing the best possible value to the financial system.

Principles

Contribution to an ethical and responsible financial sector

Creating value for the company and its people

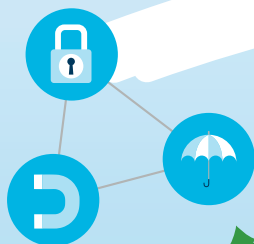
4 pillars of activity

Business

Integrate sustainability into the business to create distinctive value, and consider the effects and opportunities this brings.

Material resources

Improving efficiency and lessening the impact.



4 pillars of support



Organisational structure

Based on the CSR and Sustainability Committee which involves all areas of the company, it reflects the cross-cutting nature of this type of management.



Dialogue with stakeholders

Formal dialogues with stakeholders to nurture and evaluate strategies.

Ethical and
responsible
behaviour

The voluntary
adoption of
initiatives

Human resources

Improving the working environment
and pride in belonging.

Society

Contributing to our
environment's wellbeing.



Report and balanced scorecard

For performance monitoring
and evaluation.



Participation in flagship initiatives

That contribute knowledge,
commitment, and encourage
working in networks.



CORPORATE GOVERNANCE



GOVERNING BODIES

Internal governance model aligned with the best good-governance standards. We have adapted to the standards of Corporate Governance of the EBA.



BOARD OF DIRECTORS



**Antonio
Massanell Lavilla**
(President)
Proprietary



**José M^a. Méndez
Álvarez-Cedrón**
(Director - CEO)
Executive



**José Luis
Aguirre Loaso**
(Vice-chair)
Proprietary



**José Manuel
Gómez de Miguel**
(member)
Independent



**Antonio
Ortega Parra**
(member)
Proprietary



**Jesús
Ruano Mochales**
(member)
Proprietary



**M^a. del Mar
Sarro Álvarez**
(member)
Independent



**Santiago
Carbó Valverde**
(member)
Independent



**Julia
Salaverría Monfort**
(member)
Independent



**Joaquín
Cánovas Páez**
(member)
Proprietary



**Francisco Javier
García Lurueña**
(member)
Proprietary



**Manuel
Azuaga Moreno**
(member)
Proprietary



LINES OF BUSINESS

Cecabank is a financial institution specialising in:

SECURITIES
SERVICES

TREASURY MANAGEMENT

BANKING
SERVICES





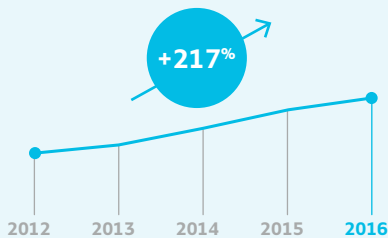
SECURITIES SERVICES

Cecabank has attained a leading position on the depositary market and it has managed to establish itself as a notable player on the Securities Services market.



1 Fund depositary

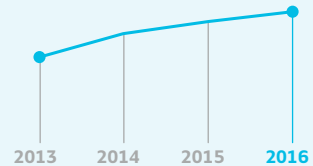
ASSETS DEPOSITED



2 Securities custody and settlement

ASSETS UNDER CUSTODY

121,000
million euros



1. Fund depositary

DEPOSITED
ASSETS

+98,000

million euros

DISTRIBUTED IN

1,111

IICs-FPs

MANAGED BY

23

companies

The total assets deposited in Cecabank have risen from 30,943 million euros in 2012 to more than 98,000 million euros in 2016, constituting an increase of more than 67,000 million euros since the beginning of the Strategic Plan. Throughout 2016, service was provided to more than 23 companies who deposit more than one thousand investment vehicles at Cecabank.



2. Securities custody and settlement

ASSETS UNDER
CUSTODY

121,000

million euros

TRADES
SETTLED

More than 785,000

CODE OF
OPEN VALUES

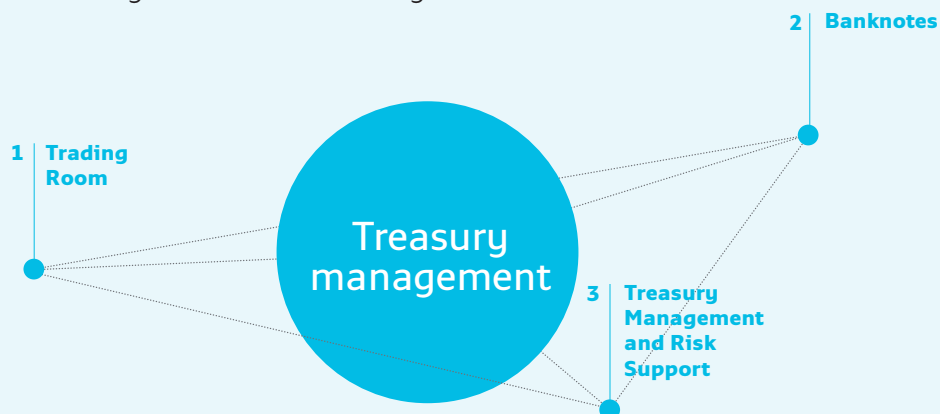
14,500

The Securities Custody service ended 2016 with 121,099 million euros of assets under custody, comprising the highest custody figure in the history of the company. The adaptation and development work necessary to comply with the requirements of the 2nd phase of the Market Reform (Fixed Income) began in 2016, and we began providing securities clearing and settlement services to 7 new securities houses.



TREASURY MANAGEMENT

Consolidated business that maintains its contribution despite market volatility and narrowing of the interest margin.



1 Trading Room

Public debt

MARKET
MAKER

DIRECT MEMBER OF
THE MAIN CENTRAL
CLEARING HOUSES

BME Clearing
Eurex
LCH London
LCH Paris

2 Banknotes

Leader

of the wholesale
foreign banknote
market in Spain

BANK
BRANCHES

+18,000

attended to directly
by Cecabank

3 Treasury Management and Risk Support

LEADING TREASURY
MANAGEMENT AND RISK
PLATFORM IN SPAIN

22

financial institutions,
public and corporate
administrations



1. Trading Room

Highest amount of trading activity on behalf of third parties, leveraging greater commercial efforts, diversifying the client base and increasing the range of services. An equity execution service was implemented in 2016. Its goal is to become a benchmark equity house on the Spanish market, which will allow access to new clients and see the consolidation of its equities business.



2. 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. Throughout 2016 Cecabank processed more than 2,500 foreign banknote purchase transactions on a daily basis.

Cecabank has a wealth of experience in securities logistics and transportation, at both a national and international level. Our logistics structure gives clients a high-quality, flexible service, tailored to each client's specific needs.

PURCHASE AND
SALE OF FOREIGN
BANKNOTES

+2,500

daily transactions

CURRENCY

40

final-offer traded
foreign currencies

3. Treasury Management and Risk Support

Cecabank offers the only solution on the Spanish market with services covering treasury and risk management for various institutions. Banks, fund managers and corporates use this service.

Throughout 2016 the scope of the services provided has been broadened in terms of both the number of users and the range of services provided.

Additionally, the EMIR reporting service has been extended to include sending new types of transactions and transaction records.

DATABASE.
OPERATIONAL RISK

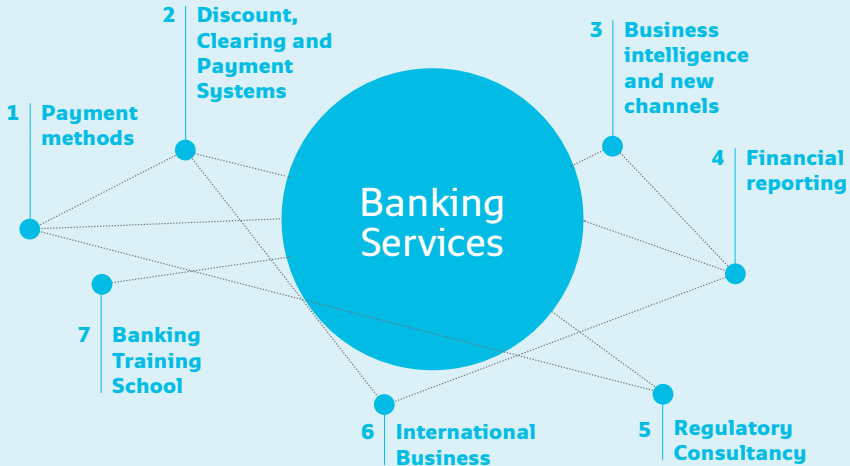
+1.6

million loss events



BANKING SERVICES

Development of new projects based on innovative digital and payment solutions.



1 Payment methods

SERVICES

Card fraud detection and prevention services

2 Discounting, Clearing and Payment Systems

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

3 Business intelligence and new channels

WE HAVE DEVELOPED OUR OWN PAYMENT PLATFORM

Ealia

with a focus on facilitating P2P payments via mobile phones

4 Financial reporting

Pyramid is Cecabank's response to increased pressure from regulators requesting new financial information

5 Regulatory Consultancy

FINANCIAL REGULATION

In recent years Cecabank has positioned itself as a **leading light in financial regulation consultancy and advisory services**

6 International Business

OUR PRESENCE

in the main European financial markets

7 Banking Training school

BANKING TRAINING SCHOOL

+40 years, the School of Banking Training has established itself as a leader in the provision of banking sector training, both nationally and internationally



1. Payment Methods

NETWORK PROCESSOR FOR

**Euro
6000**

WITH CARDS
PROCESSED A YEAR

more than 10
million cards

TRANSACTIONS PROCESSED

620
million

WITH DAILY TOTAL AVERAGE
AMOUNTS SETTLED

120
million euros

WE ARE PART OF

**ATEFI (Latin American
Payment Method
Network Association)**

In line with the evolution of the national market towards contactless systems, the HCE proprietary solution and technical infrastructure has been developed for NFC mobile payment, as well as a Masterpass service module.

2016 was dominated by the exploration of new collaboration possibilities in regions throughout the world, specifically in Europe and Latin America, based on our active membership to ATEFI (Latin American Payment Method Network Association) since July 2015.

2. Discounting, Clearing and Payment System

SWIFT MESSAGES
EXCHANGED

1,336,977

NON-CEPA FUND
MOVEMENT ORDERS
(TARGET / EBA)

189,810

Transactions processed

1,833,133

Nominal value (in
million of euros)

EXCHANGE OF SEPA
TRANSACTIONS
(EBA Y SNCE)

630,505,046

Transactions processed

1,833,133

Nominal value (in
million of euros)

BILL PORTFOLIO

3,533,922

NOTES ENTERING

6,694

Nominal value (in
million of euros)

The client base was extensively diversified throughout 2016, progressing deeply in the greater personalisation and digitisation of payment services in the area of representation in the SNCE (National System of Electronic Clearing) and international operations.

It is important to highlight the dedicated work carried out throughout the year to maintain the quality certi-





ONLINE BANKING
HAS PROCESSED 2016

888,162,585

relevant financial
operations

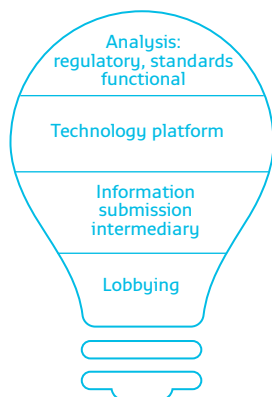
for **2,086,521**

users operating
monthly

AVAILABILITY

99.83%

weighted by real traffic
at any given time



ficate, AENOR UNE EN ISO 9001, for exchange, clearing and collection and payment settlement services, as well as the certificate, UNE- ISO/IEC 27001 of the information security management system in the area of SEPA transactions.

3. Business intelligence

During 2016, Cecabank has continued to develop its digital payment platform, EALIA. Some of the initiatives carried out in this area throughout the year have included the integration of the payment system between individuals on the inter-bank immediate payment platform, Bizum. The companies managed by Cecabank comprise 40% of the volume and development of new scenarios available to companies in order to foment the use of a multi-purpose payment app between customers.

Similarly, it is worth noting the log remittance generation service, that has become standard in the sector.

4. Financial reporting

In the area of Regulatory Consultancy, we have developed in 2016 new components of the financial reporting system in line with regulatory changes issued. New projects have been implemented: CSR Model, MIFID2 and PRIIPS as well as tailor-made projects. Our integrated financial reporting system, PYRAMID, has become a benchmark in the market.



5. International business

We maintain and keep up-to-date a broad network of correspondents worldwide, which is essential to us carrying out all the transactions and payments allowing us to give the level of coverage we need to provide the services we offer at Cecabank. This gives us great international standing, as seen in our figures: 6 million payments and collections in 2016.

At present, our overseas network has set us the goal of boosting Cecabank's internationalisation project and it is doing so via various avenues:

- Our representation offices in Paris and Frankfurt have been focused on publicising our company and the services we offer at a European level, emphasising the definite advantages we bring as an international financial partner.
- In the branch in London stands out the activity in international payments and the collaboration that develops with our Dealing Room. In addition, it is studying the business opportunities that may arise after the effects of Brexit.

6. Regulatory Consultancy

The most notable project of those carried out in 2016 is corporate governance, in which all the regulatory requirements and best practices with regards to corporate governance and remunerations have been identified and unified, as well as the project to provide support to companies for interpreting the new FINREP financial statements.

Similarly noteworthy is the project to adapt to the MiFID 2/ MIFIR and PRIIPS in order to identify the impacts and measures that companies must adopt to comply with the new investor protection, transparency and transaction reporting requirements.

7. Banking Training school

The Banking Training School has established itself as a benchmark in the provision of banking sector training, both nationally and internationally. It has trained more than 15,000 students and given more than 24,000 hours of tuition in its three knowledge areas: finance, regulations and management. Particularly noteworthy is training of board members and certification of banking professionals with regards to the changes and new features introduced by MiFID II.



ADVISORY SERVICE

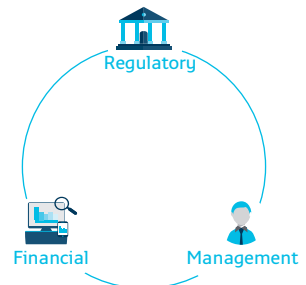
Periodical publications
(regulatory outlook, special
and monthly issues)

Database for regulatory
and interbank regulations

2016 CONSULTANCY SERVICE

Project corporate Governance
Project FINREP

Project to adapt to the CRS
(Common Reporting Standard)



CECABANK IN FIGURES

Cecabank profit has risen from 35 million euros in 2013 to 77 million euros in 2016, representing an increase of 130% in three years.

TOTAL ASSETS

10,091,689

thousands of euros

TOTAL NET WORTH

1,019,309

thousands of euros

OWN FUNDS

958,491

thousands of euros

PROFIT/LOSS FOR PERIOD

76,347

thousands of euros

CET1

31.87%

Balance sheet (thousands of euros)	2016
Total Assets	10,091,689
Held-for-trading financial assets	2,008,565
Designated financial assets at fair value through P/L	1,066,436
Available-for-sale financial assets	3,321,501
Held-for-trading financial liabilities	1,779,800
Financial liabilities at amortised cost	6,730,043
Total Net Worth	1,019,309
Own Funds	958,491

Income statement (thousands of euros)	2016
Net interest income	37,973
Gross income	253,926
Operating profit/loss	97,456
Profit before tax	108,338
Profit/loss for period	76,347

Solvency and Liquidity	2016
CET 1 ratio	31.87%
Equity	836,102
Basic Equity (core capital)	834,325
2nd category Equity	1,777
Short-term liquidity ratio	234%

Rating Cecabank		
	Long-term	Fecha
Moody's	Baa2	28/12/2016
Fitch	BBB-	27/10/2016
S&P	BBB	02/02/2016



cecabank

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