



Banking Services

Means of Payment

The main activity conducted by Means of Payment is the service for processing transactions with cards between entities and other means of payment systems. This implies that one card of the 10 million issued by one of the customer entities can operate on the service networks of other clients and entities belonging to other national or international systems. It also process the transactions conducted through the more than 8,000 ATMs and 159,000 POS terminals in the EURO 6000 network or through direct connections with major retail chains and virtual POS on e-commerce pages.

Moreover, Cecabank offers integrated operating management and processing services to Trionis which, in turn, provides exchange services and routing of operations made with cards worldwide.

Thanks to the above two activities and the fact that Cecabank has a bank licence, we clear and settle the transactions processed.

As added values, we also provide our own applications as a service for managing the issue of debit and credit cards. The whole life of a card is managed through these applications. We also offer applications for managing devices through which acquirer operations (POS and ATMs) can be conducted. These applications make it possible to manage all the devices of an entity which does not have its own management application.

In addition, we provide a series of value added services related to card issuance and acquisition, such as a solution based on the generation of virtual cards, gateways for devices to a processing node which resolves different problems such as remote management, PIN management, acquirer solutions for different types of businesses (POS, mobile POS, m-POs, virtual POS), solutions for bonding and loyalty-building, apps and payment wallets, amongst others. Moreover, we provide a service with specialized knowledge for managing disputes over transactions paid by card.

We are also specialists in specific advisory services related to payments by card, both technological payments (migration to EMV, migration to contactless and, in general, implantation of international standards) and to obtain the best practices for managing fraud, or for the development of the business.

Lastly, in line with the Spanish market's move towards contactless, the HCE technical infrastructure has been developed for payment through NFC mobile devices and for advisory services for the implantation of new wearable card formats.

Activity during the year

2015 was characterized by exploring new collaboration opportunities with other regions in the world, specifically Europe and Latin America, in order to increase diversification of products and clients, and innovation. Thus, since July 2015, we participate as active members in the Association of Latin American Means of Payment Networks.

As in previous years, we continue to obtain excellent results in the fight against fraud. Once again, the entities in the EURO 6000 system are the Spanish leaders in the detection and prevention of fraud in transactions conducted with cards. This is thanks to the efficiency of the bank's teams supported by the Espia system, operated by Cecabank.

As occurred in the past, VISA and MasterCard recognized Cecabank's full compliance with the security requirements established in the PCI DSS standard on their respective official websites. In accordance with the PCI Security Standards Council, this compliance was verified by an external auditor certified by the organization to conduct the corresponding auditing procedures.

03 Our Business Model

1. **Strategic lines** | Economic and regulatory environment | Building the future | Business lines
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The major efforts made to rationalize computing activity resources and costs in previous years have produced a significant improvement in efficiency, which enabled us to drop tariffs for our customer entities. These reductions have become a constant target for the future.

Moreover, we worked on new models of support services for entities in the development of their business, and on designing a new multipurpose payment model based on mobile devices for P2P. We also managed to continue to export our technology advisory services for EMV, contactless and HCE to the Latin American market.

Lastly, in collaboration with EURO 6000, a tokenization platform was developed for payment with mobile devices in contactless mode, which is fully functioning, along with the MasterPass interface for payment through online wallets.

Main figures

December 2015

Transactions processed

598 million

With total average daily amounts settled

107 million euros

The network processes

Euro 6,000

Cards processed per year

10 million

Availability of the processing system of

99.9999%

We have formed part of the

Association of Latin American Means of Payment Networks

since July 2015



Banking Services

Business intelligence and new channels

Cecabank provides services related to remote channels for financial institutions, fund managers and insurance firms. In addition, it offers business intelligence services through operating data processing to obtain scorecards and reports on different areas of business. The object of all these services is to obtain economies of scale, which enable entities to distribute products and services through remote channels in the most efficient manner possible, make them frontrunners in technological development and provide them with tools that facilitate business management and growth.

Activity during the year

During the year, in the field of e-banking, Banco Caixa Geral was added to the e-banking service, continuing the extension of the e-banking service to new banks. Similarly, agreements were reached with other entities, such as Triodos and Caja Almedralejo for different services, thus extending the customer base in this business area.

In 2015 further progress was made in the development of the e-invoicing platform and it was reengineered and updated, apart from connecting it to new public administration entry points. Also during the year Caixabank was fully integrated into Cecabank's e-invoicing platform.

During the year, Cecabank developed its own platform for Immediate Payments and value services related to them, under the tradename EALIA. This evidences its desire to be a processor and facilitator of solutions for financial institutions which enable them to compete in equal conditions with internet companies and thus to undertake their own digital transformation. There are currently eleven entities using this service, which is open to the entire financial system as Cecabank aims to serve as many entities as possible.

Main figures

In 2015 the multi-channel e-banking platform which Channels places at its' clients disposal processed **700,951,484** important **financial transactions** for **1,966,874** users which operate on a monthly basis, with **availability of 99.96%**, weighted according to real traffic at each moment in time.

Mobile channel

169,904,527
 transactions through mobile
 handsets, up 34% on 2014

15,050,911
 SMS messages

Securities trades

148,267 securities trades using
 Cecabank's infrastructure through online banking,
 mobile banking and the office's own terminal

Bravo Project for Immigrant Remittances

24,7427
 remittances to their countries of origin

E-commerce

8,392,790
 ntransactions through Cecabank's virtual POS

E-invoicing

4,473,928 invoices issued

Pan-European debit platform

1,397,788 euros
 processed



Banking Services

Payment and Clearing Systems

Our banking services are services provided for banks and corporate clients for the integrated management of bank collections and payments, discount operations, payment confirmations and technical coverage of connectivity to SWIFT.

Global coverage of Payment Systems

The administration, supervision and settlement of bank transactions and retail payment instruments exchanged by an entity in the framework of national and international payment systems as a represented entity. Channelling and processing collections and payments in euros and foreign currencies for corporate clients.

Integrated discount management

Economic and administrative management of all the transactions for an entity's discounted notes, from collecting the data for the notes for settlement with the client until their application for collection.

Global confirming service

(FINVERSIÓN)

Administration of payment commitments (invoices) contracted by the bank's clients with their goods and services suppliers on a maturity date, through the operating-technical application called FINVERSIÓN which speeds up the financing or investment of both clients and suppliers.

Technical SWIFT coverage

Technical coverage connection service from an entity's or client's BIC code to the SWIFT network, which enables clients to use all the SWIFT services in the same way as if they had a direct connection to the SWIFT platform.

Activity during the year

In 2015 the processes of converting and adapting to the new SEPA payment instruments were completed in the fields of transfers and direct debits both with clients and with the entities represented. In this respect, the times of processing these operations were adapted and the settlement of SEPA was launched in the SNCE with the same day value. In addition, SEPA direct debits were integrated into the Discount platform as another type of document.

A large part of work centred on facilitating the addition of new investment and pension fund managers and their business in the field of the depositary as regards current accounts, collection and payment management and the exchange and settlement of participants' transfers.

Notable within Cecabank's activity as a central operating service provider is the joint management of the accounts of the Social Security's Treasury Department to serve customers. Likewise, it continued to provide service for the Temporary Joint Venture business, started by different Spanish financial institutions and Cecabank itself to manage the treasury of Loterías y Apuestas del Estado (LAE), with thousands of LAE accounts open, where Cecabank is the only manager.

Cecabank worked very hard to maintain the AENOR UNE EN ISO 9001 quality certification for services of exchange, clearing and settlement of collection and payment transactions (transfers, direct debits, fund transfers and advance credit payments) and to obtain the UNE-ISO/IEC 27001 certification for the information security management system for SEPA operations. These certifications form part of the culture of continual improvement and quality of service which Cecabank believes in and which is reflected in its Strategic Plan.

03 Our Business Model

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The notable position of Cecabank in providing collection and payment services for banks and corporate clients, based on a model orientated towards constant innovation, maximum efficiency and the generation of added value, is ratified by it obtaining the certification for the Quality Management System, in compliance with Standards UNE-EN ISO 9001 and ISO 27001.



SI-0023/2015

ER-0023/2015

Since February and July 2015 the Payment and Clearing Systems department has had these quality certifications, thus complementing the ones it had already obtained for the Securities Services business, in accordance with Cecabank's Strategic Plan of achieving excellence in the management of its processes and services provided.

In 2015 J.P. Morgan-Chase's branch in Spain was added as a new client in the representation service in the SNCE and the service provided for BNP Paribas Securities Services was extended to include the processing of SEPA direct debits.

Main figures

December 2015

Cross-border exchange of cheques/Currency clearance

138,250 cheques processed

SWIFT messages exchanged

1,494,129 transactions processed with Cecabank's BIC

1,056,528 transactions processed with other BICs

Non-SEPA fund movement orders (TARGET / EBA)

220,094 transactions processed

2,265,152 nominal value (in million of euros)

Exchange of SEPA transactions (EBA and SNCE)

591,460,367 transactions processed

354,988 nominal value (in million of euros)

Exchange of traditional transactions in the scope of the SNCE

47,174,574 transactions processed

127,909 nominal value (in million of euros)

Discounted notes

3,690,257

Notes entering

6,971

Nominal value (in millions of euros)

259,217

Notes deposited

752 nominal value (in million of euros)

Outstanding guarantees granted

23

Transactions processed

8.94 nominal value (in million of euros)

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Banking Services Financial Reporting

Pyramid provides our clients with full integrated coverage of the entire reporting cycle. Consequently, it is an end-to-end service, which starts with the regulatory analysis stemming from the publication of a reporting requirement from a regulatory body and ends with the physical remittance of the files, once all the information requested has been constructed and validated.

The service is built on four major pillars:

- The analysis, interpretation and resolution of doubts related to any regulatory requirement which it is mandatory to report to the corresponding regulatory body.
- Cooperation with the Bank of Spain, with the active participation of working groups created to harmonize and standardize the new requirements.
- A technology platform, whose task is the provision at source of the information requirements requested by the regulator (the most detailed information), the construction and parametrization of the statements (aggregated information) and all its validation and reconciliation processes. It is a modular platform. It is fully adapted to the needs of the different user entities and completely aligned with the EBA and its Data Model Point.
- Help with the presentation of the information, as Cecabank has its own infrastructure for data exchange (remittance gateway with the Bank of Spain).

Activity during the year

In 2015 we fulfilled the commitments to our clients and made the development necessary to make it possible to report through Pyramid the new information requirements from national and European regulators which came into force during the year, such as the EBA's Funding Plans and Supervisory Benchmarking Portfolio, Bank of Spain Circular 8/2015 on contributions to the DGF and CNMV Circular 1/2010.

Moreover, the implementation of an action plan to minimize and improve incident management was successfully completed and, in December, we obtained the AENOR ISO 9001 certification, evidencing the quality of service.

All of this was possible thanks to the hard work and involvement of the team behind Pyramid and to the participation of our clients, through continual requests for improvements and their constructive ideas on the quality of service.

Main figures in 2015

December 2015

Total Pyramid

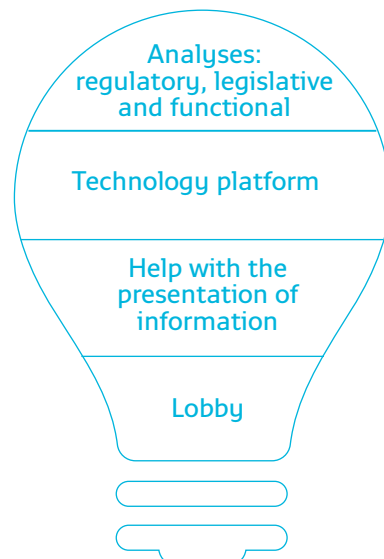
35 groups of entities as clients of the solution

51 user entities

Current clients

+28% in the course of 2015

Pillars of the reporting service



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Banking Services

Interview

Ana Isabel Amaro Fernández

Assistant Manager of the Analysis and Reporting Service

 [View interview online](#)

Cecabank's response to the increase in regulation



What was the balance of Pyramid in 2015?

Pyramid is Cecabank's technology platform for the Integrated Analysis and Reporting Service. It is integrated, not only because it covers the different stages of regulatory reporting (analysis of regulations and technological, functional and regulatory advisory services), but also because, through Pyramid, we aim to meet all our clients' reporting needs for the different regulators (Bank of Spain, CNMV, ECB). All of this forces us to be up to date, to anticipate their needs and to make constant developments aligned with the continual changes in regulations in very demanding markets.

Consequently, 2015 started with major challenges, Extremely complex regulations came into force, from both national regulators (phase II of CIRBE) and international regulators (Corep and Finrep) and these coincided with an action plan for major improvements and changes in our platform in order to reduce incidents and enhance its management capacity. And we had to balance all of this with the commercial targets in Cecabank's strategic plan, which were based on the consolidation of customer entities (contracting new modules) and on opening up the domestic market by adding new clients from outside our traditional scope. In 2015 we met the challenges successfully.

We have enabled our clients to report the new requirements in the time and manner established and we have implemented the improvement plan foreseen and managed to minimize our volume of incidents. This has been valued very positively by customers, as is shown in the substantially higher marks for our capacity to manage incidents in the evaluation surveys.

As regards sales targets, we have offered our customers new services and obtained ten new clients, amongst which is the subsidiary of a foreign entity which operates in Spain. This could help us to move into the international market in the future.

Lastly, the highlight of the year was obtaining the AENOR ISO 9001 certification.

In short, we could say that the balance for 2015 was very positive, thanks to the work of our internal and external team, which is behind Pyramid, the participation of our clients, through continual requests for improvements and their constructive

ideas on the quality of service and the close relations and collaboration of the working groups at the Bank of Spain.

How are financial institutions responding?

The response is very positive. They view the platform as a benchmark in the market and they value its integrity and its flexibility for adapting to the needs of every type of entity. They also appreciate the advantages of the collaborative approach to the projects being developed, both from the standpoint of cost distribution and because knowledge, experiences and solutions to problems are shared, etc. This is reflected in the fact that 50% of the financial sector currently contracts our services and our clients continue to increase and in the opinions given in the quality surveys and at the Focus Group interviewed in 2015. These opinions are extremely important to us, not only because they assess the service received but also because they give us ideas about how we can improve.

The ISO certification is a guarantee of quality which makes it easier for us to present our services and attract new clients.

You said that Pyramid has just obtained the AENOR ISO 9001 certification for the Management System. What does this mean for Cecabank or what does it contribute?

You don't just have to be good - you have to show that you are. The certification is proof of work well done and a bid for continual improvement. We have to realize that to meet the strategic objective of opening up our market to non-traditional clients, the ISO certification is a guarantee of quality which makes it easier for us to

present our services and attract new clients.

Moreover, the certification process helps you to detect weaknesses and to draw up measures in order to achieve excellence. I would encourage all Cecabank's managers who work with clients to seek certification.

Obviously, the process requires extra work and, at the beginning, it may seem to be arduous and complicated. It forces you to process, measure and control all the tasks performed, which may initially seem difficult to reconcile with your present workload, but we have the support of Cecabank's Quality Department, which is behind you throughout the process, not only with its advice and help in preparing the necessary documents, but also in controlling and managing the agenda so that the standards can be met in the timeframe established. Obtaining the ISO certification for Pyramid is a success shared with the Quality team.

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Banking Services Regulatory Consulting

Cecabank is a benchmark in the market for financial regulation consulting and advisory services and is notable for:

- Its capacity to anticipate new regulations,
- Its great specialization
- The support of its own tools, such as the www.normativafinanciera.com webpage (a database which provides daily updated versions of all the regulations applicable to Spanish banks and the regulatory projects in progress and other important corporate information).

The main lines of the Consulting and Advisory Service are:

Access to the financial regulations website (for subscribed users) which shows the Spanish, EU and international financial regulatory provisions and projects and interbank regulations (interbank rules, decisions, etc.).

Daily news service by e-mail on alerts and notices with new national and international regulations, classified into published regulations and non-regulatory projects.

Monthly publication of reports which summarize the effects of the main standards and projects published.

Publication of reports which describe the regulations of special importance and impact for banks. This report

is written when the regulation is published and is issued before the publication of the monthly outlook.

Activity during the year

In 2105 the following projects were developed:

- **Project for adapting to the MiFID 2/MiFIR, PRIIPS regulation.** A multi-annual project to identify the impacts and measures banks need to take to fulfil the new requirements related to investor protection, transparency and communication of operations, stemming from the MiFID and PRIIPS regulations for related retail investment products and insurance-based investment products.
- **Project for adapting to the CRS or Common Reporting Standard model.** Project to support banks so that they can fulfil the obligations of identifying the residence of financial account holders for the automatic exchange of information in the field of taxation.



Banking Services

International business

Foreign network

Its main functions are as follows:

✓ Cecabank branch in London

The branch centralizes a large volume of payments and collections between Spain and the United Kingdom and consolidates its service as a correspondent bank for British banks and banks from other European countries and the United States.

✓ Frankfurt representative office

This office covers Germany and Switzerland and is extremely important as it is at the heart of the European financial system, with the head offices of 63 German banks and 150 international banks in Frankfurt, besides the European Central Bank, the German Federal Bank and the German Stock Exchange.

✓ Paris representative office

This office covers France and Benelux, with a considerable increase in its relations and collaborations with institutions of the level of ESMA (European Securities and Markets Authority) and ESG (European Savings Bank Group).

✓ Subsidiaries

The Hong Kong subsidiary centralizes all the foreign trade operations in Asia for bank customers for whom it provides the service and ensures and guarantees this type of transaction, as a result of its long experience, and offers economic advantages which are on a par with local banks.

The network has a support team in Madrid which deals with the operating treatment of means of payment in foreign trade and international guarantees, pension agreements and immigrant remittances. It also has a Customer Service which specializes in resolving incidents and providing advice for pensioners, beneficiary entities in Spain, senders' correspondent banks and payer entities.

International business

Cecabank has an extensive worldwide network of correspondents, which enables it to send and receive payments in any currency to any part of the world. Cecabank has long experience in this field and a large number of collaboration agreements with banks throughout the world, as is shown by the 648 million collection and payment transactions conducted in 2015.



Banking Services

Bank Training School

The mission of the Bank Training School (BTS) is to train professionals from the financial sector who are capable of adapting their entities to the new economic and financial environment

- ✓ Training in regulation and legislation
- ✓ Financial training
- ✓ Management training (skills, leadership, languages)

The School organizes courses aimed at perfecting and developing organizations' management teams. It exploits the knowledge and talent of sector professionals, seeking excellence and bringing them up to European standards.

Novelties

- ✓ Professional qualifications for specialized Business
- ✓ Training programmes, to which the latest technology has been added
- ✓ Agreements with prestigious Spanish universities to promote quality in training programmes

Activity during the year

The present national and international economic situation has led to the transformation of the School, which has adapted to an increasingly changing environment, capitalizing on its more than forty years' experience in providing training in the financial sector.

Collaboration agreements

On an international level, with a view to expanding the School's activity, it has reached collaboration agreements with the Chambers of Commerce in Frankfurt. At the same time, it collaborated with the Directorate General for the Spanish Police Force to develop financial investigation and economic delinquency programmes. At the national level, it signed a collaboration agreement with Madrid's Universidad Carlos III for the certification of professionals from the financial sector.

Quality training

In 2015, the BTS organized three events, with 230 participants more interested in the quality of these events than in the number of them.

During the year, over 15,000 students were trained, with a total of 350,000 of training in the three fields of knowledge: regulatory, financial and management.

As occurred in previous years, the agreements to pass on contents to train banks' staff through its own platform continued.

Notable amongst the programmes developed are the 4th and 5th editions of the Expert Programme on Internal Auditing for banks.

Training for Directors and Senior Management

In 2015 the BTS ran several general and specific training programmes aimed at these groups at national and international financial institutions.

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Sector Certifications

A novelty in this type of programme was the Programme for Financial Advisors for Businesses, developed at the School and attended by professionals from Cecabank and elsewhere.

Training in 2015

Online

+15,000 students

350,000 hours of training

In-Company

+600

hours of training, distributed between different courses

5th Edition

Expert Programme on Internal Auditing for banks

Presencial

3 events

+230 participants

Banking Services

Foreign Exchange Office

Cecabank's Foreign Exchange Office buys and sells foreign banknotes to the public. It has some 40 currencies immediately available in all kinds of denominations and amounts, offers top quality banknotes at competitive prices and has long opening hours.