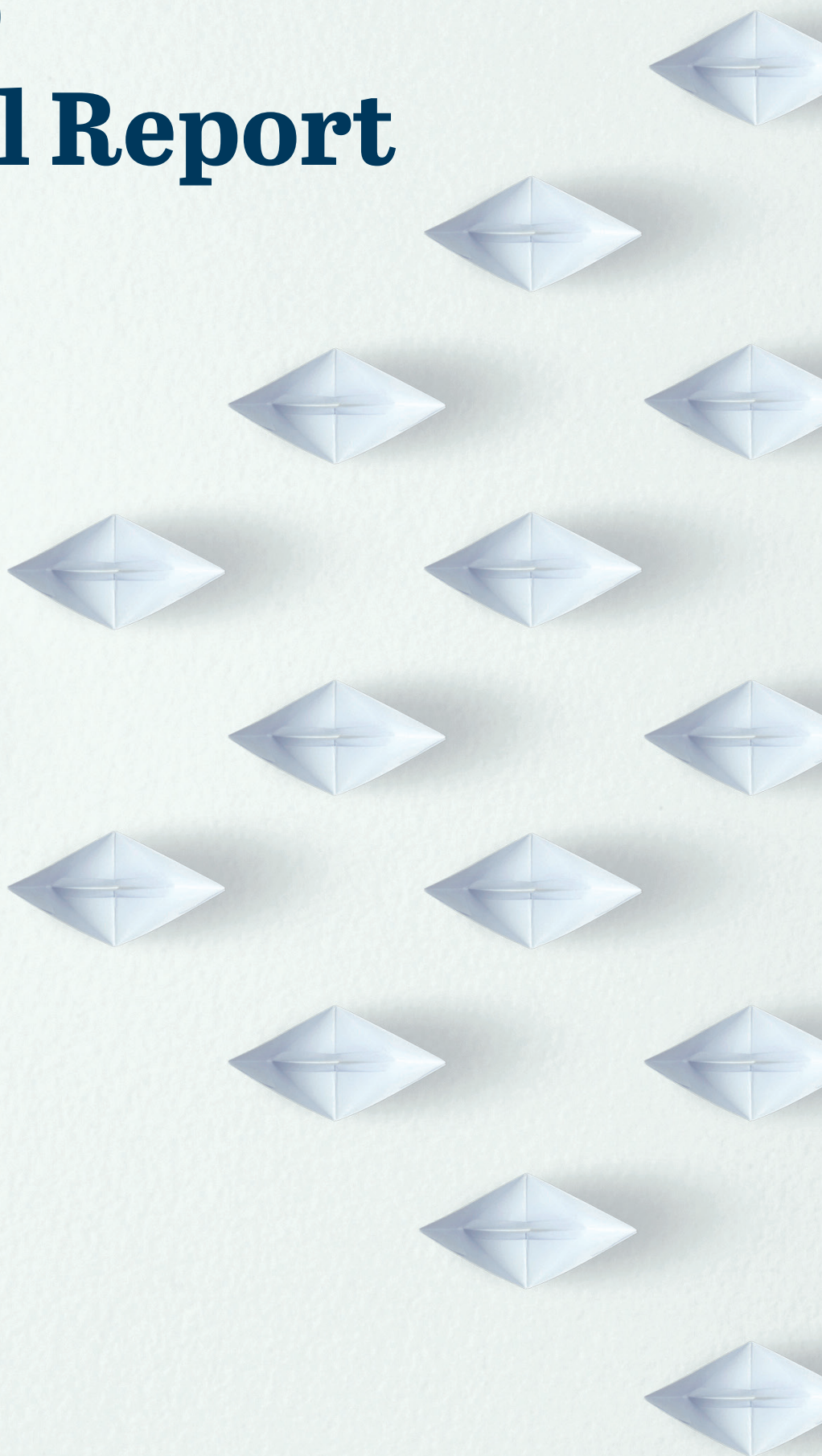
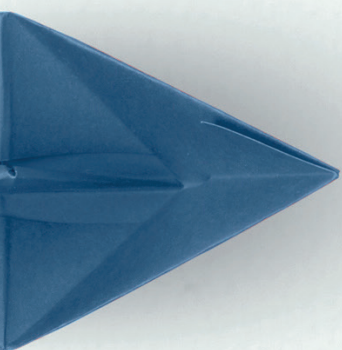


2016

Annual Report



2016 Annual Report



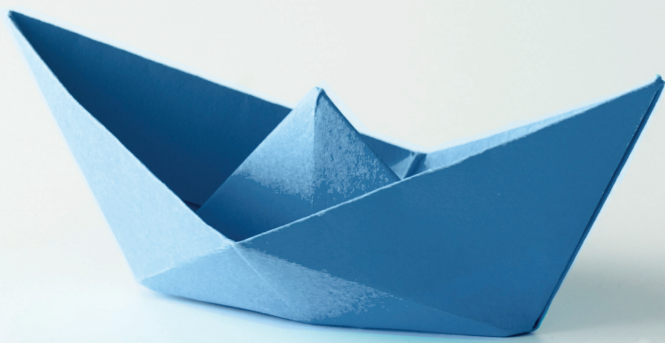
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01

About us

CECA is a banking association which transmits, defends and represents the interests of its member entities.



Letter of introduction



Isidro Fainé Casas
CECA Chairman

"CECA has taken on a renewal challenge, implementing a plan to improve our association's operations.

By doing so, CECA is taking one step further in its unceasing search to provide the best service in terms of our sector's interests."

In terms of the world economy, 2016 left behind a balance sheet with modest growth, but it also showed a growing resistance against the political shocks that have happened over the year. The three major political landmark events of the year; Brexit, Donald Trump's victory, and the negative result of Italy's constitutional reform referendum, had successively less of an impact on the world markets.

Growth over the course of the year went from less to more, with the second semester being bolstered by the recovery of the US economy, as well as some acceleration in growth from emerging economies. In this complex and uncertain international context, the Spanish economy closed 2016 with GDP growth of 3.2 per cent: around twice the Eurozone average.

This trend of moderate recovery in business operations and inflation at a global level is expected to continue into 2017, although forecasts are subject to high degrees of uncertainty, and increasingly so in the second half of the year. This is due to the fact that as from summer there is growing debate as to whether a potential recession could hit the United States in 2018, as well as the ever-more complicated position of the European Central Bank: both of which have the potential to become persistent causes of volatility.

Low returns have been a defining feature of 2016 for credit institutions as a whole across Europe. According to a European Banking Authority (EBA) transparency exercise, RoE stood at 5.7 per cent in June 2016: a figure significantly lower than the cost of capital on the market. Fundamentally, low profitability in banking is due to a narrowing of net interest income, in a context of low rates and reduced activity, as well as the accumulation of unprofitable assets on banks' balance sheets. The increase in solvency requirements and introduction of new requirements linked to promoting resolvability (absorbing losses, known as MREL) have put additional pressure on the sector.

The strides made by Spanish banks since 2008 in terms of a clean-up, recapitalisation, and consolidation, put them in a somewhat more favourable position than other banking systems under the Single Supervisory Mechanism framework.

Spanish institutions have continued to reinforce their solvency levels, resulting in a better capital ratio - with Common Equity Tier 1 capital (CET1) at 12.99 per cent in December 2016. However, this is still low when compared to the rest of the countries in the European Union. This highlights the importance of persevering in our efforts to represent the sector's interests to improve the comparability of RWAs across the different European jurisdictions.

CECA has taken on a renewal challenge, implementing a plan to improve our association's operations. By doing so, CECA is taking one step further in its unceasing search to provide the best service in terms of our sector's interests. This year we are putting a new associate forum plan into action, with the aim of simplifying the structure and making it more efficient.

As well as its internal forums, CECA is backed by the European Savings and Retail Banking Group (ESBG) and the World Savings and Retail Banking Institute (WSBI) to strengthen the sector it represents at a European and international level. It does this through active participation in various meetings with high level and expert representatives of different European authorities (ECB, the Commission, and the EBA among others).

There has been a high level of activity on the regulatory agenda in 2016, as has become the norm in recent years.

Nationally we have had some particularly important developments, such as the new provisions accounting framework, issues related to the 'floor clause', and recent fiscal reform.

The 'floor clause' has been the subject of a long debate which culminated at the start of the year, with the enactment of a new Royal Decree-Law seeking to prevent an excessive number of proceedings through a process of out-of-court rulings. The issue is particularly worrying due to its potential impact, added to other recent rulings which are beginning to shed doubt on other contractual aspects of mortgages. On average mortgages are for a term of 17 years, so any a posteriori modifications to fundamental elements such as clauses or costs must be approached with extreme caution. As such I see the announced in-depth reform of mortgage regulations to be paramount. The aim must be to clarify the rules of the game, allowing banks to continue performing their role as long-term property lenders.

Times have also been turbulent at an international level, in particular relating to Banking Union issues, with the Single Supervisory Mechanism and the Single Resolution Mechanism now in force.

In spite of the financial recovery mentioned before, the effects of the 2008 crisis continue, and have led to a persistent decline in the country's social situation. In this context, Obra Social projects continue to provide significant support, contributing to the well-being of society.

In 2016 we made over **730 million euros** available to the most disadvantaged sectors of the population, a figure that will be repeated in 2017's Budget for Social Action.

And our commitment to Spanish society isn't only reflected in our social investment: tax contributions from CECA member institutions are further evidence of this firm commitment.

The institutions represented by CECA only have "Spanish risk": they offer their services here, and they pay their taxes here. And it's not only about paying our own taxes - we also contribute through collecting taxes from third parties as a result of our economic activities and our functions as collaborating institutions with the tax authorities.

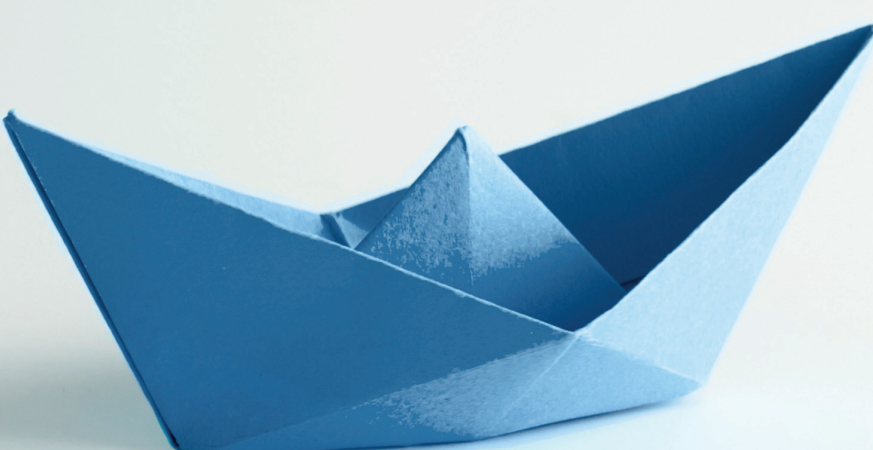
To measure the level of our contribution we carried out a study looking at the sum of overall tax contributions of CECA member institutions in 2016. This showed a contribution of approximately **4.866 billion euros**, of which **2.255 billion euros (46 per cent)** corresponded to input taxes and **2.611 billion euros (54 per cent)** corresponded to collected taxes.

This is a commitment to the country that fills us with pride.

Our Mission

CECA is a banking association which transmits, defends and represents the interests of its member entities, giving them advice and cementing their social mission, from the perspective of their financial activity, their Obra Social (social projects) and the exercise of their social responsibility.





Association

CECA is a member of the international associations representing the model of retail banking which gives priority to funding for families and SMEs



World Savings and Retail
Banking Institute



European Savings and
Retail Banking Group

ESBG Presidency

Since 12 June 2015, Isidro Fainé has held the presidency of ESBG

Regulation

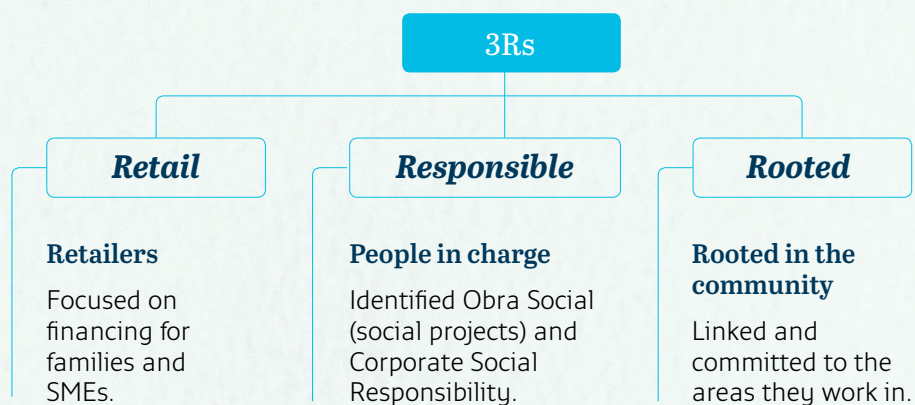
CECA is expressly regulated in additional clause 11 of Act 26/2013, of 27 December, on savings banks and banking foundations

Who we represent

CECA's present members include credit institutions and banking and (ordinary and banking) foundations, associated with the Savings sector.

CECA Entities

Since 1928 CECA has represented Spanish banking institutions belonging to the European Savings and Retail Banking Group (ESBG) and the World Savings and Retail Banking Institute (WSBI) which act according to the so-called 3 Rs which define all of the members of these associations:



The CECA-associated credit institutions are:

Market share
in deposits

38%
of the SFS



Total assets
800,136
MIL. €

33%
of the SFS

Average size of
the entities
84,858
MIL. €



Deposits
514,865
MIL. €

38%
of the SFS



Loans
508,670
MIL. €

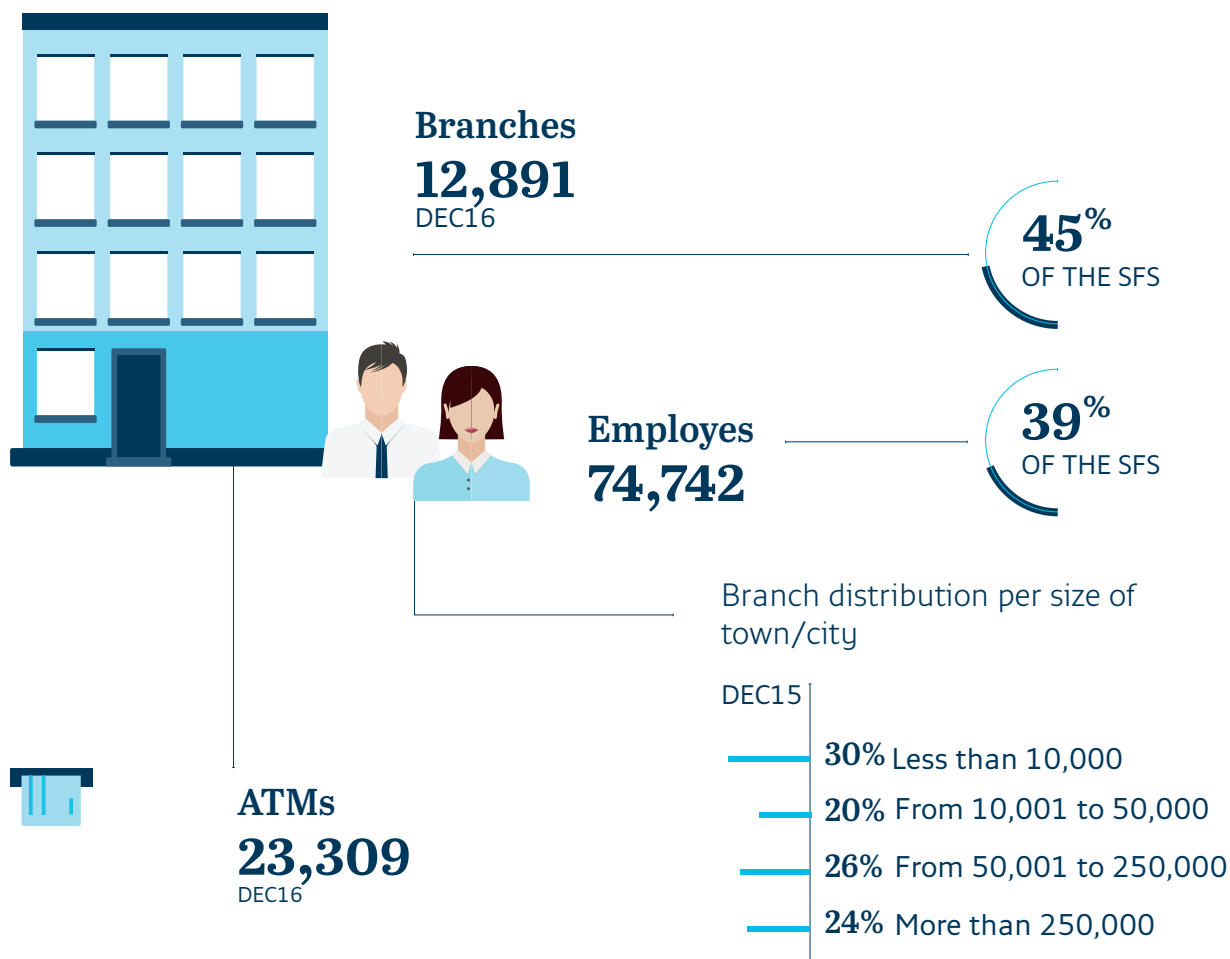
36%
of the SFS



Solvency. CET1

13.04%

SFS: Spanish Financial Sector



Efficiency

Administrative expenses necessary to generate 100 euros of gross income

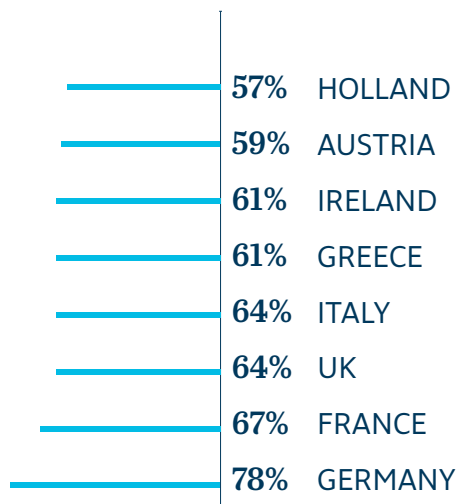
SOURCE: EBA

53%

SEP16



62% EU



Representation of companies associated with CECA.

11

Groups of credit
institutions

14

Banking
foundations

16

General
foundations

Credit institutions

The new credit institutions stemming from the restructuring process are represented on our Board of Directors: nine banks and two savings banks.

Credit institutions



CAIXABANK
www.caixabank.com



BANKIA
www.bankia.es



IBERCAJA BANCO
www.ibercaja.es



BMN
www.bmn.es



ABANCA
CORPORACIÓN
BANCARIA
www.abanca.com



KUTXABANK
www.kutxabank.es



UNICAJA BANCO
www.unicaja.es



LIBERBANK
www.liberbank.es



CAJASUR BANCO, SAU.
www.cajasur.es



BANCO CEISS
www.cajaespana.es



BANCO CASTILLA
LA MANCHA, S.A.
www.ccm.es



CAIXA ONTINYENT
www.caixaontinyent.es



CAIXA POLLENÇA
www.colonya.es



CECABANK
www.cecabank.es

Foundations

Both banking and ordinary foundations take part in the Foundations and Obra Social (Social Projects) Committee and attend the General Meeting.

Banking foundations

 FUNDACIÓN BANCARIA LA CAIXA www.fundacionbancarialacaixa.org	 FUNDACIÓN BANCARIA IBERCAJA www.fundacionbancariaibercaja.es	 FUNDACIÓN BANCARIA KUTXA www.kutxa.eus	 FUNDACIÓN BANCARIA BILBAO BIZKAIA KUTXA www.bbk.eus	 FUNDACIÓN BANCARIA CAJA DE BURGOS www.cajadeburgos.es
 FUNDACIÓN BANCARIA UNICAJA www.fundacionbancariaunicaja.es	 FUNDACIÓN BANCARIA VITAL KUTXA vital.kutxabank.es	 FUNDACIÓN BANCARIA CAJASTUR www.fundacioncajastur.es	 FUNDACIÓN BANCARIA CAJA DE EXTREMADURA www.fundacioncajaextremadura.es	 FUNDACIÓN BANCARIA CASYC www.fundacioncajacobabria.es
 FUNDACIÓN BANCARIA CAJACÍRCULO www.fundacioncajacirculo.com	 FUNDACIÓN BANCARIA CAJACANARIAS www.cajacanarias.com	 FUNDACIÓN BANCARIA CCM www.fundacioncajastillalamancha.es	 FUNDACIÓN BANCARIA CAJANAVARRA www.fundacioncajanavarra.es	

General foundations

 CAJAGRANADA FUNDACIÓN www.cajagranadafundacion.es	 FUNDACIÓN CAJA RIOJA www.fundacion-cajarioja.es	 FUNDACIÓN MONTEMADRID www.fundacionmontemadrid.es	 FUNDACIÓN CANARIA LA CAJA INSULAR www.lacajadecanarias.es
 FUNDACIÓN BANCAJA www.fundacionbancaja.es	 AFUNDACIÓN www.afundacion.org	 FUNDACIÓN PINNAE www.pinnae.cat	 FUNDACIÓN CAI www.fundacioncai.es
 FUNDACIÓN CAJA MEDITERRÁNEO www.cajamediterraneo.es	 FUNDACIÓN CAJA DE ÁVILA www.fundacioncajadeavila.es	 FUNDACIÓN CAJASOL www.cajasol.com	 FUNDACIÓN CAJA DE BADAJOZ www.fundacioncajabadajoz.es
 FUNDACIÓN CAJAMURCIA www.fundacioncajamurcia.es	 FUNDACIÓ CAIXA DE BALEARS www.obrasocialsanostra.com/es	 FUNDACIÓN CAJA SEGOVIA www.fundacioncajasegovia.es	 FUNDACIÓN ESPAÑA-DUERO www.fundacionespana-duero.org

Governance

General Meeting

The members of CECA's General Assembly represent the general interests of savings and savers.



The General Assembly, formed by representatives of CECA's member entities, is the most important governing and decision-making body. In their activities members will always take into account the general interests of savings and savers.

Function

Amongst other functions established in the articles of association, the General Meeting defines the outlines of the entity's action plan every year, appoints the members of the Board of Directors, confirms the appointment of the Chief Executive Officer, at the proposal of the Board of Directors, and approves the annual accounts and the distribution of profit for CECA's own purposes.

The General Meeting holds one ordinary session every year within the legal period. It also has extraordinary meetings whenever called by the Board of Directors, or with the agreement of representatives designated by savings banks and other entities associated with CECA, representing at least one tenth of the votes attributable to total member entities

Meetings

The General Meeting holds one ordinary session every year within the legal period. It also has extraordinary meetings whenever called by the Board of Directors, or with the agreement of representatives designated by savings banks and other entities associated with CECA, representing at least one tenth of the votes attributable to total member entities.

In 2016 the General Meeting met at an ordinary session on 22 March.

Prior to the Ordinary General Meeting, representatives of the entities were provided with, among other things, the consolidated and individual annual accounts and management report for financial year 2015, as well as the budget settlement for 2015 and proposal for 2016's Obra Social (FUNCAS), CECA's budget and strategic objectives for 2016, membership fees for 2016, and proposed nominations to be submitted to the Assembly for approval.

Agreements

The Key agreements introduced by the General Assembly in 2016 are as follows:

- 1 Approval of CECA's consolidated and individual annual accounts (balance sheet, income statement, statement of changes in equity, cash flow statement, the management report and the distribution of profits for the Confederation's purposes, as well as the management of the Board of Directors, all corresponding to the 2015 financial year.
- 2 Settlement of the budget for the Obra Benéfico- Social (OBS) [Social and Charity Projects] for the 2015 financial year and the SCP budget for 2016.

Board of Directors

The Board of Directors administers, manages and represents CECA

Composition of the
Board of Directors as at
31 December 2016.

Chairman

Isidro
Fainé Casas

Vice-chairs

Amado
Franco Lahoz

José Ignacio
Goirigolzarri Tellaache

Braulio
Medel Cámara

Gregorio
Villalabeitia Galarraga

Secretary

Carlos
Egea Krauel

Members

Manuel
Menéndez Menéndez

Josep A.
Cifre Rodríguez

Antonio
Carbonell Tatay

Juan Carlos
Escotet Rodríguez

Function

The Board of Directors administers, manages and represents CECA. Thus, it is the body responsible for the institution's governance and administration function and for representing it in all matters related to its trade and to lawsuits, with the powers expressly conferred upon it to this end.

The Board of Directors comprises the number of members designated by the General Meeting, which may be no less than five and no more than fifteen.

Proposals

The proposals of Board members will be presented by the savings banks and the savings bank groups and the appointments will only go to people who represent the savings banks and other member entities. However, associated entities will be able to promote Presidents of CECA associates as Members of the Board of Directors.

Meetings

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

In 2016, the Board of Directors met on eleven occasions, at the Chairman's initiative. The Chief Executive Officer and the entity's secretary, who acted as the non-director vice secretary, attended the Board meetings, without voice or vote.

Executive Committee

CECA's Board of Directors may delegate their powers to the Executive Committee, with the exception of the powers related to submitting proposals to the General Meeting and the powers specially delegated to the Board, unless it is expressly authorized to do so.

CECA's Executive Committee is made up of the chairman, the vice chairmen, and the secretary to the Board of Directors.

Composition of CECA's Executive Committee as of 31 December 2016.

Isidro Fainé Casas

Amado Franco Lahoz

José Ignacio
Goirigolzarri Tellaeche

Braulio
Medel Cámara

Gregorio Villalabeitia
Galarraga

Carlos Egea Krauel

Foundations and Social Projects Committee

This is the main forum for exchanging experiences, cooperation and research in relation to social projects. This body is advisory by nature and is linked to CECA's own Obra Social, the Fundación de Cajas de Ahorros (Funcas) [Savings Banks Foundation].

In 2016 the Foundations and Obra Social Committee met on one occasion on 22 March.

Functions

The functions of the Foundations and Obra Social Committee are:

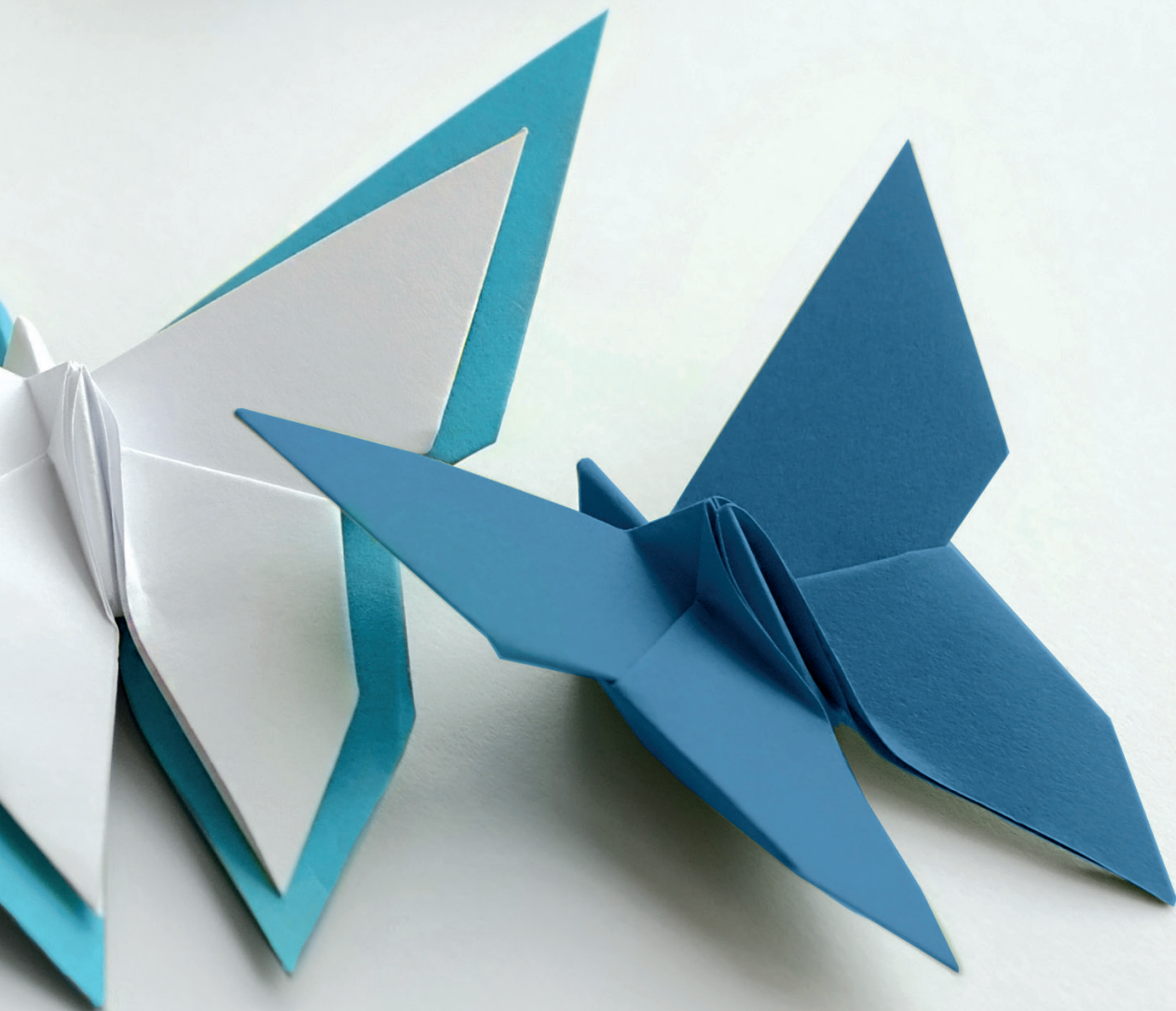
- 1 To advise the Board of Directors on matters put forward to them in relation to the savings banks', banking foundations' and ordinary foundations' Obras Sociales related to members.
- 2 To serve as a forum for the exchange of experiences, cooperation, and research related to or affected by issues associated with Obra Social. This committee also has an executive body, the Foundations and Obra Social Executive Committee, which develops and implements the decisions made.



02

What we do

A responsible sustainable business approach which contributes to social development, through our financial activity and social projects.



Areas of activity

Our activity is divided into four main areas.





Institutional representation

Through this, CECA defends its members' interests in national and international forums.



Economic and Regulatory Analysis

CECA does exhaustive work on monitoring the regulations of the all the fields which could potentially have an impact on its members. In addition, it conducts economic studies of interest to its members.



Social Investment

One of the principal hallmarks of CECA's member entities is conducting their activities in a responsible manner. The association disseminates and promotes the Social Project and Corporate Social Responsibility from the perspective of the sector.



Worker Representation

The aim of CECA, as the employers' association for savings banks and institutions, is to represent the associated institutions that are bound by the Savings Banks and Financial Institutions Collective Agreement.



Institutional representation

As regards Institutional Representation, CECA is present on a number of national and international forums, where it acts in representation of the interests of its member entities, based on the objectives established in its articles of association.



Monitoring of the regulatory agenda

The consolidation of the Banking Union has led CECA to strengthen its relations with the **European Central Bank** and the **European Banking Authority**. With respect to this, CECA maintains Cecabank's office in Frankfurt, where the European Single Supervisory Mechanism is established. CECA places the office at its members' disposal and also promotes its lobbies and networking from there.

Isidro Fainé president of the ESBG

The **European Savings Banks Group (ESBG) Presidents' Committee and Management Board**, led by its President Isidro Fainé, has kept up an intense programme of high-level meetings **with international financial authorities**, to debate on the most significant regulatory issues for the European retail banking sector.



On 17 and 18 November last year CECA headquarters in Madrid hosted the meetings of these two bodies. Attending were leaders of European savings and retail banks, there to debate the associations' internal matters and review the key regulatory issues the ESBG lobbies for at a European level. It was also attended by important figures such as **Fernando Restoy** (FSI Chairman); **Juan Manuel Vega** (GAFI Chairman); and **José María Fernández** (Director General of the Treasury of the Ministry of Economy, Industry and Competitiveness, and Member of the Board of Directors at the European Investment Bank).

CECA is on all of the ESBG's **committees and working groups** (and is President of the Board of Directors and Prudential and Supervision Committee) and has played an active role in preparing joint positions relating to the current political and regulatory situation.

Meetings of the IMF and the World Bank

CECA sponsors the reception which the ESBG and the WSBI organise every year for the **meetings of the IMF and the World Bank**, which in 2016 were held in Lima in October. Authorities and institutions from around the world are invited to this event, which is a meeting point and a reference for the retail banking sector.

The most important regulatory issues for retail banking in Europe and worldwide are discussed at these meetings.

Financial Meeting

Moreover, CECA works in close collaboration with the EBA on joint projects, such as organising the fourth Financial Meeting last January. **Román Escolano**, Vice-President of the European Investment Bank, took part in the event, sharing with banking industry managers the priorities this important institution has in the current European climate, especially in terms of helping to boost employment and growth in the European Union (EU).

The annual Financial Meetings aim to be an open forum in which both the banking industry and all its interest groups can take part.

International Summer Forum

CECA supports activities to strengthen the savings and retail banking sector being carried out at a European and international level through the ESBG/WSBI. In this vein they jointly organised the **International ESBG Summer Forum**, held on 15 and 16 September in Málaga with the title "Leveraging the SME Business".

Executive directors - including CEOs - of WSBI member entities from 10 different countries took part in the event.



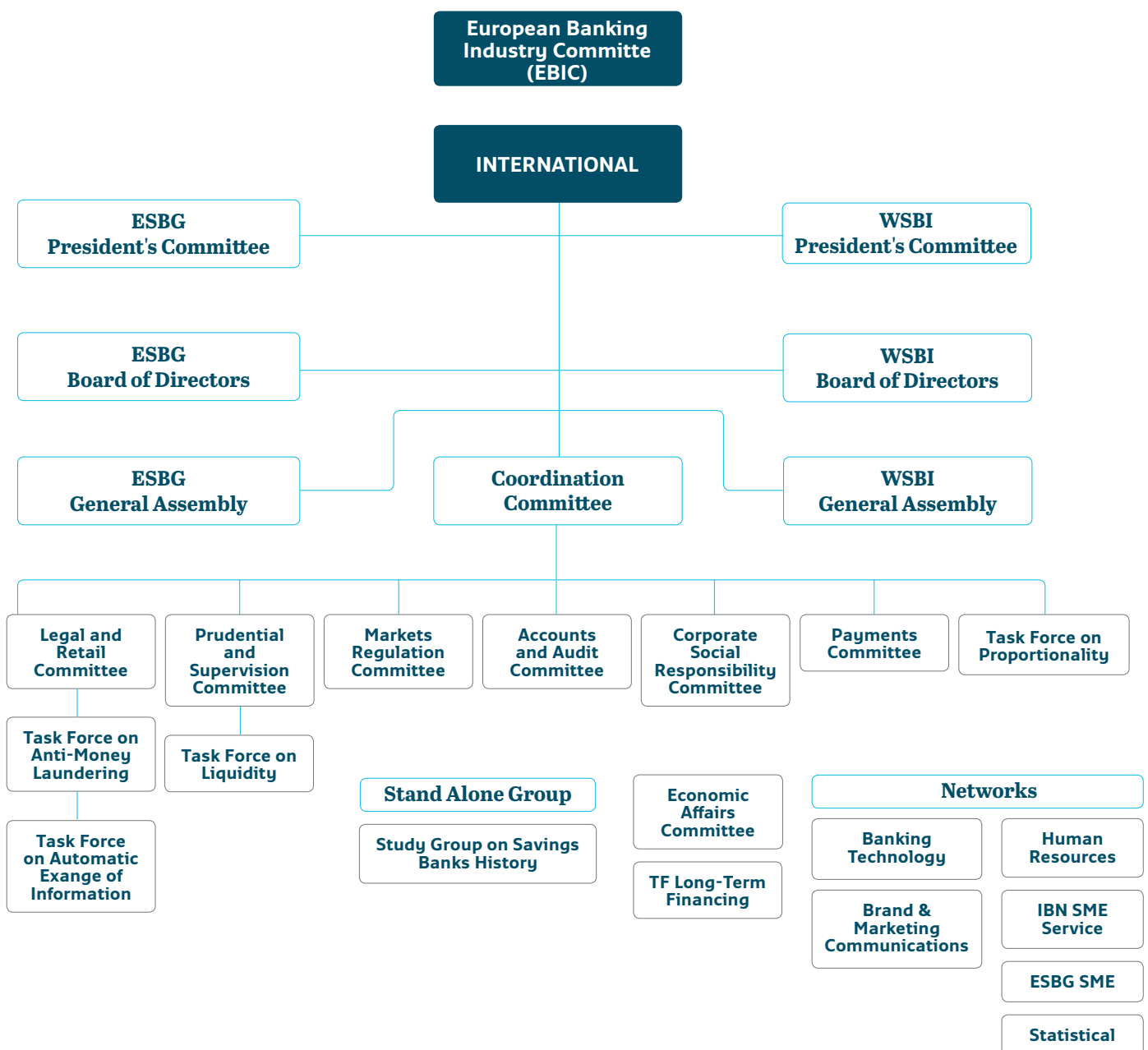


External forums

National and international forums where CECA was present in representation of its member entities in 2016.

International

Official bodies



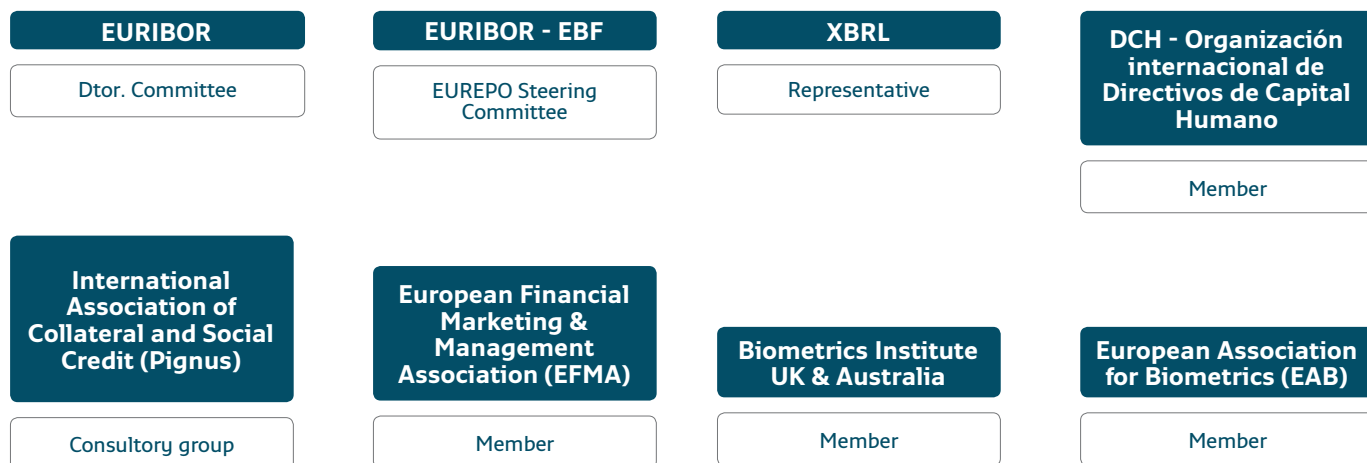
02

What we do

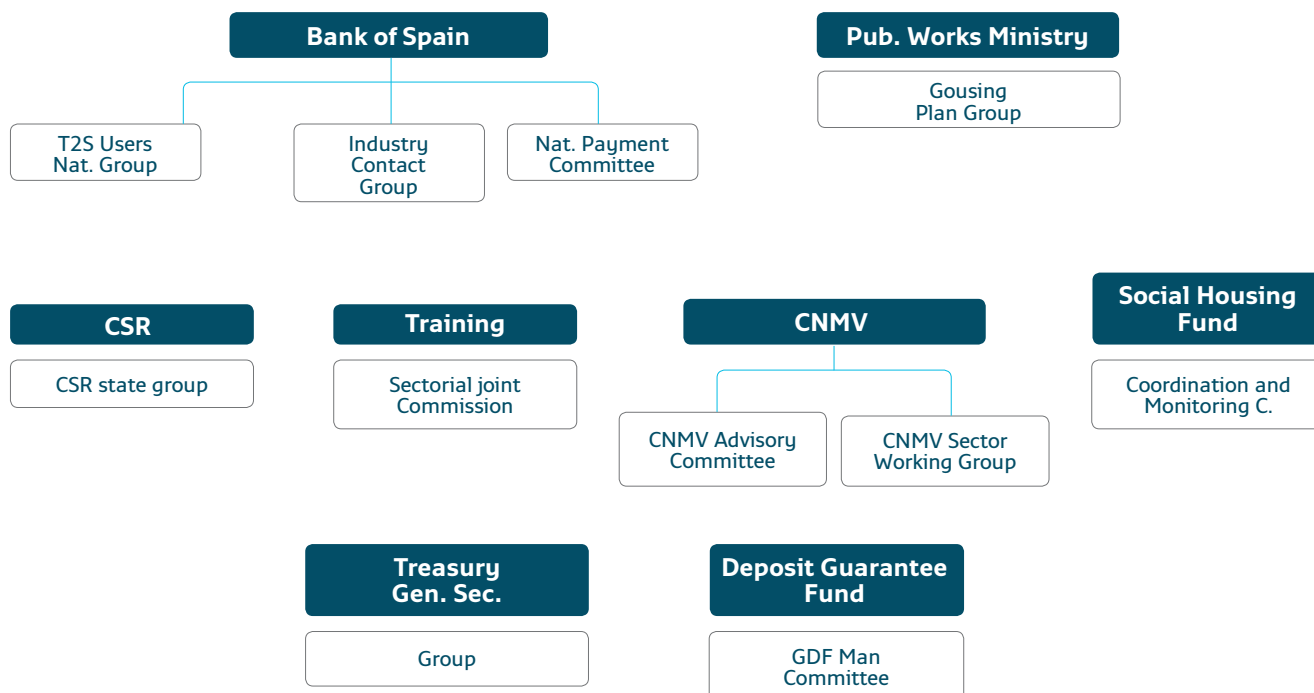
Areas of activity | Institutional representation | [External forums](#)



Other forums

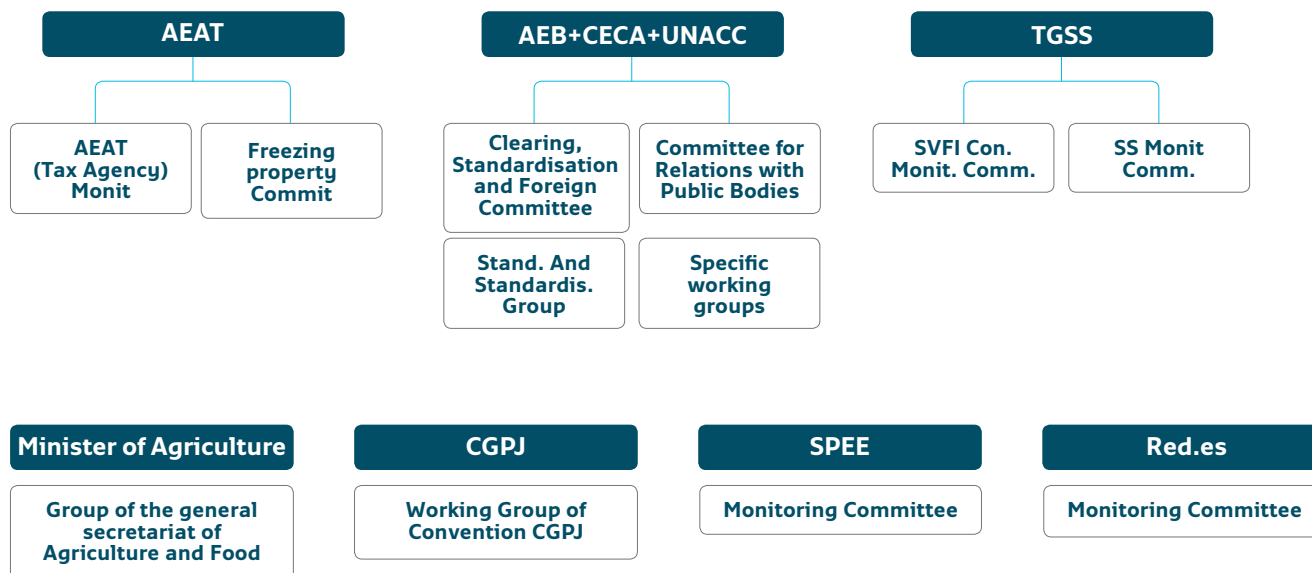


National Official Bodies

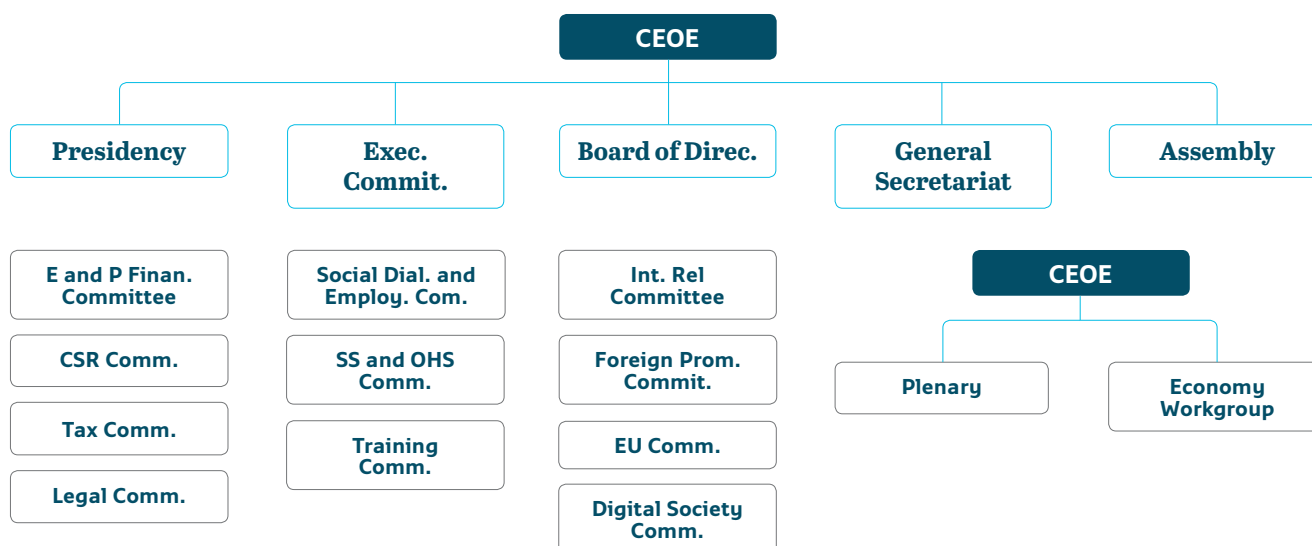




National Administration

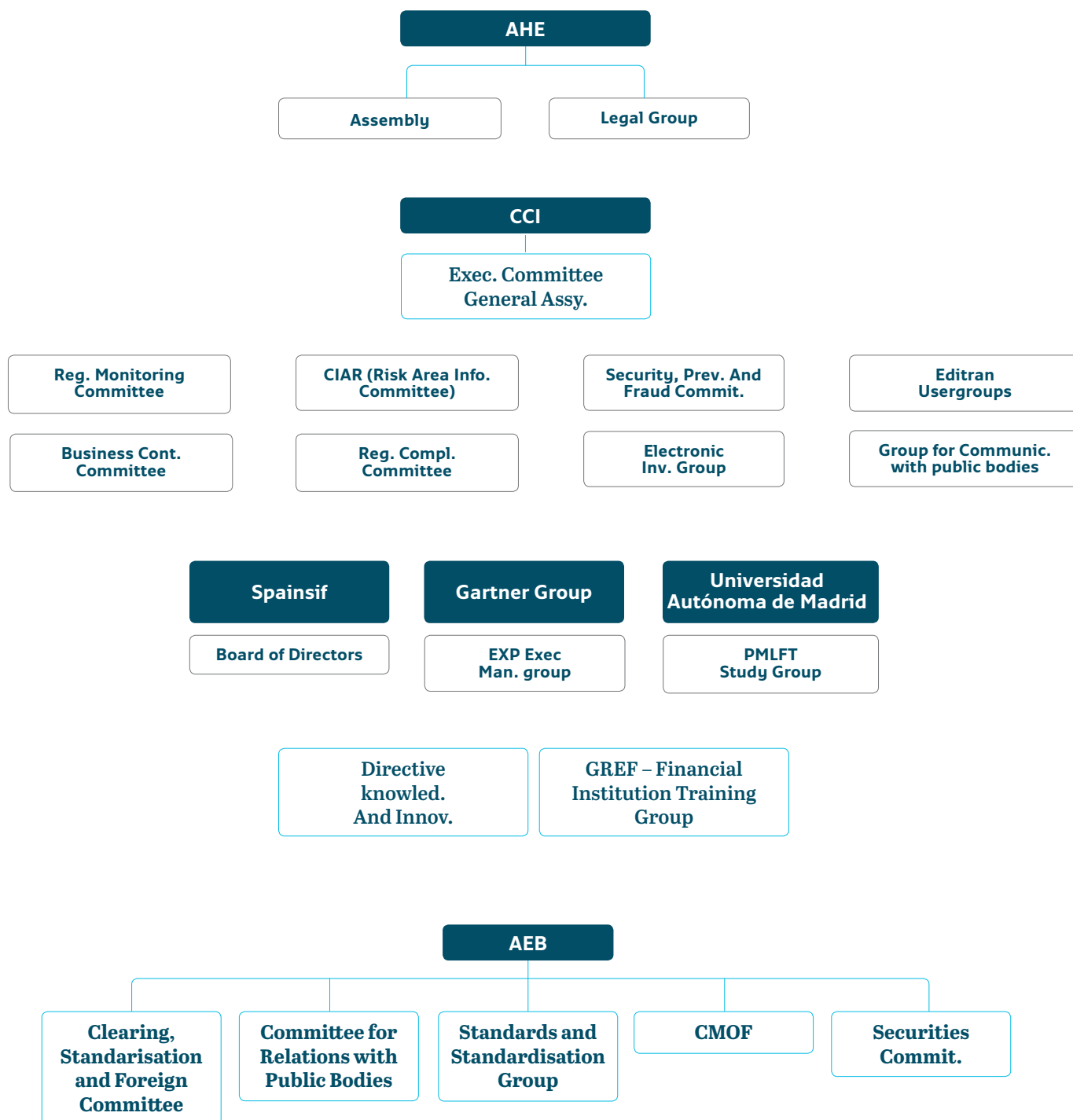


Other Organisations





Other Organisations





Internal forums

CECA's activity with its member entities is structured through a series of **councils, committees and working groups** in which all the interested entities take part. As from 2016 the structure has been organised through the Coordinating Committee, a body set up by the Board of Directors.



*The committees and work groups have developed innovation projects aimed at **maximising the efficiency of member entities** in the technology, operations, regulatory and payment spheres **exchange and dissemination of knowledge on best practices**.*

The committees and work groups have developed innovation projects aimed at **maximising the efficiency of member entities** in the technology, operations, regulatory and payment spheres. The **exchange and dissemination of knowledge on the best Spanish and foreign practices and experiences** were furthermore fomented.

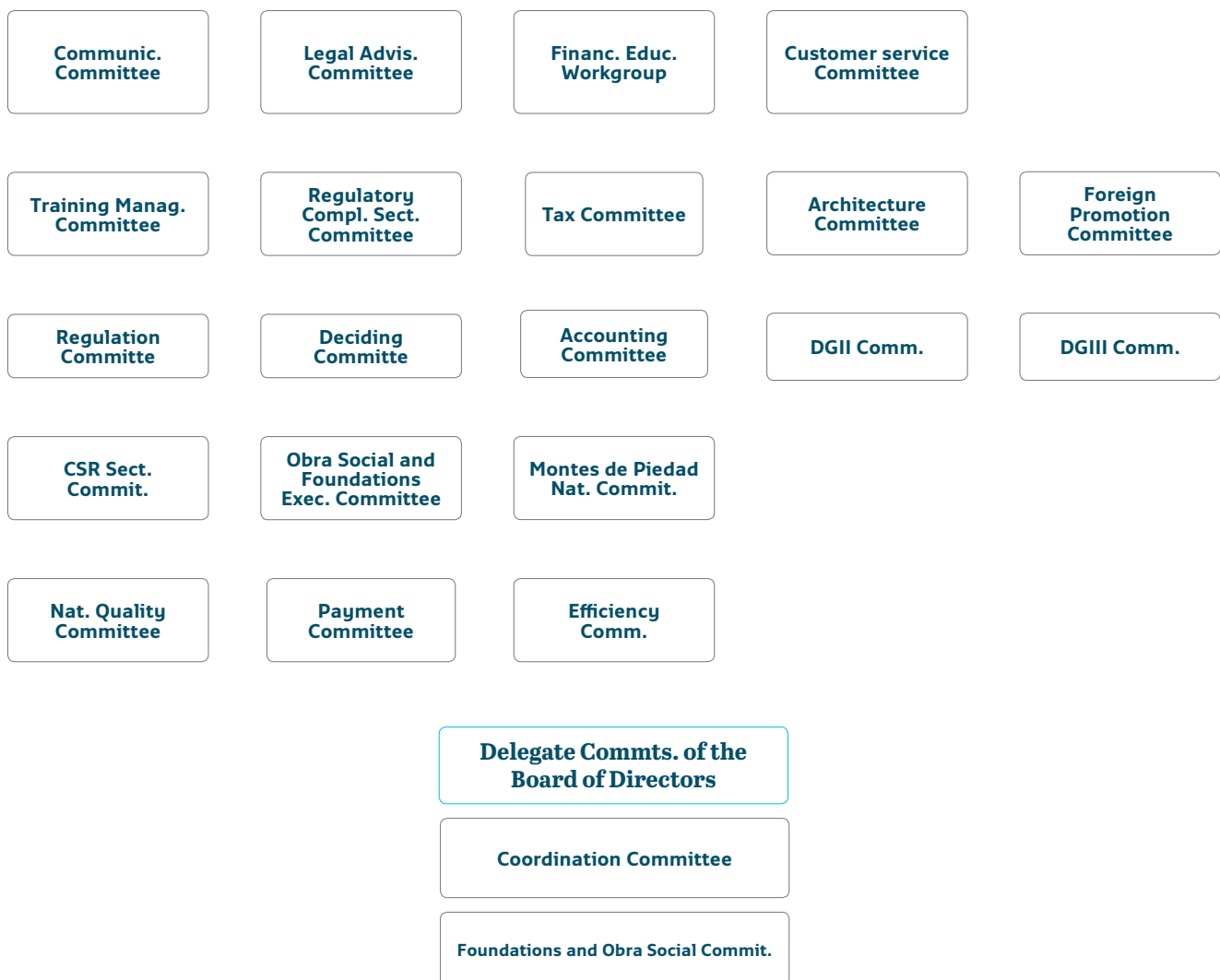
From a collaborative perspective, activities centred around two major lines of action: firstly, to help associates with the **interpretation and analysis of the impact of the main regulations** in force (such as FINREP, MiFID II, etc); secondly, to carry out work researching, anticipating, and analysing financial institutions' **digital transformation processes**, for example: through the analysis of potential threats deriving from new entrants to the market (fintechs); producing a white paper on new disruptive technologies (such as Blockchain); and designing and developing assessment methods to optimise skills in the field of cyber security.



In terms of defending common interests, the focus has been on three key concepts: keeping a **single and direct channel with the main supervisors** (on subjects such as CIRBE, enterprise development law, etc); optimising and making efficient the relationship between associates and **Public Administrations** (promoting the development of telematic channels, standardising collections processes, etc.); coordinating the **sector's activities in the field of payments and transactions**, at both a national and European level (PSD2, IFR, PAD, Digital Single Market, etc.).

In terms of CECA's work in institutional representation, the association is working on activities to promote its associates' activities. To do so, we have the Revista Ahorro magazine, which includes reports on banking and financial news as well as new developments from members. Through our social channels we highlight members' news from the networks, generating the Obra Social newspaper.

Internal forums





Economic and Regulatory Analysis

Economic Analysis

CECA is entrusted with the publication of the public financial statements of all its member entities.

CECA monitors the domestic and international economic situation on a regular basis. It also compiles and analyses the financial information for the sector and the financial system as a whole for its member entities. After the information has been aggregated and analysed, it is sent to member entities in the form of several regular reports:

Regular reports

Economic and Financial Report	Consolidated Results Report	Subject Reports	Studies	Financial information flashes	Statistical Reports by Sector
			Solvency Report Property Interest Margins Others		

Moreover, CECA is entrusted with the publication of the public financial statements for every one of its member entities, both for individual companies and consolidated groups. It performs this task through its corporate webpage.

Over the course of 2016, CECA's Research Department has worked on special follow-up reports on the following themes:

The "Economic and Financial Report produced monthly by CECA's Research Department gathers together analysis on developments in the retail activities of Spanish deposit institutions, particularly developments in credit, deposits, and off-balance sheet resources.

📌 Developments in retail banking

In the "Economic and Financial Report" produced monthly by CECA's Research Department of Studies we gather together analysis on developments in the retail activities of Spanish deposit institutions, particularly developments in credit, deposits, and off-balance sheet resources. It also produces reports on other subject, including a highlight, produced in April, entitled "Analysis of credit to the private sector" which details the recent distribution and development of credit, from a perspective of the creditor, sector, and business size, as well as developments in credit quality.

Spanish deposit institutions' retail activity has maintained steady growth over the course of 2016, although the economic recovery has meant a continuation of the trend in reduced doubtful and refinanced assets held on institutions' balance sheets.

The balance of bank loans continued to drop throughout 2016, decreasing by -3.2 per cent year-on-year in November, compared with -4.4 per cent over the same period in the previous year. This decrease was fundamentally due to the lesser fall in the amount of home lending supported by dynamism in consumer credit, whilst business loans have maintained a steady decrease of around -5 per cent.

**Bank loan balance****-3.20%**

DECLINE

Credit to companies**-5.00%**

DECREASE

Consumer credit**30.00%**

INCREASE

Retail liabilities progression rate**3.00%**

YEAR-ON-YEAR

Investment funds equity**234,000**

MIL. €

The Research Department produces a quarterly “Report on CECA sector results” in which it analyses the key figures from associates’ aggregated results.

In a context of steady activity and low interest rates, CECA sector’s consolidated results decreased by 9 per cent in the first nine months of the year compared with the same period for 2015.

The deleveraging of the private sector was compatible with an increase in new funding granted to the retail sector in 2016, but the pace of new loans was somewhat slower than in 2015. Taking into account accumulated data from January to November 2016, new loans to SMEs and properties grew at steady rates, whilst loans to consumers stayed at a pace close to 30 per cent year-on-year. Furthermore, finance to larger companies declined in 2016, reflecting the companies’ preference for financing themselves with negotiable debt securities to the detriment of banking credit, in a context of the cheapening of the relative cost of fixed-income issues brought about by an expansion of the ECB’s asset purchase programme to include corporate debt instruments.

In terms of acquiring retail liabilities, household and business deposits have shown a moderate upward trend since the start of the year, reaching progression rates close to 3 per cent year-on-year in November. In spite of low interest rates on deposits, reduced yields of alternative products and the notable volatility of the stock markets have brought about a modest recovery, concentrated around an increase in on-demand deposits.

Market instability, especially in the first quarter of the year, and immediately after Brexit, has led to moderate growth of off-balance sheet resources in 2016, especially in investment funds. In spite of this, investment funds equity had gone up to 234 billion euros by the end of 2016, making this the fourth consecutive year of an increase in investment fund equity.

2 Aggregated results of CECA associated institutions

The Research Department produces a quarterly “Report on CECA sector results” in which it analyses key figures from associates’ aggregated results. In April it also produced a report on individual results, analysing each company’s income statement and comparing each one with the sector’s aggregated results.

In a context of steady activity and low interest rates, CECA sector’s consolidated results decreased by 9 per cent in the first nine months of the year compared with the same period in 2015. The results were characterised by a squeeze in operating income, principally net interest income and profits from financial transactions, which was compensated by a fall in operating costs and write-offs in particular, leading to an increase in operating profit over the period.

As for net interest income, this had gone down by 12 per cent compared with the same period in 2015 as a result of a drop in the Euribor rate and the repercussions on the credit portfolio due to less profitability in the fixed-income portfolio. Net fees decreased by 3 per cent year-on-year with variation in results among different entities. In general, institutions have seen a reduction in income from fees for securities services and an increase in income stemming from marketing financial products over the course of 2016.

Lower capital gains due to the change in fixed income portfolios was the main cause of financial transaction profits decreasing by 26 per cent year-on-year. In terms of income from the equities portfolio, dividends kept up a positive trend whilst investee profits were down by 14 per cent compared with the 2015 figure.

The widespread policy of cost restraints across sector institutions has led to a 9% fall in operating costs over the period, focused mainly on a decrease in staff costs. The



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The “Report on the EBA transparency exercise”, with a focus on analysing credit risk, showed a high level of dispersion in RWA density by countries.

greatest contraction of expenses comes from provisions made in 2016, showing a 43 per cent fall year-on-year thanks to continuous improvements in asset quality.

As a consequence of spending restraints being higher than the reduction of income the operating profit increased by 13 per cent year-on-year. However, in 2015 extraordinary gains of a significant amount were made, which have not been recorded in 2016, explaining the reduction in the consolidated results in the year-on-year comparison.

3 Analysis of banking business in comparison with the EU

Over the course of 2016, CECA's Research Department produced several subject reports in line with the new line of comparative analysis with the EU.

In January it produced a “**Report on the EBA's transparency exercise**”, with a focus on analysing credit risk. The report, using data from June 2015, showed a high level of dispersion in RWA density by country, in particular:

- 1 Looking at aggregated data, Sweden, Belgium, Denmark, Holland and Germany presented densities lower than 30 per cent, whereas in Portugal, Austria, Spain (43 per cent) and Italy, levels were in excess of 40 per cent.
- 2 For EBA institutions as a whole, density levels spanned a range of between 10 and 80 percent, whilst the range for Spanish institutions went from 30 - 60 per cent.
- 3 A number of factors account for these differences, such as the portfolio composition risk exposure, the credit quality of assets held in the portfolio, as well as different risk management methods and IRB models.
- 4 The report showed that institutions with less weighting of low-default assets on their portfolios - institutions, Public Administrations, and Central Banks, higher levels of default, and greater activities in terms of IRB, are those which present greater RWA density.

In May the department produced the “**ECB Benchmarking**” report, which introduced a method of selecting 'peers' or European entities under the SSM framework comparable to medium-sized Spanish companies. Thus, using size as a selection criteria (total volume of assets from 30-75 billion euros) as well as business model (activities centred on commercial banking; retail emphasis, and a similar risk profile) 11 European credit institutions were selected which were comparable with medium-sized Spanish institutions, distributed as follows: 4 Italian; 2 Irish; 2 Greek; 1 Portuguese; 1 German, and 1 Dutch.

The results of the benchmarking exercise made clear that Spanish institutions are at an intermediate level in terms of solvency as well as profitability (measured as profit on total assets).

Lastly, in November and facing unease in terms of low levels of return in European banking, the Research Department produced a report entitled “**Comparative analysis of the profitability of credit institutions in the EU**” analysing profitability in Europe and possible levers for improvement.

In terms of return on own funds in the main countries analysed to 2015, the report



The “ECB Benchmarking” report introduced a method of selecting ‘peers’ or European entities under the SSM framework comparable to medium-sized Spanish companies.

A report entitled “Comparative analysis of the profitability of credit institutions in the EU” analysed comparative profitability across Europe and potential levers for improvement.

shows that:

- ❶ The Spanish system is at an intermediate position (6.6 per cent), slightly under the French and Irish (6.8 per cent) and Dutch (7.1 per cent).
- ❷ The lowest returns are found in the Portuguese (0.9%), German (1.7 per cent), Italian (3.1 per cent) and British (3.2 per cent) systems.
- ❸ Of the systems analysed, only Belgium and Sweden had returns (10.3 per cent and 11.2 per cent respectively) higher than the cost of equity, estimated at 10 per cent.

In terms of potential levers for improving returns the following were of note:

- ❶ Increasing income from fees: in a context in which net interest income is reducing, increasing income from fees can be a springboard to improve returns in countries such as Spain, Holland, and Ireland, where the proportion of income from commissions compared with total operating income is lower than the EU average.
- ❷ Improving efficiency: in countries such as Germany and Italy, with some low levels of return and efficiency, enough of a margin is accounted for to improve efficiency through the rationalisation of offices or banking process consolidation.
- ❸ Reducing the cost of risk in countries as a Portugal and Italy, and Spain to a certain extent, the amount of losses due to the deterioration of assets still leads to significant weakening of the income statement, and as such leveraging unprofitable assets represents a fundamental lever for improving profitability.



Regulatory Analysis

Monitoring the current regulatory situation is essential for representing members' interests.

2016 continued to be marked by intense regulatory activity, bringing major changes to the financial sector. CECA carried out continuous monitoring of the various regulatory initiatives with the greatest impact on its member entities. To perform this task CECA publishes

1

Regulatory Panorama, that summarises the most salient points on both the national and international agenda, published monthly, with additional special issues when a particularly relevant issue comes up. It is also available to its own institutions and the general public, the latter by subscription.

2

Database of **Financial Regulations**, that gathers together financial directives and regulatory provisions.

3

It also produces a monthly report on developments in the sector, called "**Financial and Regulatory Developments of the CECA Sector**", which it sends to key national and international players.

Financial Regulations Database

1998

Database
of financial regulations

www.normativafinanciera.com



Restricted website. It is available to our member entities, and to the general public through a subscription service.



It includes daily updated versions of all the regulations applicable to credit institutions and regulation projects



Financial content

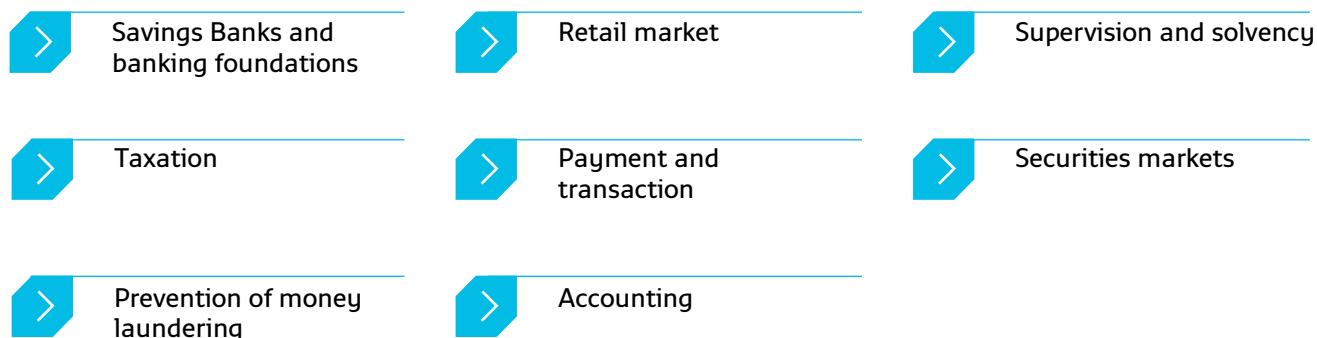


Interbank regulation

+7,000
rules



2016 Regulatory Agenda



Savings banks and Banking foundations

With regard to savings banks and banking foundations, the legal regime for the savings banks and banking foundations sector was completed in 2016. This regime started with Act 26/2013 and CECA collaborated actively in its completion, with the publication of the following regulations:

1. Banco de España **Circular 7/2016**, of 29 November, developing accounting specifics that must be applied to banking foundations, modifying Accounting Circular (4/2004) and the Circular on Spain's Central Risk Information Database (1/2013). With regard to banking foundations, it regulates banking foundations' annual accounts regime, as well as the process of sending documentation to the Banco de España establishing the following:
 - The application of Royal Decree 1491/2011, of 24 October, approving standards to adapt the Chart of Accounts to non-profit organisations and a model action plan for non-profit organisations to put together their individual **annual accounts**, according to the specifics outlined in the circular. The General Accounting Plan will also be implemented, as well as sectoral adaptations and ICAC resolutions.
 - The production of **consolidated annual account** for banking foundations with investments in mercantile companies, including credit institutions, in which they have a position of control as per the terms outlined in article 42 of the Code of Commerce.
 - Those banking foundations that are required to set up a **reserve fund** will have to identify the following their internal accounts: (i) details of own funds items making up the reserve fund, and (ii) details of items that include assets this fund would come from.
 - Content to be included in the individual and consolidated annual accounts **report** with regard to management protocol and the financial plan. In the case of **foundations acting jointly** information on management protocol and the financial plan produced in collaboration should appear in each foundation's report.



- Banking foundations obliged to present a reinforced financial plan should send the following individual reserved statements to the Banco de España on an annual basis: individual reserved balance sheet, individual reserved income statement, a breakdown of investments in financial assets by counterparty, and a breakdown of investments in financial assets by CNAE codes. All other foundations should send their individual reserved balance sheet, and individual reserved income statement. This should be done by telematic transfer no later than the 31 March every year, and should refer to the 31 December of the previous year.
- With respect to **public annual accounts**, all banking foundations will send individual annual accounts and (where applicable) consolidated accounts, with the corresponding audit reports to the Banco de España, within a period of 10 working days following approval by the board.

Retail market

The most important issues in the retail sphere were analysed and monitored, these were:

1. Draft regulatory bill for property loan contracts. It partially transposes Directive 2014/17/EU (CMD) focusing on transparency standards and the legal regimes of credit intermediaries, their representatives, and property lenders.
2. Monitoring of the green paper on retail financial services. Its object is to describe the obstacles which prevent consumers and companies from making full use of the single market and explain how they can be overcome.

Supervision and solvency

In the field of supervision and solvency the main issues guiding the association's activities were as follows:

1. Banco de España Circular 2/2016 of 2 February to credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to CRD IV and CRR. It also develops some aspects of the transposition of Directive 2011/89/EU as regards the supplementary supervision of financial entities in a financial conglomerate.
2. Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016, on the exercise of options and discretions available in Union law. It harmonises the exercise of options and discretions in banking legislation across the eurozone, in particular with respect to CRR.
3. Draft European Commission Regulation for the establishment of a European deposit guarantee fund (EDIS). The object of this is to reinforce the banking union, depositors' protection and financial stability.
4. Monitoring the technical standards for developing CRR-CRD IV and BRRD, entrusted to the European Banking Authority.
5. Monitoring Basel III reform. It deals with a review of the following frameworks: standard methods for credit risk, IRB models for credit risk, floor capital based on standard methods and operational risk.



Taxation

The main issues as regards taxation in terms of their importance and scope were of business:

1. Royal Decree-Law 3/2016, of 2 December, which adopts tax measures aimed at the consolidation of public finances and other urgent social measures (limitations on exemptions on significant investments, limitations on tax credits, and reversals of losses in investment values)
2. Tax arrangements under the new accounting framework of credit risk control (new Annex IX of Circular 6/2016)
3. Local tax payment on empty properties and ATMs
4. International initiatives to combat tax fraud (Project BEPs OCDE/G20, the creation of a shared European list of tax havens)
5. European initiative to create a shared common tax foundation for corporation tax
6. Proposal to implement a tax on financial transactions

Transactions and payment systems

The main issues guiding the association's activity in relation to payment systems and transactions were:

1. Banco de España Circular 1/2016 of 29 January which amends Circular 1/2015 of 24 March, to payment service providers on information on the discount rates and exchange rates received. It introduces improvements to the information requested on exchange and discount rates received by companies in order to provide analysis and comparability.
2. Monitoring of the PSD2 technical development standards, entrusted to the European Banking Authority.

Securities markets

The reform of securities market legislation is one of the issues CECA follows closely. Of particular note, among other things, the following actions and regulations were passed in the financial year:

1. **MiFID II/MiFIR.** MiFID (Directive 2014/65/EU, of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments (MiFID II), and Regulation (EU) no. 600/2014, of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments (MiFIR) has had a particularly significant impact over the course of the year. In spite of the delay of the standard's implementation date, (3 January 2018), 2016 saw a large number of consultations and reports in relation to levels II and III (development), which were monitored directly and through the ESBG, and comments were made when it was deemed necessary. It also participated in working groups set up by the CNMV (on markets and investor protection) through which it has passed on all doubts on the interpretation of the approved or proposed European legislation to the supervisor.



2. **PRIPs.** PRIPs Regulation (**Regulation 1286/2014 of 26 November 2014, on key information documents for packaged retail and insurance-based investment products**) regulates transparency of packaged retail and insurance-based investment products not previously covered by MiFID. The regulation was processed in 2016 but was not eventually ratified by the European Parliament. This has caused a delay in the implementation of the process, now coming into force in 2018.
3. **EMIR.** EMIR Regulation (**Regulation 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories**), seeks to reduce the systemic risk inherent to OTC derivatives and offer more transparency. Within the framework of level II developments **various regulations on clearing obligations were approved in 2016**. The regulations specify standardised categories of OTC derivatives which must be cleared through CCPs (clearing houses), and the dates on which the obligation must be fulfilled.
4. Circular 3/2016, of 20 April, of the Comisión Nacional del Mercado de Valores (Spanish National Stock Exchange Commission), modifying Circular 7/2011 of 12 December, on tariff leaflets and the content of model contracts. This aims to place a limit on the tariffs applied to transfers of investor securities.
5. Circular 6/2016, of 30 June, of the Banco de España, to credit institutions and financial credit establishments, establishing the content and the format of the "SME Financial Information" document and specifying methods to assess credit ratings outlined in Act 5/2015 of 27 April on promoting business financing.
6. Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) no. 596/2014.
7. Commission Delegated Regulation (EU) 2016/438, supplementing Directive 2009/65/EC of 17 December, of the European Parliament and of the Council with regard to obligations of depositaries.
8. Monitoring of the MiFID II and MiFIR technical development standards, entrusted to the European Securities and Markets Authority.

Prevention of money laundering and the financing of terrorism

With regard to legislation on the prevention of money laundering and the financing of terrorism (AML/CFT), which is also closely monitored, the Fifth European Directive on the issue was of particular note in 2016. Although there is already a paper on this commitment at a European Council level, it has undergone some changes in recent months. It is expected that the finally approved version will be implemented in mid 2017.



Accounting

1. Banco de España Circular 4/2016, of 27 April, modifying Accounting Circular (4/2004) and the Circular on Spain's Central Risk Information Database (1/2013). This aims to amend the accounting Circular, in particular Annex IX, in line with the latest regulatory developments keeping it compatible with the IFRS accounting framework.
2. Banco de España Circular 5/2016 of 27 May on the method of calculating contributions from associate institutions to the Deposit Guarantee Fund for Credit Institutions to ensure they are proportional to their risk profile. This establishes criteria to calculate contributions based on guaranteed deposits through weighting the level of risk according to risk indicators.
3. Commission Regulation (EU) 2016/2067 of 22 November 2016 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 Financial Reporting Standard 9.
4. Banco de España Circular 7/2016 of 29 November developing accounting specifics that must be applied to banking foundations, modifying Accounting Circular (4/2004) and the Circular on Spain's Central Risk Information Database (1/2013). It introduces modifications in its new Annex IX on the processing of reclassifications being more in line with planned EBA technical implementation standards.

Personal data protection

GDPR. The Data Protection Regulation (**Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data**, commonly known as GDPR) repeals the previous Directive and introduces significant new developments. The Regulation will apply to those in charge of the processing data established in or out of the EU, who process data deriving from an offer of goods or services aimed at citizens of the Union or as a consequence of monitoring their behaviour. It introduces new elements such as the right to be forgotten and the right to data portability, improving citizens' capacity to make decisions about and control the personal data they entrust to third parties. Also active responsibility. **Although it will not be implemented until 25 May 2018, over the course of the year close monitoring of it was carried out with a preliminary analysis of potential impacts.**

Reporting

Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (Anacredit). This aligns the ECB statistical reporting requirements with a view to establishing a shared joint database for Eurosystem members.



Social Investment

Obra Social



Watch 2016 Obra Social video



Once the sector's transformation process was completed **Obra Social activities in 2016** were helped by greater regulatory and institutional stability, allowing foundations to better plan their activities. Thanks to this the Obra Social has remained sustainable, and benefits from new alternative sources of income other than traditional means. This way we can keep up our commitment to activities promoting a fairer and more equitable society.

Foundations and Social Projects Executive Committee

In this context and with the aim of finding joint solutions to structural changes obliging entities to find new solutions and improve efficiency, over 2016 CECA acted as an instrument for dialogue between the foundations and companies that carry out Obra Social, through its Foundations and Social Projects Executive Committee. Of particular note were an exchange of experiences related to technical and organisational issues, and the search for new sources of financing, including European grants: elements fundamental to opening up management opportunities promoting the financial sustainability of the Obras Sociales, which contribute to the continuity of the Welfare State and social inclusion.

Banco de España Archives and Records Management Division

Collaboration with the Banco de España Archives and Records Management Division on a **project to restore Banks' and Savings Banks' historical archives**, given the importance of conserving these for Spanish banking history.



Watch 2016 Obra Social video

In 2016 institutions carrying out Obra Social invested a total of 734.546 billion euros, an increase of 2.33 per cent on 2015. This represents an 11.87 per cent increase in activities and 1.37 increase in the number of recipients; in absolute terms a total of 102,132 activities and more than 30.7 million beneficiaries

Representational role

CECA continues to carry out its **representational role**, reporting on standards such as the recent Banco de España Circular 7/2016 of 29 November developing accounting specifics that must be applied to banking foundations, modifying the Accounting Circular and the Circular on Spain's Central Risk Information Database.

Working groups

Working groups, were formed with the aim of seeking new sources of income and addressing issues such as: equity and treasury management; optimising activities; the possibility of opening up Montes de Piedad, doubts on tax issues affecting foundations, social investment, information on European Funded Programme grants. CECA had the presence of a representative of the State Secretariat for Culture from the Ministry of Education, Culture and Sport, who explained the different options for preparing and managing these types of projects.

Obra Social Report

Also of note was the **publication of the "2015 Obra Social Report"**, and the production of a promotional video on the report and Obra Social activities in the CECA sector.



Obra Social expenditure

734.54

MIL. €

2.33%

ISE



Activities

102,132

11.87%

ISE



Profit

+30.7

MIL. PEOPLE

1.37%

ISE

Categories



49.53%

Social projects



12.83%

Education and research



6.80%

Local devel. and Job creation



8.22%

Environment



3.74%

Sport and Leisure



18.87%

Culture and Heritage



Corporate Social Responsibility



The CSR and Sustainability Committee has continued its work acting as a forum to meet and discuss issues of shared interest.

The Committee worked on key themes on the national and international agenda with regard to sustainability:

Sector activity fundamentally revolved around the work of the sector CSR and Sustainability Committee. The Committee acts as a forum to come up with ideas and proposals around the key themes on the national and international sustainability agenda. 2016 was marked by global issues, such as the Sustainable Development Objectives and work of the G20 on green finance, but also more domestic issues such as social housing and the transposition of Directive 2014/95/EU on non-financial information.

- 1 Implementation of the Sustainable Development Objectives to financial institutions in Spain.
- 2 Implementation of green finance.
- 3 Transposition of Directive 2014/95/EU on non-financial information.
- 4 New sustainability reporting standards in the Global Reporting Initiative.

Sustainable Development Goals

The 17 Sustainable Development Objectives (SDO) that came into force in January 2016 will be on the international agenda until 2030. Of universal application, it is hoped that all social and economic bodies will incorporate them into their strategies and contribute to achieving the goals.



Because of this, and to encourage the adoption of the objectives across Spain and the financial sector, the Committee identified the SDOs on which retail financial activity could have the greatest impact in the Spanish context. It also identified specific initiatives to develop and report on the objectives.

Green finance

The COP21 in Paris marked the beginning of the concept of shared responsibility in the fight against climate change: concrete contributions and commitments are expected from the private sector. From there, other international organisations will take the baton and incorporate environmental concerns into their agendas.

The Committee analysed the G20 *Green Finance Study Group* working document and the multitude of investment initiatives emerging from so-called portfolio decarbonisation.

Reporting

The Committee has closely followed the process of defining new reporting standards in the *Global Reporting Initiative* that will come into force in 2017.

The sector has also participated in consultation launched by the European Commission in relation to Directive 2014/95/EU on non-financial information and has closely followed the process of transposing it to Spanish legislation, slowed down by political deadlock.

Social housing

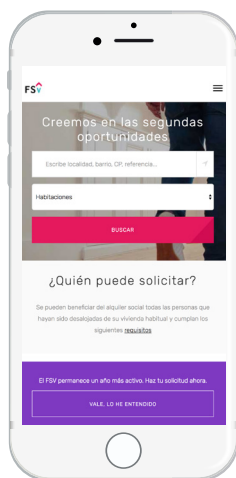
As it should, this theme has continued to be a key point on financial institutions' agendas. From a sectoral point of view it has coordinated participation in the Social Housing Fund (FSV), which has seen significant qualitative improvement in management in 2016 with the launch of a website, with joint participation from the majority of financial institution signatories of the FSV Agreement. (www.fondosocialdeviviendas.es). The FSV's results are released by the Ministry of Economy and Competitiveness, which chairs the Coordination and Monitoring Committee.

CECA sector institutions have also jointly analysed the issue of illegal occupations of properties, and have participated in different round tables on housing set up by public administrations.

In addition, and in its position as a sectoral association, CECA represents its institutions in various representational forums and initiatives, with Spainsif (Spanish socially responsible investment forum) and CEOE being of particular note. It also took part in Transparency International's committee for integrity in the financial system and banking in 2016.

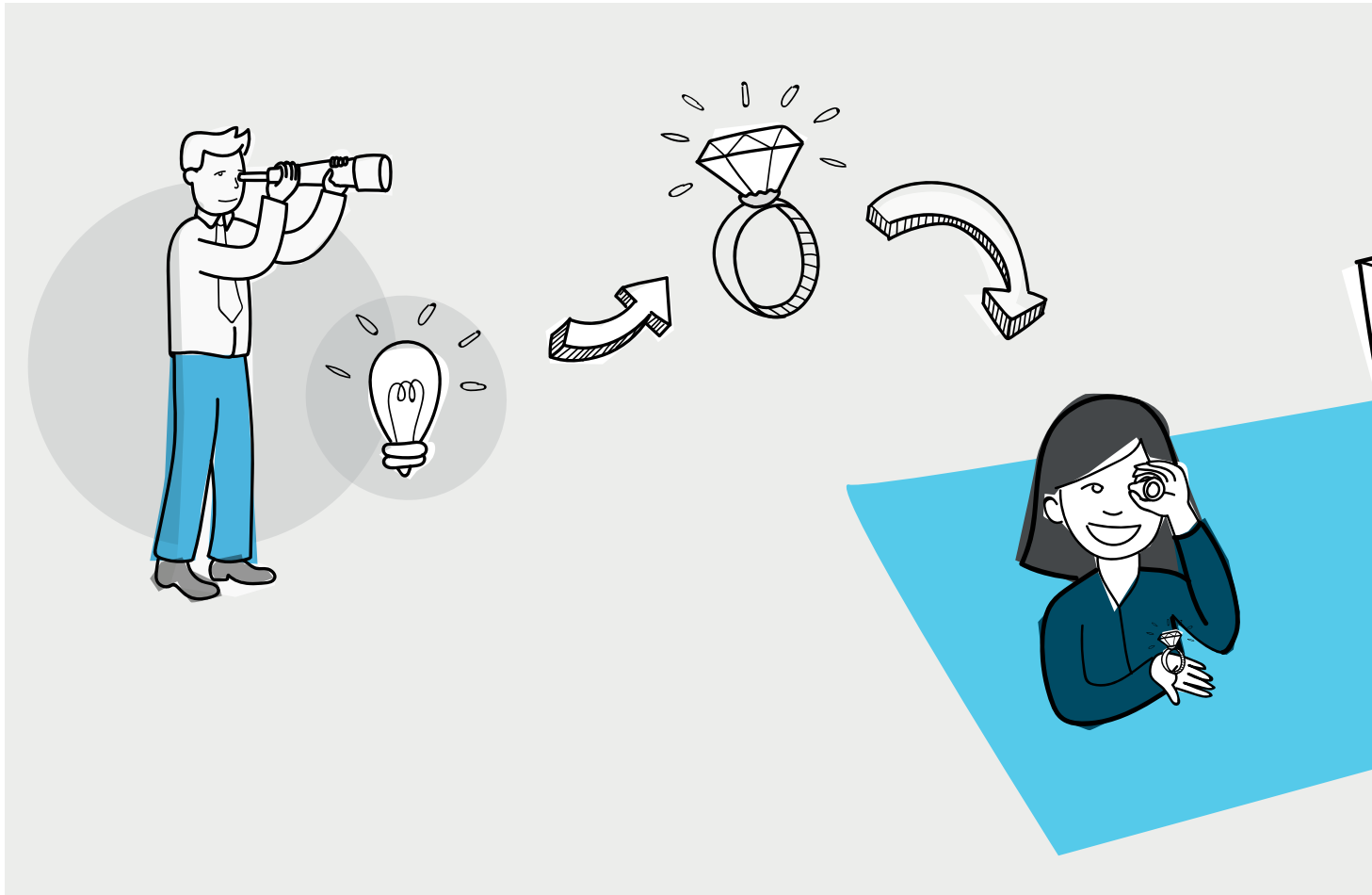
All of this, as well as information relating to the contribution CECA associated institutions make to society is gathered together in the microsite www.ceca.es/rsc "Our contribution to the community", arranged in sections: the environment and people, financial inclusion and local development, adherence to initiatives, and a section on CSR best practice.

2016 saw the launch of a website with joint participation from the majority of financial institutions that are signatories of the FSV Agreement.





Montes de Piedad

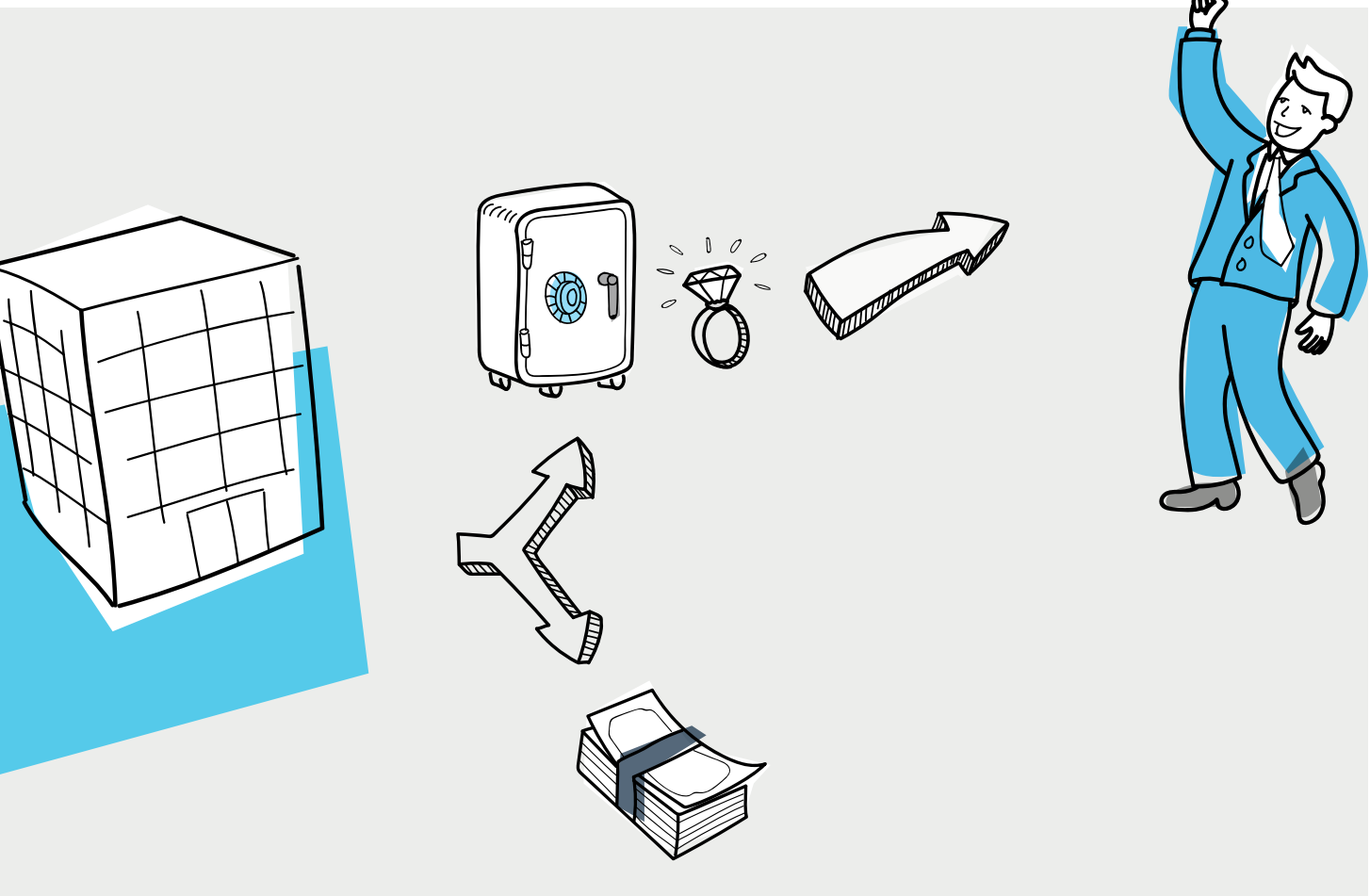


The Montes de Piedad established themselves as another financing alternative in the market.

In 2016 Montes de Piedad kept the challenge of expanding with new headquarters, as well as the modernisation of services offered in order to improve customer service. Montes de Piedad kept up their expansion process which started the previous year, with the opening of new sites across Spain: the Montemadrid Monte was added to the two offices already open in Móstoles (Madrid), and in Alicante a new branch opened in Córdoba. The Fundación Bancaja Monte also expanded its office within the autonomous community with the opening of new branches in Alicante and Castellón.

During 2016 the Montes have not only continued with their expansion policy, but also consolidated their position as another financing alternative in the market and managed to reach larger segments of the population, thanks to their adaptation and to hefty investments in technological innovation.

CECA was involved in the changes that occurred and, through the **National Montes de Piedad Commission**, called regular meetings to support their activity in the following ways:



Through the National Montes de Piedad Commission CECA has kept up regular meetings to support their activity in the following ways:

- 1 **Advice** on regulatory and legislative issues related to taxation and the prevention of money laundering.
- 2 **Revamp of the auctions website** (www.subastasmontes.es), which will lead to cost savings relating to a wider range of services and the option to bid and view content on smartphones and tablets.
- 3 **Proposal for a Sector Communication Plan**, which focused on promoting the activity of the Montes de Piedad as collateral and social credit institutions, in order to reach and settle in other segments of the population, such as the middle class and people with a younger profile, thus facilitating the valuable work of financial inclusion with a view to fighting usury and opening up access to credit.
- 4 Studies of **establishments similar to the Montes de Piedad** and how they function in other countries, such as the USA, Mexico, Italy, Peru, Switzerland and Argentina.
- 5 Update of **Regulations**, decision-making procedures and financing for sector initiatives.



Financial Education Network



A space where financial education professionals can exchange their knowledge and experiences.

New Financial Education website

CECA continues to support financial education as it regards it as an essential capacity and a decisive factor for stability and economic and financial development. For this reason, it carried out actions to promote the improvement in financial culture.

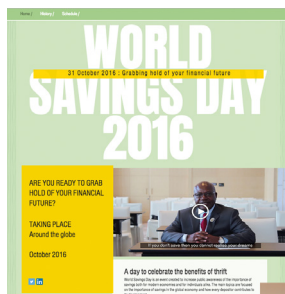
The Network is supported by the website www.rededucacionfinanciera.es, redesigned in 2016 with a more modern look and easier access, and also adapted for use on various mobile devices. This website is updated every day and hosts information on courses, seminars, conferences, and teaching materials and resources for this subject. It also has links to agents who are active in the domestic and international arenas.

Another activity of note is the publication of a **Code of Good Practice** for financial education initiatives, from the promoters of the Financial Education Plan. CECA collaborated on the production of the code along with other institutions which make up the financial education working group.



"The Information Economy, Transparency, and Financial Education" seminar

In collaboration with FUNCAS, CECA held a seminar on **"The Information Economy, Transparency, and Financial Education"** in February, attended by promoters of the Financial Education Plan as well as heads of claims services and managers from the Financial Education working group from CECA associated institutions.



Global Money Week

At a European level CECA joined the *Global Money Week* initiative, held in March in conjunction with *Child & Youth Finance International*, as well as **World Savings Day** on 31 October with the WSBI, through a microsite created for the occasion (www.world-savings-day.org), which showed historical posters and comics from the sector dating from the sixties.

Financial Education Day

Equally important was CECA and associates' active participation in "**Financial Education Day**" (3 October), held for the second time in 2016 with activities nationwide, in a show of support and commitment to the promoters of the Plan who organised the day.



VII Financial Education Conference

On 22 November 2016, CECA held the **7th Financial Education Congress**, to analyse the current situation of financial education and to exchange successful practices conducted in the field, both in Spain and in the rest of Europe. This year the event focused on new challenges and opportunities are arising from digitalisation, innovation, and new technologies, and on how financial education has the challenge to familiarise society with these new processes, especially the more vulnerable members of society.



Working towards this, the Comisión Nacional del Mercado de Valores (CNMV), the Banco de España, the Erste Financial Life Park FLIP Museum, the European Economic and Social Committee (CESE) took part, and the University of La Coruña gave the preliminary conclusions of the ITSSOIN European research project, which as well as adding an international dimension to the day added to experiences in financial education, social inclusion, and the use of new technologies, from various member institutions from the working group on Financial Education and the ONCE Foundation.

8th Financial Education and Obra Social (Social Work) awards.

During the year, CECA once again coordinated the ceremony for the **8th Awards for Obra Social (Social Work) and Financial Education** for 2016, granted for initiatives such as social action, promotion of employment, local development, culture, environment, sport, leisure and financial education.





Work Relations



CECA is currently overseeing all the companies linked to the Collective Agreement for savings banks and financial institutions.

**Employees
+70,000**

After signing the Collective Agreement of Savings Banks and Financial Institutions for 2015-2018 on 30 June 2016, CECA took over the ACARL (Savings Bank' Association for Labour Relations), which is why CECA is currently overseeing all the companies linked to the Collective Agreement for savings banks and financial institutions.

The aim of CECA, as the employers' association for savings banks and institutions, is to represent the associated institutions that are bound by the Savings Banks and Financial Institutions Collective Agreement, with its main objectives being:

- ❶ To represent the institutions in state collective agreements for the savings banks and financial institutions sector. At the end of 2016 it had more than 70,000 employees.
- ❷ To carry out economic, social and labour studies on all matters regarding working relationships associated with the companies that are linked by Collective agreement with their employees.
- ❸ To maintain relationships with other business organisations and to participate in institutions, organisations and associations, as well as to collaborate with Public Administrations on labour matters.



Associated Companies



CAIXABANK
www.caixabank.com



BANKIA
www.bankia.es



IBERCAJA BANCO
www.ibercaja.es



BMN
www.bmn.es



ABANCA
CORPORACIÓN
BANCARIA
www.abanca.com



UNICAJA BANCO
www.unicaja.es



BANCO CEISS
www.cajaespana.es



LIBERBANK
www.liberbank.es



BANCO CASTILLA
LA MANCHA, S.A.
www.ccm.es



CAIXA ONTINYENT
www.caixaontinyent.es



CAIXA POLLENÇA
www.colonya.es



CECABANK
www.cecabank.es

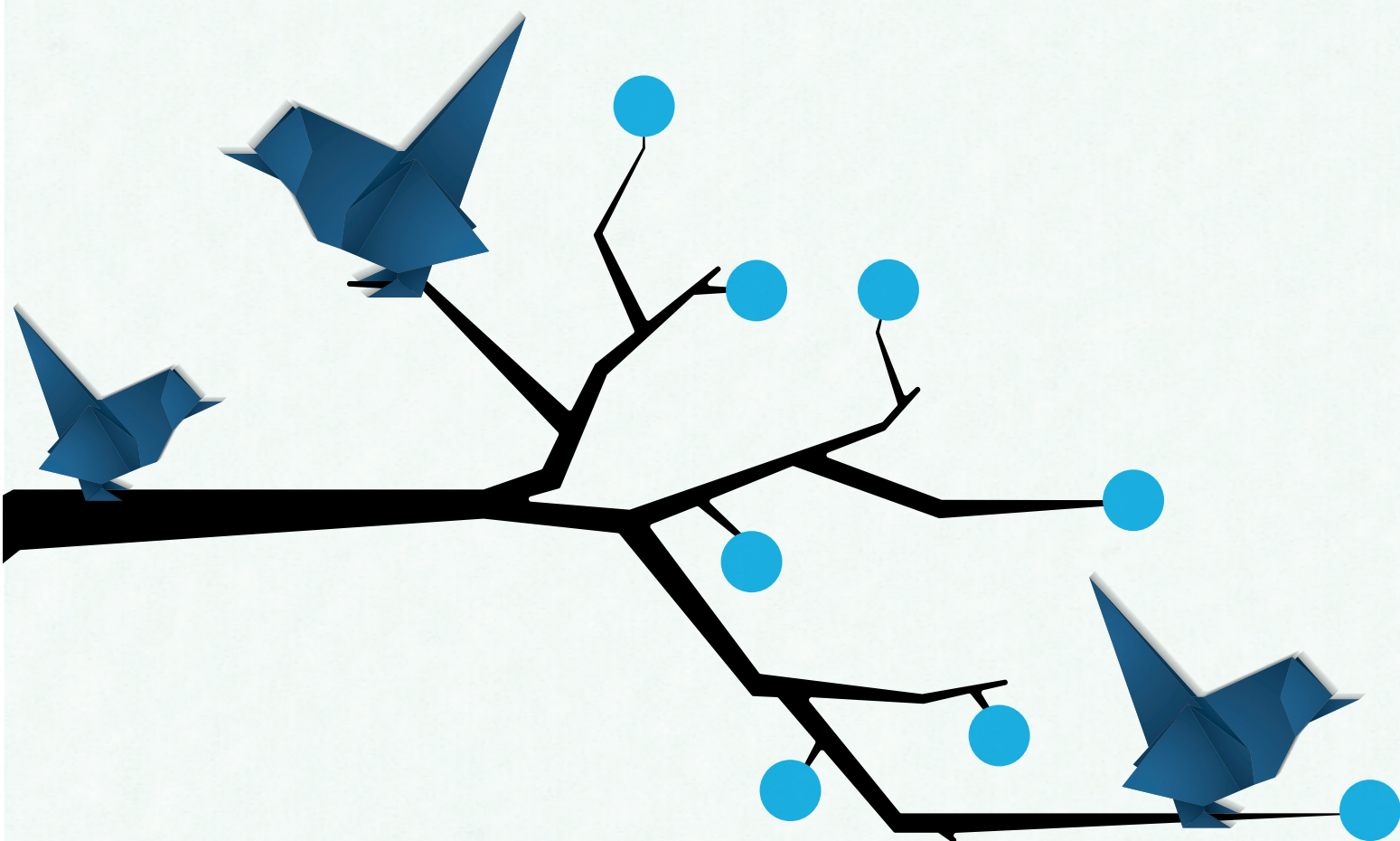
Labour Relations Committee

The Labour Relations Committee is the representative body for its members. This Committee has the following functions:

- 1 To determine the position of CECA and companies associated with it in collective negotiations with union representations.
- 2 To develop and direct collective negotiations and to agree the signing off of the final positions reached in these negotiations.
- 3 To manage and carry out the follow-up of the Collective agreement's application for savings banks and financial institutions.
- 4 To decide the adherence to settlements and planned agreements for articles 83.2 and 3 of the Workers' statute.
- 5 Any other role that the Board of Directors gives it.

Companies can take part in the aforementioned Committee.

CECA Obra Social (Social Projects): Funcas

 funcas

Two reviews
are published in
English:

“Spanish Economic
and Financial
Outlook” (SEFO)

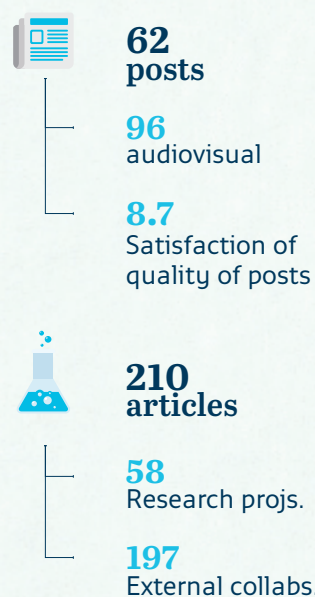
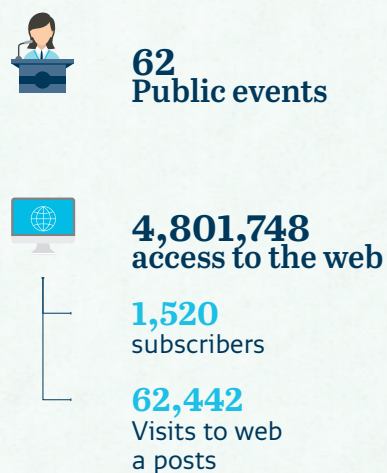
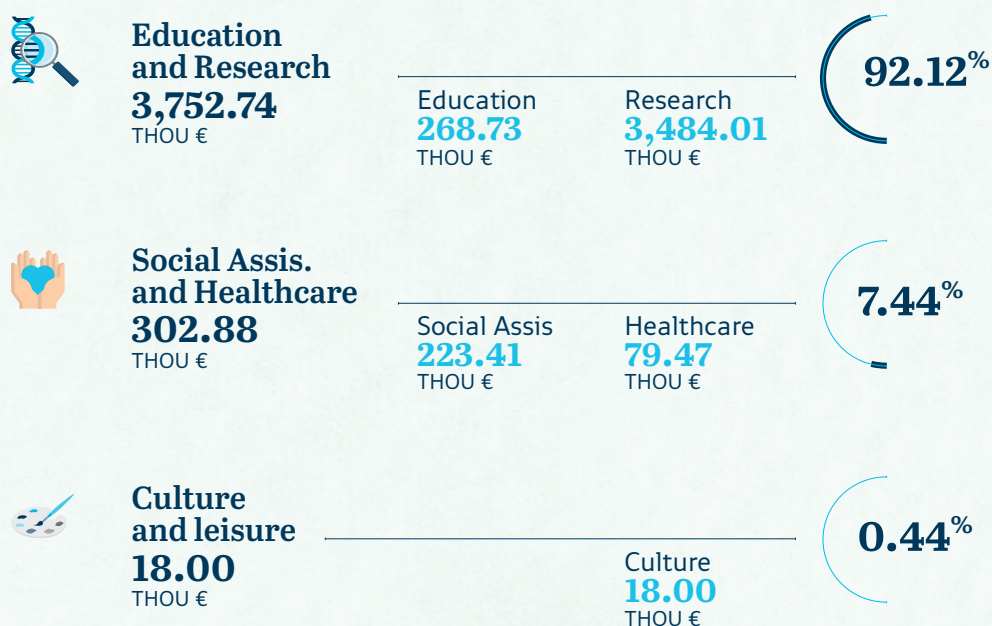
“Focus on Spanish
Society”

**Total
Resources**
4,073.62
THOU €

About us

Funcas is a non-profit institution forming part of CECA's Obra Social (social work). Its activity is mostly directed towards promoting, debating, and circulating research on economic and social matters, through publications, documentaries, and other audiovisual means; and holding and participating in public events such as conferences and seminars.

2016 budget



What we do

In 2016 Funcas initiated four new lines of action with two objectives: promote awareness of research activities and its internationalisation process, and expand activities into the social and cultural spheres



Watch social documentaries



In 2016 Funcas was awarded the Regional Science Award granted by the Spanish Association of Regional Science, and the Analyst Forecast Awards Prize.

2016 brought important developments in Funcas' activity with it putting four new initiatives into place.

- 1 Videoblog.
- 2 Events in various European cities.
- 3 Good practice in the health sector.
- 4 In the social sphere.

The videoblog aims to promote Funcas' research activities, and the organisation of events in various European cities is a step towards its internationalisation process. The first of these events took place in London on 3 March and was organised jointly with Cecabank's London branch.

Funcas' videoblog began its journey in February 2016 and over the period almost forty videos were released on economic and social themes, all available on Funcas' website.

Funcas also expanded its activities into the social and cultural arena, setting up two new spaces: **Good practice in the healthcare sector**, which offers models of effective, useful, and interesting health services, and **On a Social level**, which aims to give exposure to matters of concern to society through documentaries, conferences, and seminars.

Within this framework it has released three documentaries in its **On a Social Level** section: 14 Bolboretas (14 Butterflies), a film discussing breast cancer shown at the Film Academy; Picnic, on the topic of autism, shown at the film studio in the Círculo de Bellas Artes; and Aparkdos, shown at Funcas headquarters' events hall, on the theme of generation X. The documentaries have been broadcast on TVE2, with a round table discussion afterwards debating the themes of the films.

14 Bolboretas was selected for the silver medal in the "IV Edition of the Albert Jovell Awards" (sponsored by the Spanish Group for Patients with Cancer, GEPAC) in the Corporate Social Responsibility category.

Also of note in 2016 was Funcas being awarded the **Regional Science Award** granted by the Spanish Association of Regional Science for its "outstanding contribution to the development of regional studies in Spain". Funcas was also awarded the 2016 **Analyst Forecast Awards Prize** from FocusEconomics.

*In 2016 Funcas
published 208 articles
written by 197 authors.*

**Specific
problems which
the country
faces addressed
by Funcas:**

**"Papeles de
Economía
Española"
150**

**"Cuadernos de
Información
Económica"
250**

Research and Analysis

Within its research programme 208 articles were published by 197 different authors in 2016. It finalised twenty one investigations on economic, financial, and social subjects, which added to the content of the different publications Funcas published. A further eighteen research projects are in the preparation phase. Added to the research programme, the Funcas Economy and Statistics Division produces quarterly national and regional forecasts for the Spanish economy, publishes a bimonthly predictions panel of forecasts for the Spanish economy, and keeps a database available to the public with economic, social, and financial indicators for the Spanish economy.

- 1 Economic scenario.
- 2 Financial studies.
- 3 Taxation studies.
- 4 Social studies.
- 5 Public economy and wellbeing.
- 6 Industrial economy and strategy..

Scientific Publications

The Foundation's editorial work is presented in its publications:

- 1 "Papeles de Economía Española"
- 2 "Cuadernos de Información Económica"
- 3 "Spanish Economic and Financial Outlook (SEFO)"
- 4 "Panorama Social"
- 5 Focus on Spanish Society";
- 6 Collections "Libros y Estudios de la Fundación"
- 7 Series "Documentos de Trabajo"

In 2016 a new Funcas publication came out, **Papeles de Energía**; a biannual publication aiming to contribute towards the debate on energy transition in Spain containing rigorous and independent information, and global data and perspectives based on solid academic research. In addition, the Papeles de Economía Española magazine has reached its 150th issue, and Cuadernos de Información Económica its 250th.

*A new publication, **Papeles de Energía**, aims to contribute towards the debate on energy transition in Spain with rigorous and independent information, and global data and perspectives based on solid academic research.*

Seminar, public events and courses

The work on publicising the activities carried out by the Foundation is also conducted through public events, seminars or conferences organised by Funcas or in which it intervenes.

This brings the number of public events Funcas organised or took part in in 2016 to sixty.

At its headquarters the Foundation held seminars on "new challenges of migration and asylum" as well as its XIV workshop on Banking and Quantitative Finances. Also of particular note during the period were events focusing on "New digital models of service provision and the collaborative economy", held at the ICO Foundation auditorium in Madrid, and courses on "Challenges of the Spanish economy" and "Spanish society after the crisis: a look towards the future and strategies for social and political progress", held in Santander.

The following presentations were particular highlights:

- 1 Presentation of issue 146 of *Papeles de Economía Española* on "Credit markets"
- 2 Presentation of issue 147 of *Papeles de Economía Española* entitled "Public spending in Spain: present and future" held at the Business Studies and Tourism Faculty at Ourense
- 3 Presentation of volume 5, issue 1 of the Spanish Economic and Financial Outlook (SEFO) magazine entitled "Spain's economy and financial sector: what to expect in the new legislative term" at Cecabank's London branch
- 4 Presentation of issue 1 of "*Papeles de Energía*" at the Rafael del Pino Foundation in Madrid
- 5 Presentation of the Spanish Reforms Project's V Reform Monitor. Reforms on the new Government of Spain.
- 6 Presentation of issue 81 of *Estudios de la Fundación* entitled "A European triangle: political elites, central banks, and populism"
- 7 Presentation of "Economic forecasts for Spain 2016-2017" at Ibercaja's head office in Zaragoza.

As part of **Funcas' Conference Series** a conference was held at the University of Granada in 2016.

Enrique Fuentes Quintana Awards

It is also important to note here the presentation ceremony for the Enrique Fuentes Quintana Awards to Doctoral Theses, for the call corresponding to the 2014/2015 academic year, which took place at Funcas headquarters on 29 November. It should be highlighted that as from the 2014/2015 academic year the awards will be expanded, with four prizes given for the best doctoral thesis in the following categories: Social Sciences; Health Sciences; Engineering, Mathematics, Architecture, and Physics; and Humanities.

Other events organised by Funcas

Papeles de Economía Española discussions:

- 1 "Competitiveness on international markets: the search for advantages"
- 2 "Law and Economics"
- 3 "Digital Transformation in payment methods"
- 4 "Networks for social and spatial interaction: their applications to the Spanish economy"

Round table:

- 1 "Spanish companies' experiences of internationalisation"

Funcas also received representatives of different embassies and national and international economic bodies at its head office, including the European Central Bank, the European Commission and the International Monetary Fund.

Radio Programme 47

Finances for the general public

In the sphere of Financial Education, by virtue of the agreement Funcas has with Radio Nacional de España, Radio 5 Todo Noticias, Funcas continues to broadcast radio programmes on financial education entitled "Finanzas para todos los públicos" (Finance for everyone). A total of 47 programmes were broadcast during this period.

Visits +45,000

3,700
monthly visits

120
daily visits

Funcasblog

In 2016 Funcas continued to publicise its research work on the social networks through Funcasblog, its economic, financial and social blog. From January to December the blog included over 200 new posts on themes related to the national and international economic situation, financial and monetary economics, regulations, competition, the property market, and social research, among others. During the period the number of hits to the blog exceeded 45,000, representing 3,700 per month and approximately 120 per day.



Economic Information and Results

CECA Annual Accounts

Financial year 2016

Annual Accounts and Management Report for the financial year ended as of 31 December 2016.

CECA Annual Accounts and Subsidiaries in the CECA Group

Financial year 2016

Consolidated Annual Accounts and Management Report for the financial year ended as of 31 December 2016.



Publications

Funcas Publications

Papeles de economía española

February 2016:	Gasto público en España: Presente y futuro; (2016), Nº 147.
April 2016:	Las comunidades autónomas dispuestas a crecer (2016), Nº 148.
July 2016:	Transformación digital en los medios de pago; (2016), Nº 149.
December 2016:	Competitividad en los mercados internacionales: Búsqueda de ventajas; (2016), Nº 150.

Cuadernos de información económica

February 2016	Economía española: nuevos retos; (2016), Nº 250.
March 2016	Incertidumbre económica y exigencias regulatorias; (2016) Nº 251.
May 2016	Educación financiera y tejido empresarial; (2016), Nº 252.
July 2016	Crecimiento, creación de empleo y deuda; (2016), Nº 253.
October 2016	Mejorando la financiación de las pymes; (2016), Nº 254.
November 2016	La banca en 2017: el reto de la rentabilidad; (2016), Nº 255.

Panorama social

January 2016	Un balance social de la crisis; (2016), Nº 22.
July 2016	Retos demográficos; (2016), Nº 23.

Spanish economic and financial outlook

January 2016	Spain's economy and financial sector: What to expect in the new legislative term; (2016) Vol. 5. Nº 1.
March 2016	Spanish banks: Improved performance in the face of financial turbulence; (2016). Vol. 5. Nº 2.
May 2016	European banks in the face of new regulatory pressures; (2016). Vol. 5. Nº 3.
July 2016	Spain's recovery in the context of heightened global uncertainty; (2016). Vol. 5. Nº 4.
September 2016	Improving SME access to finance in Spain; (2016). Vol. 5. Nº 5.
November 2016	Spanish banks: Resisting a difficult climate; (2016). Vol. 5. Nº 6.

Focus on spanish society

March 2016	Número 1.
June 2016	Número 2.
September 2016	Número 3.
December 2016	Número 4.

Studies by the foundation

May 2016	Empleo y maternidad: obstáculos y desafíos a la conciliación de la vida laboral y familiar, Margarita León Borja (coordinadora); (2016), nº 78.
June 2016	People management in micro and small companies - A comparative analysis employee voice practices and employment relations, Sylvia Rohlfer, con la colaboración de Carlos Salvador Muñoz y Alesia Slocum; (2016), nº 79.
June 2016	La crisis, ¿una oportunidad para la economía social española?, Pierre Perard; (2016), nº 80.
July 2016	Un triángulo europeo: elites políticas, bancos centrales y populismos, Víctor Pérez-Díaz, Juan Carlos Rodríguez y Elisa Chuliá; (2016), nº 81.
October 2016	El mercado español de electricidad: reformas recientes, Aitor Ciarreta, María Paz Espinosa y Aitor Zurimendi; (2016), nº 82.
November 2016	Three essays in long-term economic persistence, Felipe Valencia Caicedo; (2016), nº 83.
November 2016	Role of microparticles in atherothrombosis, Rosa Suades Soler; (2016), nº 84.
November 2016	Iberismos. Expectativas peninsulares en el siglo XIX; César Rina Simón; (2016), nº 85.
November 2016	Mining structural and behavioral patterns in smart malware; Guillermo Suarez-Tangil; (2016), nº 86.

Papeles de energía

March 2016	Número 1
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Funcas Intelligence

February 2016	Número 1.
April 2016	Número 2.
June 2016	Número 3.
September 2016	Número 4.
October 2016	Número 5
December 2016	Número 6

Other publications

February 2016	Los servicios que prestan los viveros de empresas en España. Ranking 2015, Francisco José Blanco Jiménez, María Auxiliadora de Vicente Oliva, Jaime Manera Bassa y Celia Polo García-Ochoa.
October 2016	El papel de las nuevas fundaciones y cajas de ahorros, Analistas Financieros Internacionales (Afi)

Digital Publications. Work documents

January 2015	Desarrollo del mercado de valores y crecimiento económico: ¿Existe una relación tipo Laffer no-monotónica? Leopoldo Laborda Castillo y Daniel Sotelsek; (2016), nº 772.
February 2016	Expenditure decentralization, Does it make us happier? An empirical analysis using a panel of countries. José L. Sáez-Lozano y Leonardo E. Letelier- Saavedra; (2016), nº 773.
February 2016	Banking, currency, stock market and debt crises: Revisiting Reinhart & Rogoff debt analysis in Spain, 1850-1995. J. Carles Maixé-Altés, Emma M. Iglesias; (2016), nº 774.
February 2016	Effects of pension spending on income and employment. Evidence from Spain during the economic crisis. Fernando Bermejo y Eladio Febrero; (2016), nº 775.
February 2016	Trade Openness, Transport Networks and the Spatial Location of Economic Activity. Nuria Gallego y José L. Zoffo; (2016), nº 776.
February 2016	Determinants of satisfaction with an urban tourism destination. The case of Barcelona. Teresa Garín-Muñoz y María J. Moral; (2016), nº 777.
March 2016	Understanding unrated bond issuance. Armen Arakelyan, Eric Duca y Carlos Salvador; (2016), nº 778.
April 2016	Public debt and economic growth in Spain, 1851-2013. Vicente Esteve y Cecilio Tamarit; (2016), nº 779.
June 2016	More news, good news? Bias in media coverage of competition policy. Juan Luis Jiménez, Jordi Perdigueró e Inmaculada Gutiérrez; (2016), nº 780.
June 2016	The Spanish corporate sector in the Euro: 2000-2014. Vicente Salas Fumás e Ignacio Santillana del Barrio; (2016), nº 781.
July 2016	Trade margins, transport cost thresholds and market areas: Municipal freight flows and urban hierarchy. Jorge Díaz-Lanchas, Carlos Llano y José Luis Zoffo; (2016), nº 782.
July 2016	Spanish Listed Firms in the last period of economic crisis: The performance of corporate diversification. Pablo Garrido Prada, María Jesús Delgado Rodríguez y Desiderio Romero Jordán; (2016), nº 783.
September 2016	¿Por qué incumplen fiscalmente las Comunidades Autónomas? Santiago Lago Peñas, Xoaquín Fernández Leiceaga y Alberto Vaquero; (2016), nº 784.
October 2016	Regional business cycles across Europe. Eduardo Bandrés, María Dolores Gadea-Rivas y Ana Gomez-Loscos; (2016), nº 785.
November 2016	La educación financiera y su efecto sobre el conocimiento financiero de los alumnos españoles en PISA 2012. José Manuel Cordero Ferrera y Francisco Pedraja Chaparro; (2016), nº 786.

Good practice in the healthcare sector

February 2016	Cuatro estrategias para mejorar la vejez
April 2016	¿Cómo podemos prevenir la diabetes? Con el GO-YDPP
June 2016	¿Cómo podemos mejorar la seguridad del paciente? Con el LVQ
September 2016	¿Cómo formar a los profesionales sanitarios para promover mejor salud, mejores cuidados y menores costes? Con la EIP
October 2016	Corre en rosa
November 2016	Atacando una amenaza para la salud pública: la resistencia a los antibióticos

Circulars to entities

January	Motion of the chairman of the Coordination and Monitoring Committee of the Social Housing Fund proposing the extension of the agreement for a year.
January	Types of reference of the mortgage market
January	Motion of the Bank of Spain regarding the draft circular updating Annex IX of the accounting circular (4/2004)
January	Loan and deposit data of residents in Spain
February	Motion of the Bank of Spain regarding the adoption of certain guidelines published by the European Banking Authority as specific guidelines.
February	Motion of the Bank of Spain regarding the draft circular on information on cash machine withdrawal commissions
February	2015 Annual Abstract of Statistics for CECA's member entities
February	European Framework Agreement (EFA) for financial transactions
February	Types of reference of the mortgage market
February	Motion of the Bank of Spain regarding recommendation for the policy of distribution of profit obtained in 2015
February	Loan and deposit data of residents in Spain
February	Motion of the Bank of Spain on the adoption of its own guidelines for certain directives published by the European Banking Union
March	Letter from the European Commission on the European investment plan
March	New prime rate, in force as from 1 January 2016, applicable to loans in the financial agreements stemming from Royal Decree 613/2001, of 8 June, for the improvement and modernisation of production structures in farming.
March	Types of reference of the mortgage market
March	Distribution of confederation membership fees
March	Loan and deposit data of residents in Spain
April	Motion of the CNMV on the adoption of ESMA directives for structured deposits and debt complex instruments
April	Draft circular of the CNMV (National Stock Market Commission) on warnings relating to financial instruments
April	Motion of the CNMV (National Stock Market Commission) regarding the imminent commissioning of the new Spanish securities clearing, settlement and registry system
April	Types of reference of the mortgage market
April	Loan and deposit data of residents in Spain
May	Types of reference of the mortgage market
May	Motion of the CNMV on the adoption of the ESMA guidelines on the assessment of knowledge and responsibilities of the staff of companies that provide investment services

May	Motion of the Bank of Spain on the adoption of its own guidelines for certain directives published by the European Banking Union
June	Loan and deposit data of residents in Spain
June	Types of reference of the mortgage market
June	Motion of the Bank of Spain regarding the procedures and contents of the information that credit institutions must send to the Bank of Spain in order to update their registry of senior management
June	Motion of the CNMV regarding the notification by ESMA on due compliance with the code of conduct when distributing recapitalisation instruments
June	Loan and deposit data of residents in Spain
July	Motion of the Bank of Spain regarding the draft circular which amends circular 2/2014, of 31 March
July	Motion of the Bank of Spain regarding procedures and contents of the information to be sent to update the registry of senior management
July	Motion of the Bank of Spain on certain aspects considered in the new Annex IX of the accounting circular
July	Loan and deposit data of residents in Spain
August	Motion of the Bank of Spain regarding the draft circular implementing the accounting specifics that must be applied to banking foundations
August	Bank of Spain document on the adoption of its own guidelines for certain directives published by the European Banking Union.
August	Types of reference of the mortgage market
August	Types of reference of the mortgage market
August	Loan and deposit data of residents in Spain
September	Motion of the Bank of Spain regarding the procedure for the authorisation and notification of credits, endorsements and guarantees to the senior management of credit institutions
September	Motion of the CNMV on the intention of meeting ESMA directives on cross-selling
September	Types of reference of the mortgage market
September	Motion of the Bank of Spain on the adoption of its own guidelines for certain directives published by the European Banking Union
September	Loan and deposit data of residents in Spain
October	Motion of the Bank of Spain regarding the limitation clauses of downward interest rate variation included in the mortgage loans and credits drawn up with customers.
October	Motion of the Bank of Spain regarding EBA public consultations relating to the payment service directives (PSD2) and payment accounts
October	Types of reference of the mortgage market
October	Motion of the CNMV on the distribution to customers of classes of shares of collective investment institutions and clone funds
October	Loan and deposit data of residents in Spain
November	Types of reference of the mortgage market

02

What we do

Publications | Circulars to companies



November	Loan and deposit data of residents in Spain
December	Motion of the Bank of Spain regarding the agreement of the CNP (National Payments Committee) to facilitate the use of the electronic mandate in Spain
December	Motion of the Bank of Spain clarifying the application of the new Annex IX to refinancing, refinanced or restructured operations classed as normal risk or normal risk under special supervision on 30 September 2016

