Allfunds Bank, S.A.U. and Subsidiaries composing the Allfunds Bank Group

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2020, together with Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Sole Shareholder of Allfunds Bank, S.A. (Sole-Shareholder Company),

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Allfunds Bank, S.A. (Sole-Shareholder Company) ("the Bank") and its subsidiaries composing, together with the Bank, the Allfunds Bank Group ("the Group"), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of fee and commission income	
Description	**Procedures applied in the audit**
As indicated in Note 21 to the accompanying consolidated financial statements, in 2020 the Group recognised fee and commission income amounting to EUR 1,484,915 thousand under "*Fee and Commission Income*" in relation to the fees and commissions accrued in connection with the marketing of investment funds in the year. As indicated in Note 2-l) to the accompanying consolidated financial statements, the aforementioned income is calculated by applying the agreed-upon percentage to the daily volume of the investment fund units held for the account of the Group's customers. The income described represents 93% of the total income earned by the Group in 2020. In light of the representativeness of the aforementioned income, we consider this to be a key audit matter.	In order to address this key matter, our work included the performance of audit procedures to evaluate the operating effectiveness of the relevant controls (including information system controls) supporting the completeness of the fees and commissions, as well as the fee and commission accounting and recognition procedure, for which purpose we involved our internal technology and systems experts. Also, our work included, among others, the following substantive procedures: confirmations from third parties, on a selective basis, to validate the amount of fee and commission income, and recalculation tests, on a selective basis, for the fee and commission income generated in 2020. Lastly, we checked that the disclosures included in the notes to the accompanying consolidated financial statements in connection with this matter were in conformity with the requirements of the applicable accounting regulations.

Accounting for the business combinations effected in the year

Description

As described in Note 1-e to the accompanying consolidated financial statements, in 2020 the Group acquired the assets and liabilities of the fund distribution business line from Credit Suisse AG and the Correspondent Banking business from BNP Paribas Securities Services, which were significant transactions that the Group considered to be business combinations. As a result, the Group provisionally accounted for the business combinations, which involved recognising intangible assets and goodwill amounting to EUR 268,199 thousand and EUR 372,155 thousand, respectively.

In this context, determining the fair value of the assets acquired and liabilities assumed, and the goodwill arising on the acquisition date, involves the employment of valuation techniques, such as the use of comparable market data and the estimation of discounted future cash flows, which require significant judgements and estimates to be made with respect to the assumptions considered (for example, the discount rates used) and, therefore, the Group was assisted by experts engaged by it for this purpose.

As a result of the foregoing, this matter is considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures, performed in conjunction with our internal valuation experts, included, inter alia, (i) obtaining the analysis performed by the Group and the report of the independent expert that assisted it in the identification and measurement of the intangible assets acquired, and evaluating the competence, capability and objectivity of that expert and the adequacy of the expert's work for use as audit evidence; (ii) evaluating the reasonableness of the valuation methodology used; (iii) verifying the clerical accuracy of the calculations made; (iv) analysing the reasonableness of the projected future cash flows considered in the budgets of the acquired business approved by the managing body; and (v) evaluating the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows, and the key assumptions used to determine the fair value of the intangible assets.

Lastly, we checked that the disclosures included in the notes to the accompanying consolidated financial statements in connection with this matter were in conformity with the requirements of the applicable regulations.

Impairment test on goodwill

Description

Note 11 to the accompanying consolidated financial statements describes the goodwill and other intangible assets for each of the cash-generating units (CGUs) identified by the Group. In this connection, on an annual basis the Group tests each of the aforementioned CGUs for impairment using discounted cash flow or dividend-based valuation techniques, for which purpose it employs cash flow or dividend projections aligned with the projected brokered off-balance-sheet funds, the net fees and commissions generated by those funds, and other assumptions obtained from the Group's financial budgets. Also, a discount rate is determined on the basis of the economic situation in general and of that of each CGU in particular.

The performance of these estimates requires the application of significant judgements, as described in Notes 1-d and 11 to the accompanying consolidated financial statements. As a result of these circumstances, together with the magnitude of the goodwill recognised in the consolidated balance sheet at year-end, which totalled EUR 415,570 thousand, this matter was determined to be a key matter in our audit.

Procedures applied in the audit

In order to address this key matter our work included the review of the design and implementation of the relevant controls that mitigate the risks associated with the process of assessing the potential impairment of goodwill, as well as the performance of substantive procedures on the aforementioned estimate. To this end, we involved our specialists in valuations.

In this connection, our work included, among others, the following substantive procedures: (i) obtaining the impairment tests performed by the Group and by an independent expert (as applicable) that assisted it, in relation to which we evaluated the expert's competence, capability and objectivity and the adequacy of the expert's work for use as audit evidence; (ii) evaluating the reasonableness of the valuation methodology used; (iii) verifying the clerical accuracy of the calculations made; (iv) analysing the reasonableness of the projected future cash flows considered in the Group's financial budgets, compared with historical information on the Group; and (v) evaluating the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows.

Lastly, we checked that the disclosures included in the notes to the accompanying consolidated financial statements in connection with this matter were in conformity with the requirements of the applicable regulations.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Bank's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the consolidated non-financial information statement has been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Risk Committee of the Bank for the Consolidated Financial Statements

The Bank's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Bank's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Bank's audit and risk committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 8 and 9 of this document, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Bank's Audit and Risk Committee

The opinion expressed in this report is consistent with the content of our additional report to the Bank's audit and risk committee dated 24 March 2021.

Engagement Period

The Bank's sole shareholder, per the minutes of resolutions dated 28 April 2020, appointed us as auditors for a period of one year from the year ended 31 December 2019.

Previously, we were designated pursuant to a resolution of the Universal Annual General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 2001, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Ignacio Gutiérrez
Registered in ROAC under no. 21412

24 March 2021

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's directors.

- Conclude on the appropriateness of the use by the Bank's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Bank's audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's audit and risk committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Bank's audit and risk committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2020 and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Allfunds Bank, S.A.U. and Subsidiaries composing the Allfunds Bank Group

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2020

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

ASSETS	Notes	31-12-2020	31-12-2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	1,843,118	1,041,428
FINANCIAL ASSETS HELD FOR TRADING:		507	609
Derivatives		507	609
Memorandum items: Lent or delivered as guarantee			
with disposal or pledge rights		-	-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THOURGH PROFIT OR LOSS	8	393	393
Equity Instruments		393	393
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights		-	-
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights		-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH ACCUMULATED OTHER COMPREHENSIVE INCOME:		-	-
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights			
FINANCIAL ASSETS AT AMORTIZED COST:	9	233,490	313,037
Loans and advances-		233,490	313,037
To Central Banks		12,465	6,079
To Credit institutions		43,426	270,807
To Customers		177,599	36,151
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights			
HEDGING DERIVATIVES		-	-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST RATE RISK		-	-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES		-	-
Joint ventures		-	-
Associates		-	-
ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS		-	-
TANGIBLE ASSETS:	10	29,301	28,248
Property, plant and equipment – For own use		29,301	28,248
Memorandum items: other assets leased out under finance lease		-	-
INTANGIBLE ASSETS:	11	989,480	228,357
Goodwill		415,570	43,415
Other intangible assets		573,910	184,942
TAX ASSETS:	12	64,132	32,023
Current		9,020	11,059
Deferred		55,112	20,964
OTHER ASSETS:	13	442,175	341,156
Rest		442,175	341,156
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		-	-
TOTAL ASSETS		3,602,596	1,985,251
MEMORANDUM ITEMS			
Loan commitments given		-	-
Financial guarantees given		-	-
Other commitments given	17	66,085	57,223

LIABILITIES AND EQUITY	Notes	31-12-2020	31-12-2019 (*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING:		213	748
Trading Derivatives		213	748
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Memorandum item: Subordinated liabilities		-	-
FINANCIAL LIABILITIES AT AMORTIZED COST:	14	1,812,664	1,191,057
Deposits-		1,448,387	959,740
Credit institutions		*266,760*	*428,647*
Customers		*1,181,627*	*531,093*
Other financial liabilities		364,277	231,317
Memorandum item: Subordinated liabilities		-	-
HEDGING DERIVATIVES		-	-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS		-	-
PROVISIONS		-	-
TAX LIABILITIES:	12	115,416	33,615
Current		15,146	2,448
Deferred		100,271	31,167
SHARE CAPITAL REPAYABLE ON DEMAND		-	-
OTHER LIABILITIES	13	404,153	311,466
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		**2,332,446**	**1,536,886**
EQUITY:			
SHAREHOLDERS FUNDS:		1,269,670	447,926
Capital-	15	68,774	48,028
Paid up capital		68,774	48,028
Unpaid capital		-	-
Memorandum item: Uncalled capital		-	-
Share premium	15	913,267	169,013
Retained earnings	16	227,631	229,968
Profit or loss attributable to owners of the parent		71,798	49,290
Less: Interim dividends	5	(11,800)	(48,373)
ACCUMULATED OTHER COMPREHENSIVE INCOME		480	439
Items not subject to reclassification to income statement		-	-
Items that may be reclassified to profit or loss-		480	439
Foreign currency translation		480	439
MINORITY INTERESTS [NON CONTROLLING INTERESTS]		-	-
TOTAL EQUITY		**1,270,150**	**448,365**
TOTAL LIABILITIES AND EQUITY		**3,602,596**	**1,985,251**

(*) Presented for comparison purposes only (see Note 1.g).

The accompanying Notes 1 to 29 and Appendices I and II are an integral part of the consolidated balance sheet as at 31 December 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Notes	Income/(Expenses) 2020	2019 (*)
INTEREST INCOME	19	3,476	4,041
Financial assets at fair value through changes in other comprehensive income		-	-
Financial assets at amortized cost		*3,476*	*4,041*
Remaining interest income		-	-
(INTEREST EXPENSES)	20	(6,024)	(5,060)
(EXPENSES ON SHARE CAPITAL REPAYABLE ON DEMAND)		-	-
NET INTEREST INCOME		**(2,548)**	**(1,019)**
DIVIDEND INCOME		-	-
FEE AND COMMISSION INCOME	21	1,586,721	1,329,077
(FEE AND COMMISSION EXPENSES)	22	(1,280,063)	(1,103,249)
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		-	-
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET		295	(139)
Reclassification of financial assets from fair value with changes in other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other gains or (-) losses		*295*	*(139)*
GAINS OR LOSSES ON FINANCIAL ASSETS NOT HELD FOR TRADING DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		-	-
Reclassification of financial assets from fair value with changes in other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other gains or (-) losses		-	-
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		- -	-
GAINS OR LOSSES FROM HEDGE ACCOUNTING, NET		-	-
EXCHANGE DIFFERENCES, NET		180	(407)
OTHER OPERATING INCOME	24	11,713	7,026
(OTHER OPERATING EXPENSES)	24	(4,524)	(4,717)
INCOME FROM INSURANCE AND REINSURANCE CONTRACTS		-	-
(EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS)		-	-
GROSS INCOME		**311,774**	**226,572**
(ADMINISTRATION COSTS)	23	(154,457)	(128,693)
(Personnel expenses)		*(73,230)*	*(54,968)*
(Other administrative expenses)		*(81,227)*	*(73,725)*
(DEPRECIATION)	10 and 11	(42,292)	(18,159)
(PROVISIONS OR REVERSAL OF PROVISIONS)		-	-
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF THE VALUE AND PROFIT AND LOSSES BY THE MODIFICATION OF CASH FLOWS OF FINANCIAL ASSETS NOT VALUED AT FAIR VALUE)	9	(800)	(319)
(Financial assets at amortized cost)		*(800)*	*(319)*
NET OPERATING INCOME		**114,225**	**79,401**
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES)		-	-
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS)		-	-
GAINS/(LOSSES) ON DERECOGNITION OF NON FINANCIAL ASSETS, NET	10 and 11	(750)	*(886)*
NEGATIVE GOODWILL RECOGNIZED IN PROFIT OR LOSS		-	-
PROFIT OR LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS		-	-
OPERATING PROFIT BEFORE TAX		**113,475**	**78,515**
(TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION)	12	(41,677)	(29,225)
PROFIT FROM CONTINUING OPERATIONS		**71,798**	**49,290**
PROFIT FROM DISCONTINUED OPERATIONS (net)		-	-
PROFIT		71,798	49,290
Attributable to minority interest [non-controlling interests]		-	-
Attributable to owners of the parent		71,798	49,290
Basic earnings per share	5	0,039	0.044
Diluted earnings per share	5	0,039	0.044

(*) Presented for comparison purposes only (see Note 1.g).

The accompanying Notes 1 to 29 and Appendices I and II are an integral part of the consolidated income statement for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Income/(Expenses)	
	2020	2019 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**71,798**	**49,290**
OTHER RECOGNIZED INCOME (EXPENSES)	**41**	**395**
Items not subject to reclassification to income statement:	-	-
Actuarial gains and losses from defined benefit pension plans	-	-
Non-current assets and disposal groups of elements held for sale	-	-
Changes in fair value of the equity instruments valued at fair value with changes in other comprehensive income	-	-
Gains or (-) losses resulting from the accounting for hedges of equity instruments measured at fair value with changes in other comprehensive income, net	-	-
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income (item hedged)	-	-
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Income tax relating to items not subject to reclassification to income statement	-	-
Items subject to reclassification to income statement:	**41**	**395**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	59	564
Valuation gains or losses from currency translation taken to equity	*59*	*564*
Cash flow hedges	-	-
Hedge instruments (not designated elements)	-	-
Debt instruments held at fair value through accumulated other comprehensive income:	-	-
Valuation gains or losses taken to equity	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Income tax	(18)	(169)
TOTAL RECOGNIZED INCOME AND EXPENSE:	**71,839**	**49,685**
Attributable to the parent company	-	-
Attributable to minority interest [non-controlling interests]	71,839	49,685

(*) Presented for comparison purposes only (see Note 1.g).

The accompanying Notes 1 to 29 and Appendices I and II are an integral part of the consolidated statement of recognized income and expense for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

2020

	Equity							
	Capital	Share Premium	Retained Earnings	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-Controlling Interest	Total
ENDING BALANCE AT 31 DECEMBER 2019	**48,028**	**169,013**	**229,968**	**68,480**	**(48,373)**	**439**	-	**467,555**
Adjustments due to errors (Note 1.g)	-	-	(464)	(19,190)	-	-	-	(19,654)
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
ADJUSTED BEGINNING BALANCE AT 31 DECEMBER 2019	**48,028**	**169,013**	**229,504**	**49,290**	**(48,373)**	**439**	-	**447,901**
Total income/expense recognized	**-**	**-**	**-**	**71,798**	**-**	**41**	**-**	**71,839**
Other changes in equity:	**20,746**	**744,254**	**(1,873)**	**(49,290)**	**36,573**	**-**	**-**	**750,410**
Issuance of ordinary shares (Note 15)	20,746	744,254	-	-	-	-	-	765,000
Dividends (or associates remunerations) (Note 4)	-	-	-	(51,163)	36,573	-	-	(14,590)
Transfers between equity entries	-	-	(1,873)	1,873	-	-	-	-
ENDING BALANCE AT 31 DECEMBER 2020	**68,774**	**913,267**	**227,631**	**71,798**	**(11,800)**	**480**	-	**1,270,150**

2019(*)

	Equity							
	Capital	Share Premium	Retained Earnings	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-Controlling Interest	Total
ENDING BALANCE AT 31 DECEMBER 2018	**27,041**	-	**188,114**	**86,157**	**(29,000)**	**44**	-	**272,356**
Adjustments due to errors	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	447	-	-	-	447
ADJUSTED BEGINNING BALANCE AT 31 DECEMBER 2018	**27,041**	-	**188,114**	**86,604**	**(29,000)**	**44**	-	**272,803**
Total income/expense recognized	-	-	-	49,290	-	395	-	49,685
Other changes in equity:	20,987	169,013	41,854	(86,604)	(19,373)	-	-	125,877
Issuance of ordinary shares (Note 15)	20,987	169,013	-	-	-	-	-	190,000
Dividends (or associates remunerations) (Note 4)	-	-	(15,750)	-	(48,373)	-	-	(64,123)
Transfers between equity entries	-	-	57,604	(86,604)	29,000	-	-	-
ENDING BALANCE AT 31 DECEMBER 2019	**48,028**	**169,013**	**229,968**	**49,290**	**(48,373)**	**439**	-	**448,365**

(*) Presented for comparison purposes only (see Note 1.g).

The accompanying Notes 1 to 29 and Appendices I and II are an integral part of the consolidated statement of changes in total equity for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	2020	2019 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**71,798**	**49,290**
Adjustments to obtain the cash flows from operating activities-		
Depreciation and Amortization	42,292	18,159
Other adjustments	43,047	41,936
Profit adjusted	**157,137**	**109,385**
Net increase/decrease in operating assets:		
Financial assets held for trading	102	(256)
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	-	(9)
Financial assets at amortized cost	78,747	95,014
Other operating assets	(146,876)	(20,053)
	(68,027)	**74,696**
Net increase/decrease in operating liabilities:		
Financial liabilities held for trading	(535)	535
Financial liabilities at amortized cost	621,607	277,202
Other operating liabilities	160,744	43,463
	781,816	321,200
Collection/Payments for income tax	**(22,280)**	**(25,296)**
Total cash flow from operating activities	**848,646**	**479,985**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments-		
Tangible assets	(1,925)	(4,765)
Intangible assets	(15,532)	(22,796)
Investments in joint ventures and associates	(452)	(43,392)
Other payments related to investment activities	(29,273)	-
Collections-	-	-
Total cash flow from investing activities	**(47,182)**	**(70,953)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment-		
Dividends	(14,590)	(78,623)
Collections-		
Issuance of own equity instruments	14,636	-
Total cash flow from financing activities	**46**	**(78,623)**
EFFECT EXCHANGE RATE CHANGES	**180**	**(407)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**801,690**	**330,002**
Cash and cash equivalents at beginning of year	1,041,428	711,426
Cash and cash equivalents at end of the period	1,843,118	1,041,428
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:		
Cash	24	28
Cash equivalents at central banks	1,232,995	538,609
Other financial assets	610,099	502,791
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,843,118**	**1,041,428**

(*) Presented for comparison purposes only (see Note 1.g).

The accompanying Notes 1 to 29 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 29). In the event of a discrepancy, the Spanish-language version prevails.

Allfunds Bank Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

1. Description of the Bank, basis of presentation of the consolidated financial statements and other information

a) Description of the Bank

Allfunds Bank, S.A.U. ("the Bank") was incorporated for an indefinite period of time in Madrid on 14 December 2000. The Bank is a private-law entity subject to the rules and regulations applicable to banks operating in Spain. On 4 February 2019, the Bank changed its registered office to Calle de los Padres Dominicos 7 (Madrid), where the bylaws and other public information on the Bank can be consulted. The Bank is registered in the Bank of Spain's Official Register of financial institutions under code 0011.

The activities that constitute the Bank's object are as follows:

a. The performance of all kinds of activities, transactions and services of the banking business in general, related thereto or permitted to it under current legislation.

b. The acquisition, holding, use, administration and disposal of Spanish and foreign marketable securities, shares and equity interests in companies, in accordance with current legislation.

c. The provision of investment services and any applicable supplementary activities under current legislation.

In addition to the operations carried on directly by it, the Bank is the head of a group of subsidiaries that engage in various business activities and which compose, together with it, the Allfunds Group ("the Group"). Therefore, the Bank is required to prepare in addition to its own financial statements, these consolidated financial statements for the Group.

On 21 November 2017, Liberty Partners, S.L.U. (a company belonging to the Hellman & Friedman Group) acquired all the shares of the Bank. Consequently, on 21 November 2017, the Bank's newly acquired sole shareholder status was public deeded. However, Pursuant to Article 16.1 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, it is placed on record that the only payment obligation to the sole shareholder, Liberty Partners, S.L.U., at 31 December 2020, is due to the debt resulting from the tax consolidation (see Notes 12 and 14).

b) Basis of presentation of the consolidated financial statements and accounting principles

The Allfunds Group's consolidated financial statements for 2020 were formally prepared by the Bank's directors at the Board of Directors Meeting held on 19 March 2021, in accordance with the regulatory financial reporting framework applicable to the Group, which consists of the Spanish Commercial Code and all other Spanish corporate law, International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), taking into account Bank of Spain Circular 4/2017, of 27 November, and the subsequent amendments thereto, as well as other mandatory rules approved by the Bank of Spain, and applying the basis of consolidation, accounting policies and measurement bases described in Note 2, in order to present fairly the Group's consolidated equity and consolidated financial position as at 31 December 2020 and its consolidated results and its consolidated cash flows for the year then ended. These consolidated financial statements were prepared on the basis of the Bank's accounting records and of those of the companies included in the scope of consolidation.

The Group's consolidated financial statements for 2019 were authorised for issue by the Bank's directors at the Board meeting held on 26 March 2020 approved by the Sole Shareholder held on 28 April 2020 and were filed at the Madrid Mercantile Registry.

In these notes to the consolidated financial statements, the abbreviations "IASs" and "IFRSs" are used to refer to International Accounting Standards and International Financial Reporting Standards, respectively, and "IFRIC" and "SIC" to refer to the interpretations of the International Financial Reporting Standards Interpretations Committee and of the former Standard Interpretations Committee, respectively, all of which were approved by the European Union, and used as the basis for the preparation of these consolidated financial statements.

At 31 December 2020, the Bank's financial statements, which were prepared in accordance with Bank of Spain Circular 4/2017 and the successive amendments thereto, included total assets of EUR 3,234,397 thousand on the balance sheet and a net profit of EUR 56,306 thousand (see Note 3).

The accounting principles and policies and measurement bases principally applied in preparing the consolidated financial statements for 2020 are described in Note 2. All obligatory accounting principles with a material effect on the consolidated financial statements were applied in preparing them.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2020 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with the EU-IFRSs applied by the Group.

c) Regulatory changes

Changes introduced in 2020

The following International Financial Reporting Standards adopted by the European Union and the Group became effective in 2020:

- Definition of a Business (Amendments to IFRS 3):

The amendments to IFRS 3 clarify the definition of a business in order to make it easier for entities to identify whether they have acquired a business in the context of a business combination or whether they have acquired assets.

To be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to an entity's ability to create output.

The amendments introduce an optional "concentration" test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. In this regard, the set of activities and assets is determined not to be a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The entry into force of these amendments on 1 January 2020 did not have an impact on the Group's consolidated financial statements.

- Definition of Material (Amendments to IAS 1 and IAS 8):

The amendments clarify the definition of "material" to make it easier to understand.

Since the amendments became effective, in accordance with IAS 1, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The definition of "material" in IAS 8 has been replaced with a reference to IAS 1.

The entry into force of these amendments on 1 January 2020 did not have a significant impact on the Group's consolidated financial statements.

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7):

IBOR Reform (Phase 1) refers to the amendments issued by the IASB to IFRS 9, IAS 39 and IFRS 7 to avoid certain hedge accounting having to be discontinued in the period before the reform of the benchmark rates actually takes place.

In certain cases and/or jurisdictions, there may be uncertainty as to the future of certain benchmarks or their impacts on the contracts held by an entity, which leads to uncertainty as to the timing or the amounts of the cash flows of the hedged item or the hedging instrument. Due to such uncertainty, some entities may be required to discontinue hedge accounting or may not be able to designate new hedging relationships.

Therefore, the amendments include several transitional simplifications to hedge accounting requirements that apply to all hedging relationships affected by the uncertainty arising from the reform.

A hedging relationship is affected by the reform if it generates uncertainty as to the timing or amount of the cash flows of the hedged item or of the hedging instrument that are linked to the specific benchmark.

Since the purpose of the amendments is to provide temporary exceptions from applying certain specific hedge accounting requirements, these exceptions will cease to apply once the uncertainty has been resolved or the hedge no longer exists.

The entry into force of these amendments on 1 January 2020 did not have a significant impact on the Group's consolidated financial statements.

Covid-19-Related Rent Concessions (Amendment to IFRS 16):

Owing to the covid-19 pandemic, certain lessees are renegotiating their lease payments with lessors in order to obtain reductions, remissions or other incentives.

Since a case-by-case analysis of the leases affected by these concessions could be complex and costly, this amendment provides lessees with the option of not having to assess each lease in order to determine whether a covid-19-related rent concession is a lease modification.

The practical expedient introduced permits a lessee to account for certain rent concessions as variable lease payments (a reduction in lease payments) rather than as lease modifications. The amendment does not apply to lessors.

This amendment to IFRS 16 became effective on 1 June 2020 and did not have a significant impact on the Group's consolidated financial statements.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards, interpretations or amendments had been published by the IASB. Although in certain cases the IASB allows the amendments to be applied before they come into force, the Group did not introduce them in the consolidated financial statements for 2020.

- IFRS 17, Insurance Contracts and amendments thereto:

  IFRS 17 establishes the principles that an entity shall apply to account for insurance contracts. This new standard supersedes IFRS 4.

  The new standard introduces a single accounting model for all insurance contracts and requires entities to use updated assumptions in their estimates.

  An entity shall divide insurance contracts into groups and shall recognise and measure a group of insurance contracts at the total of:

  - the fulfilment cash flows, which comprise estimates of future cash flows; an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and a risk adjustment for non-financial risk; and

  - the contractual service margin, representing the unearned profit.

  The amounts recognized in the consolidated statement of profit or loss shall be disaggregated into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period in which the entity provides insurance coverage and shall be allocated to reporting periods in proportion to the value of the insurance coverage that the insurer provides in the period.

  This standard will be applicable for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The European Union has not yet approved its adoption, but it will foreseeably do so in 2021.

- Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

IBOR Reform (Phase 2) refers to the amendments issued by the IASB to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to guarantee that financial statements reflect the economic effects of IBOR reform in the best manner possible.

These amendments provide specific guidance on how an entity should account for financial assets and liabilities (including lease liabilities) where the basis for determining their contractual cash flows changes as a result of interest rate benchmark reform and how hedges that are affected by the reform should be accounted for. The amendments also introduce additional disclosure requirements to enable users of financial statements to understand the nature and extent of the risk exposure arising from the Reform and how such risks are being managed.

The IASB's amendments require an entity to recognise prospectively the impact of the change in the basis for determining the contractual cash flows by revising the effective interest rate.

The practical expedient only applies when the change in the basis for determining the contractual cash flows is necessary as a direct consequence of the Reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change.

These Phase 2 amendments introduced will become mandatorily effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted, but will not foreseeably have a material impact on the Group's consolidated financial statements.

- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37):

These amendments explain that the cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They also clarify that before a separate provision for an onerous contract is established, an entity shall recognise any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

These amendments will be effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted, but will not foreseeably have a material impact on the Group's consolidated financial statements. The European Union has not yet approved their adoption, but it will foreseeably do so in 2021.

- Reference to the Conceptual Framework (Amendments to IFRS 3):

IFRS 3 has been amended to make reference to the 2018 Conceptual Framework for the purpose of determining what constitutes an asset or a liability in a business combination (previously reference was made to the 2001 Conceptual Framework). Also, a new exception was added to IFRS 3 for liabilities and contingent liabilities.

These amendments will be effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted, but will not foreseeably have a material impact on the Group's consolidated financial statements. The European Union has not yet approved their adoption, but it will foreseeably do so in 2021.

- Annual Improvements to IFRS Standards 2018–2020:

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and will be applicable for annual reporting periods beginning on or after 1 January 2022, with early application permitted. The European Union has not yet approved their adoption, but it will foreseeably do so in 2021. The main amendments refer to:

- IFRS 1, First-time Adoption of International Financial Reporting Standards: IFRS 1 permits the application of an exemption when a subsidiary becomes a first-time adopter later than its parent. This amendment allows a subsidiary that uses this exemption to measure cumulative translation differences at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs.

- IFRS 9, Financial Instruments: The amendment addresses which fees and costs must be included in the discounted cash flows that are compared to assess whether a financial liability can be derecognized. The cash flows before and after disposal must differ by at least 10% for financial liabilities to be derecognized. The fees and costs paid may relate to fees paid to the lender or fees paid to third parties. The amendment states that fees and costs paid to third parties shall not be included in the 10 per cent test.

- IFRS 16, Leases: Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of the reimbursement of leasehold improvements by the lessor, thus resolving any potential confusion regarding the treatment of lease incentives.

- IAS 41, Agriculture: This amendment removes the requirement contained in IAS 41 to exclude cash flows for taxes when measuring fair value.

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4):

  The amendments to IFRS 4 include an extension of the option for entities whose business model is predominantly connected with insurance to apply the temporary exemption from IFRS 9 until 1 January 2023, thus aligning application of IFRS 9 with the effective date of IFRS 17. These amendments become effective on 1 January 2021, although they have no impact on the Group.

d) Use of estimates

The information in these consolidated financial statements is the responsibility of the Bank's directors. In the Bank's consolidated financial statements for 2020 estimates were made by the senior executives of the Bank, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

1. The classification of financial instruments based on the business model and the compliance or not of the SPPI tests.

2. The impairment losses on certain assets (see Notes 9, 10 and 11).

3. The useful lives of the tangible and intangible assets (see Notes 10 and 11).

4. The assessment of any possible contingent liabilities affecting the Group and the need to recognise provisions thereon (see Note 2-j).

5. Estimates of accrued expenses and deferred income relating to the Bank's activity at each year-end (see Note 13).

6. The measurement of goodwill arising on consolidation (see Notes 1-e and 11).

7. The fair value of the identifiable assets acquired and the liabilities assumed in business combinations (see Note 1-e).

8. The allocation of assets and liabilities acquired on business combinations (see Note 1.e, 11 and 12).

9. The recoverability of deferred tax assets (see Note 12).

Although these estimates were made on the basis of the best information available at 2020 year-end, events that take place in the future might make it necessary to change these estimates in subsequent years, which would be done, if necessary, in accordance with IAS 8, i.e. prospectively, recognising the effects of the change in estimate in the consolidated income statements for the future years concerned.

e) Business combinations and basis of consolidation

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. For these purposes, one entity controls another when it has the power to govern its financial and operating policies, by virtue of the law, a bylaw provision or a contractual arrangement, so as to obtain benefits from its activities.

A business is defined as an integrated set of activities and assets, together with inputs and a substantive process that, together, contribute significantly to the entity's ability to provide outputs. However, the existence of outputs, present in most businesses, are not in themselves sufficient to determine that an integrated set of activities and assets is a business, the acquisition of inputs and a substantive process being essential.

Specifically, the acquisition of control of an entity is considered a business combination.

Business combinations whereby the Group acquires control of an entity or economic unit are accounted for by applying the acquisition method, the main stages of which are summarised as follows:

a) Identifying the acquirer.

b) Determining the acquisition date.

c) Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Apart from the exceptions indicated in IFRS 3, in general, the identifiable assets and the liabilities and contingent liabilities assumed of the acquired entity or business are measured at their acquisition-date fair values.

d) Recognising and measuring goodwill or a gain from a bargain purchase in the consolidated statement of profit or loss, by comparing the price paid in the combination against the initial value of the identifiable assets and the liabilities or contingent liabilities of the acquired business.

In business combinations achieved without the transfer of consideration, such as business combinations performed by contract alone, the Group recognises the amount of the acquiree's net assets and liabilities, by applying the criteria and policies contained in IFRS 3 (in general, with the exceptions established in IFRS 3, at their fair value), in the Group's consolidated equity and, therefore, no goodwill or gains arising from a bargain purchase are recognized in this type of business combination.

Subsidiaries

"*Subsidiaries*" are defined as entities over which the Bank has the capacity to exercise control in the management thereof; control is, in general but not exclusively, presumed to exist when the Bank owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when, as in the case of agreements with shareholders of the investee, the Bank is granted control. For these purposes, one entity is deemed to control another where:

i. it has the power, by virtue of the law, a bylaw provision or a contractual arrangement, to direct the relevant activities, i.e. those that have a significant effect on the investee's returns;

ii. it has the current ability i.e. the practical ability to exercise the rights to use that power to affect the amount of its returns, and;

iii. it is exposed to, or has rights, to variable returns from its involvement with the investee.

The Group subsidiaries are fully consolidated in these consolidated financial statements as defined in IAS 27.

The following policies were applied in the consolidation process:

i. The subsidiaries' financial statements are aggregated with the Bank's financial statements. Prior to this aggregation, significant adjustments are made for uniformity purposes where this is necessary to adapt the subsidiaries' accounting policies and measurement bases to those applied by the Bank.

ii. All material balances and transactions between consolidated companies, as well as material results from intra-Group transactions not realised vis-à-vis third parties, are eliminated on consolidation.

iii. The results of subsidiaries acquired during the year are included in the consolidated statement of profit or loss from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated statement of profit or loss from the beginning of the year to the date of disposal.

Changes in the scope of consolidation

Appendix I includes certain relevant information on the subsidiaries.

The changes in the scope of consolidation of the Group in 2020 and 2019 were as follows:

Nordic Fund Market

On 24 March 2019, Allfunds Bank S.A.U., signed an agreement to acquire Nordic Fund Market (NFM) through the purchase of all the shares of Allfunds Sweden AB (former Nasdaq Broker Services AB) from its shareholder Nasdaq Technology AB. NFM is one of the main providers of fund services in Sweden. The company has an investment license for Sweden, is regulated by the Swedish "Finansinspektionen" authority and is authorised to operate in Finland and Norway. On 31 October 2019 the conditions precedent were met, and Allfunds Bank, S.A.U., acquired all the shares of Allfunds Sweden AB and obtained control of the entity on that date. On 31 October 2019, Allfunds paid Nasdaq Technology AB EUR 29,363 thousand for the acquisition of Allfunds Sweden AB.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities of Allfunds Sweden AB recognized at the acquisition date were accounted for as follows:

	Thousands of Euros
	Fair Value (*)
Assets:	
Cash	9,670
Other financial assets	197
Tax assets	1,321
Prepayments and accrued income	20
Other assets	4
Liabilities:	
Other financial liabilities	(119)
Tax liabilities	(1,012)
Prepayments and accrued income	(127)
Other liabilites	(5)
Net assets acquired	**9,949**

(*) Unaudited

Assets arising from the business combination

This business combination gave rise to certain assets as a result of the price paid being higher than the value of the net assets acquired. In this connection, at 31 December 2020 the Group had completed the purchase price allocation process for Allfunds Sweden AB, taking into consideration the report prepared by an independent expert, and disclosing the following assets at the acquisition date:

	Thousands of euros
Consideration transferred to Nasdaq Technology AB	29,363
Less- Fair value of the net assets acquired	(9,949)
Emerged goodwill from business combination	**19,414**
Customer relationships (Note 11)	1,587
Deferred tax liabilities (Note 12)	(328)
Goodwill (Note 11)	**18,155**

However, pursuant to IFRS 3.49, the Bank retrospectively recognized adjustments to the provisional amounts of the intangible assets recognized at 31 December 2019 and reviewed the comparative information presented in the financial statements as at 31 December 2019, which gave rise to changes being made in the depreciation and Amortization charge with a net impact of EUR 14 thousand on the profit for the year ended 31 December 2019 (see Note 1-g).

The changes in assets with finite useful lives and the related deferred tax liabilities, since the acquisition date were as follows:

2020

	Useful life	Thousands of Euros		
		Initial Balance at 1 January 2020	Useful life	Final Balance at 31 December 2020
Customer relationships	14.95	1,569	(106)	1,463
Deferred tax liabilities	14.95	(324)	23	(301)

2019

	Useful life	Thousands of Euros		
		Initial Balance at 31 October 2019	Useful life	Final Balance at 31 December 2019
Customer relationships	14.95	1,587	(18)	1,569
Deferred tax liabilities	14.95	(328)	4	(324)

Impact of the business combination on Group results

The revenue attributable to this business combination from the acquisition date until December 31, 2020 is EUR 248 thousand. The result attributable to this business combination from the acquisition date through December 31, 2019 is a loss of EUR 186 thousand.

Allfunds Hong Kong Limited

On 23 April 2018, Allfunds Bank, S.A.U., incorporated Allfunds Hong Kong Limited as a private limited liability company and as a subsidiary. On 3 July 2019 and 4 October 2019, Allfunds Hong Kong Limited raised capital by HKD 1,999 thousand and 5,000 thousand, respectively (EUR 227 and 580 thousand). As a result, at 31 December 2019 the share capital of Allfunds Hong Kong Limited amounted to HKD 7,000 thousand (EUR 807 thousand) and was represented by 1,000 fully subscribed and paid shares of HKD 7 thousand (EUR 807) par value each.

On 4 February 2020, Allfunds Hong Kong Limited has increased capital by HKD 10,000 thousand (EUR 1,166 thousand). As a result, at 31 December 2020, the share capital of Allfunds Hong Kong Limited amounted to HKD 17,000 thousand (EUR 1,972 thousand) and was represented by 1,000 fully subscribed and paid shares each with par value of HKD 17 thousand (EUR 1,972).

Credit Suisse distribution business

Description of the transaction

On 25 June 2019, Allfunds Bank, S.A.U. and its subsidiary Allfunds International, Schweiz AG, together with their shareholders Allfunds (UK) Limited (former LHC4 (UK) Limited) (sole shareholder of Liberty Partners, S.L.U., which in turn is the sole shareholder of Allfunds Bank, S.A.U.) and LHC1 Limited, entered into an agreement with Credit Suisse AG to acquire: i) First phase: the shares of the Swiss company Credit Suisse InvestLab AG (subsequently Allfunds InvestLab AG), including its equipment, technology, an exclusivity and cooperation agreement, and the corresponding services agreements with management companies and; ii) Second phase: the shares of the Swiss company Credit Suisse InvestLab 2AG (subsequently Allfunds InvestLab 2AG) which includes the distribution agreements with those management companies. The first phase was carried out in September 2019 and, entitled Credit

Suisse AG to a 9% indirect ownership interest in the share capital and the Group acquired Allfunds InvestLab AG; and the second, during the first quarter of 2020, entitled Credit Suisse to an additional indirect holding of 9%. Consequently, after executing the second phase, Credit Suisse held 18% of the share capital of Allfunds (UK) Limited and indirectly of Allfunds, S.A.U.

First phase of the acquisition of Credit Suisse's Distribution Business

On 6 September 2019, the regulatory authorisations were obtained, and the conditions precedent fulfilled for the first phase and Allfunds International, Schweiz AG took control of the Swiss company Allfunds InvestLab AG (former Credit Suisse InvestLab AG) through the acquisition of all of its shares and, as consideration, after the share capital increase of Allfunds (UK) Limited, Credit Suisse AG held 9% in Allfunds (UK) Limited.

Also, on that same date, Allfunds (UK) Limited (sole shareholder of Liberty Partners, S.L.U.) granted a loan of EUR 190 million to Allfunds International, Schweiz AG. This loan was contributed, as a non-monetary capital increase, by Allfunds (UK) Limited to Liberty Partners, S.L.U. (sole shareholder of Allfunds Bank, S.A.U.) and simultaneously, as a non-monetary capital increase, by Liberty Partners, S.L.U. to Allfunds Bank, S.A.U. and, lastly, Allfunds Bank, S.A.U. made a contribution to the reserves in Allfunds International, Schweiz AG, at which time the original loan was extinguished. The grandparent contribution made by Allfunds Bank, S.A.U. to the reserves of Allfunds International, Schweiz AG did not involve a capital increase at Allfunds International, Schweiz AG, and Allfunds Bank, S.A.U. did not receive any shares of Allfunds International, Schweiz AG; this contribution was accounted for in the separate financial statements of Allfunds Bank, S.A.U. as an addition to the value of the ownership interest held by it in Allfunds Bank International, S.A. (sole shareholder of Allfunds International, Schweiz AG at that date).

In addition, on 17 June 2019 Allfunds International, Schweiz AG entered into an agreement, for EUR 14,783 thousand, VAT included (EUR 13,726 thousand excluding taxes) to negotiate the acquisition of Credit Suisse InvestLab AG on an exclusive basis with Credit Suisse AG. Once the transaction had been successfully completed, this amount was treated as an addition to the value of the consideration paid by the Allfunds Group for the acquisition of Allfunds InvestLab AG.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities of Allfunds InvestLab AG recognized at the acquisition date were accounted for as follows:

	Thousands of Euros
	Fair Value (*)
Assets:	
Cash	24,386
Other financial assets	1,201
Prepayments and accrued income	9,158
Liabilities:	
Other financial liabilities	(576)
Tax liabilities	(5,247)
Other liabilities	(1,167)
Net assets acquired	**27,755**

(*) Unaudited

Assets arising from the business combination

This business combination gave rise to certain assets as a result of the price paid being higher than the value of the net assets acquired. In this connection, at 31 December 2020 the Group had completed the purchase price allocation process for Credit Suisse InvestLab, AG, taking into consideration the report prepared by an independent expert, and disclosing the following assets at the acquisition date:

	Thousands of Euros
Consideration transferred to Credit Suisse AG	190,000
Cost of exclusive negotiation	14,783
Less- Fair value of the net assets acquired	(27,755)
Emerged goodwill from business combination	**177,028**
Cooperation agreement (Note 11) (*)	148,635
Customer relationships (Note 11)	3,717
Deferred tax assets (Note 12)	25,647
Deferred tax liabilities (Note 12)	(30,249)
Other assets (**)	5,475
Liability cancellation with Public Administration	5,247
Goodwill (Note 11)	**18,556**

(*) Fair value of the relationship between Allfunds Bank, S.A.U. and Credit Suisse for which Allfunds Bank is the exclusive distributor of Credit Suisse funds in certain geographies as well as the provision of certain associated with the distribution of funds.

(**) Collected as of December 31, 2020

However, pursuant to IFRS 3.49, the Bank retrospectively recognized adjustments to the provisional amounts of the intangible assets recognized at 31 December 2019 and reviewed the comparative information presented in the financial statements as at 31 December 2019, which gave rise to changes being made in the depreciation and amortization charge with a net impact of EUR 19,176 thousand on the profit for the year ended 31 December 2019 (see Note 1-g).

The changes in assets with finite useful lives and the related deferred tax liabilities, since the acquisition date were as follows:

2020

	Useful life	Thousands of Euros		
		Initial balance at 1 January 2020	Amortization	Final Balance at 31 December 2020
Cooperation agreement (Note 10)	12	144,701	(12,411)	132,290
Customer relationships (Note 10)	13.4	3,629	(278)	3,351
Deferred tax liabilities (Note 11)	13	(29,399)	2,684	(26,715)

2019

	Useful life	Thousands of euros		
		Initial balance at 6 September 2019	Amortization	Final Balance at 31 December 2019
Cooperation agreement (Note 10)	12	148,635	(3,934)	144,701
Customer relationships (Note 10)	13.4	3,717	(88)	3,629
Deferred tax liabilities (Note 11)	13	(30,249)	850	(29,399)

Impact of the business combination on Group results

The revenue attributable to this business combination from the acquisition date until December 31, 2020 is EUR 12,805 thousand. In addition, the result attributable to this business combination from the acquisition date through December 31, 2019 is EUR 22,262 thousand.

Second phase of the acquisition of Credit Suisse's Distribution Business

On 26 March 2020 Allfunds International, Schweiz AG took control of Credit Suisse InvestLab 2 AG (subsequently Allfunds InvestLab 2 AG, and to which Credit Suisse AG had previously transferred the distribution agreements with fund managers and sub-distribution agreements with fund distributors) by acquiring all of the company's shares in exchange, Credit Suisse AG obtained 9% (additional holding) of Allfunds (UK) Limited following the increase in its share capital, after obtaining the corresponding regulatory authorisations, which mainly correspond to authorisations, verifications or no objections from the regulatory bodies.

As a consequence, on the same date, as a result of the satisfaction of the purchase price of the shares in Credit Suisse InvestLab 2 AG by Allfunds (UK) Limited from Credit Suisse AG by way of delivery of the additional holding, Allfunds (UK) Limited (sole shareholder of Liberty Partners, S.L.U) has granted a loan in the amount of EUR 190 million to Allfunds International, Schweiz AG, at which the shares in Credit Suisse InvestLab 2 AG subject to transfer have been valued.

This loan was provided as a non-cash capital increase from Allfunds (UK) Limited to Liberty Partners, S.L.U. (the sole shareholder of Allfunds Bank, S.A.U.) and simultaneously as a non-cash capital increase from Liberty Partners, S.L.U. to Allfunds Bank, S.A.U. Finally, Allfunds Bank, S.A.U. has made a contribution to reserves to Allfunds International, Schweiz AG, which led to the termination of the original loan at that time.

Allfunds Bank, S.A.U.'s contribution to reserves of Allfunds International, Schweiz AG (grandparent contribution) has been made without any capital increase by Allfunds International, Schweiz AG, and Allfunds Bank, S.A.U. did not receive any shares in Allfunds International, Schweiz AG, which were recorded in the individual financial statements of Allfunds Bank, S.A.U. as an increase in the value of its interest in Allfunds Bank International, S.A. (sole shareholder of Allfunds International, Schweiz AG).

Assets acquired and liabilities assumed at the acquisition date

This business combination has led to the acquisition by the Allfunds Group of net assets amounting to EUR 93 thousand, all of which correspond to demand deposits.

Assets arising from the business combination

In this business combination, the following assets arose as a result of the price paid being higher than the value of the net assets acquired:

	Thousands of Euros
Consideration transferred to Credit Suisse AG	190,000
Less- Fair value of the net assets acquired	(93)
Emerged goodwill from business combination	**189,907**
Cooperation agreement (Note 11) (*)	13,629
Deferred tax assets (Note 12)	39,268
Deferred tax liabilities (Note 12)	(2,698)
Goodwill (Note 11)	**139,708**

(*) Fair value of the relationship between Allfunds Bank, S.A.U. and Credit Suisse for which Allfunds Bank is the exclusive distributor of Credit Suisse funds in certain geographies as well as the provision of certain associated with the distribution of funds.

The changes in these assets at 31 December 2020 due to their Amortization on the basis of their useful lives were as follows:

	Useful life	Thousands of Euros		
		Initial balance as at 26 March 2020	Amortization	Final balance as at 31 December 2020
Cooperation agreement (Note 10)	12	13,629	(871)	12,758
Deferred tax liabilities (Note 11)	13	(2,698)	184	(2,514)

Impact of the business combination on Group results

The revenue attributable to this business combination from the acquisition date until December 31, 2020 is EUR 2,775 thousand. In addition, management's best estimate of the result attributable to this business combination from the acquisition date until December 31, 2020 is EUR 2,380 thousand.

Merger of Allfunds InvestLab AG and Allfunds InvestLab 2 AG into Allfunds International, Schweiz AG

Allfunds International, Schweiz AG (absorbing company) absorbed Allfunds InvestLab AG and Allfunds InvestLab 2 AG (absorbed companies wholly owned by the absorbing company) with the consequent dissolution without liquidation of the absorbed companies and the transfer of their assets and liabilities by universal succession to the absorbing company, which was subrogated to all the rights and obligations of the absorbed companies. The merger was registered at the Zurich Registry of Commerce on 25 June 2020, effective from 1 January 2020, the date from which the transactions of the absorbed companies are considered to be performed for accounting purposes by the absorbing company.

Allfunds Blockchain, S.L.U.

On 4 September 2020, Allfunds Bank, S.A.U. incorporated as a private limited liability company and subsidiary Allfunds Blockchain, S.L.U., the main company object of which is the performance of computer programming and technological development activities, including all kinds of new technologies such as blockchain, and the operation of products deriving from such activities. The share capital is divided into 3,000 shares of EUR 1 par value each; the share capital is fully subscribed and paid and the sole shareholder was Allfunds Bank, S.A.U.

Myfundmatch

On 2 October 2020, Allfunds Bank, S.A.U. entered into an agreement with BNP Paribas Securities Services to acquire all the shares of Myfundmatch for EUR 750 thousand, which had been paid in full. Myfundmatch is an entity incorporated in Paris and registered at the French Mercantile Registry whose main purpose is the performance of activities related to the operation of a communication platform between fund managers and investors. The company is subject to the laws and regulations governing entities operating in France. At the acquisition date, the company's share capital was represented by 1,750,000 shares with a par value of EUR 1 each.

BNP

On 2 October 2020, Allfunds Bank, S.A.U. and BNP Paribas Securities Services (BP2S) and BNP Paribas AM (PAM) completed the transaction signed on 21 October 2019 after obtaining the relevant regulatory approvals and as a result:

a) BNP Paribas Securities Services ("BP2S") has contributed its "Banca Corrispondente" or correspondent banking business division, which engages in, inter alia, paying agency, investor relations management, and tax, foreign exchange and transfer agency activity (the BC Business), which conducted through its branches in Italy, Poland and Spain, to Allfunds Bank, S.A.U., which, after the transaction closing date, would carry on the business for its own account through its branch in Italy and the new branch in Warsaw, Poland. This business contribution has no tax relevance in Spain since the BC Business has been automatically and immediately attributed by Allfunds Bank, S.A.U., to its branch in Italy, with the exception of the branch of activity related to the transfer agent services business that has been integrated in Spain as it has been developed by the Branch of BP2S in Spain. The contribution of the mentioned branch of activity (transfer agent services business offered to non-Spanish management companies wishing to market their funds in Spain) have been covered by the tax regime established in Chapter VII of Title VII of Law 27/2014, of November 27, on Corporate Income Tax and, for such purposes, all the necessary actions have been taken to correctly comply with the requirements established in the aforementioned regulation (see Note 12).

   This business has been valued by an independent expert at 414,000 thousand euros. This transaction was carried out through a non-monetary capital increase in which Allfunds Bank, S.A.U., issued 371,378 new shares with a par value of EUR 30 per share and a share premium of EUR 1,084.77 per share, which were subscribed by B2PS in consideration. As a result, B2PShas acquired 16.20% of the capital of Allfunds Bank, S.A.U., at the closing of the transaction.

b) PAM has contributed:

   - the right in favor of Allfunds Bank, S.A.U. to (a) have access to certain entities of group BNPP for the exclusive purpose of offering fund distribution services and other products and services that do not compete with the products offered by group BNPP, and (b) to present itself before CIIs and fund managers as the fund distributor of the referred entities acting through PAM by virtue of the sub-distribution agreements that have been signed with the different entities of group BNPP (Activity PAM) and Allfunds Bank who will develop it through its new branch in Paris (France), to whom this activity was automatically and immediately attributed by Allfunds Bank, S.A.U., lacking therefore tax relevance in Spain.

This right has been valued by an independent expert at 146,363 thousand euros. This transaction was carried out through a non-monetary capital increase in which Allfunds Bank, S.A.U., issued 131,295 new shares with a par value of EUR 30 per share and a share premium of EUR 1,084.77 per share, which were subscribed by PAM in consideration for the asset contributed. As a result, PAM has acquired 5.73% of the capital of Allfunds Bank, S.A.U., at the closing of the transaction.

- 14,636 thousand euros in cash. This transaction was carried out by means of a cash capital increase in which Allfunds Bank, S.A.U., issued 13,130 new shares with a par value of 30 euros per share and a share premium of 1,084.73 euros per share, which were subscribed by PAM. Consequently, PAM acquired 0.57% of the capital of Allfunds Bank, S.A.U., at the closing of the transaction.

Lastly, BP2S entered into with Allfunds Bank, acting through its branch in Paris (France), an outsourcing agreement under which it will receive brokerage and custody services in relation with its FDS (Fund Dealing Services) business.

The Group has considered that, through this transaction and in accordance with IFRS 3, it has acquired two business units (CGU's) associated with: i) Banca Corrispondente; ii) intermediation and custody services (FDS: Fund Dealing Services) and an asset that corresponds to the agreement signed with PAM.

Additionally, in the context of the operation, dated October 20, 2019, BP2S and Allfunds Bank, S.A.U., have signed a contract with a duration of 3 years and with the aim of establishing the cooperation framework between both entities to carry out the transition of business and operations to Allfunds Bank (Transational Services Agreement or TSA). The cost of this contract has been established at 82 million euros according to the following schedule:

- 36 million euros corresponding to the first year of the contract
- 36 million euros corresponding to the second year of the contract
- 10 million euros corresponding to the third year of the contract

Likewise, said contract establishes that BP2S will pay to Allfunds Bank, S.A.U. 300 thousand euros for services provided to BP2S during the 24 months after closing.

As a consequence, at 31 December 2020, the Group has recognized an expense and a payment obligation associated to the TSA costs for 10,516 thousands of euros which is included in the heading "Administrative expenses - Other administrative expenses" of the accompanying consolidated income statement (see Note 23) and in the heading "Financial liabilities at amortized cost - other financial liabilities" of the attached consolidated balance sheet (see Note 14).

In addition, on 20 October 2019, PAM and Allfunds Bank, S.A.U. signed a contract (Sub Distribution Framework Agreement) that regulates the cooperation between PAM and Allfunds Bank for the migration from PAM to Allfunds Bank, S.A.U. The duration of the contract has been established in 10 years with a price of 9 million euros for the first two years (6 million euros in 2020 and 3 million euros in 2021) and 100 thousand euros in subsequent years.

As a consequence, as at 31 December 2020, the Group has recognized an expense associated to the Sub Distribution Agreement for 1,800 thousands of euros which is included in the heading of "Administrative expenses - Other administrative expenses" of the accompanying consolidated income statement (see Note 23) and a right as a result of prepayment for 5,426 thousands of euros, which is included in the heading "Other Assest- Rest" of the attached consolidated balance sheet (see Note 14).

After the closing of the operation and with the purpose that BP2S and PAM become shareholders of Allfunds (UK) Limited (indirect sole shareholder of Allfunds Bank, S.A.U., as at 31 December 2020:

a) an increase in capital at Liberty Partners, S.L.U., the sole shareholder of Allfunds Bank, S.A.U., has been completed through the non-monetary contribution by BP2S and PAM of the respective shares held by them of Allfunds Bank, S.A.U.; and

b) similarly, an increase in capital at Allfunds (UK) Limited has been completed through the non-monetary contribution by BP2S and PAM of the respective shares held by them of Liberty Partners, S.L.U.

Therefore, at the date of authorisation for issue of these consolidated financial statements, BP2S and PAM hold a joint ownership interest of up to 22.5% in Allfunds (UK) Limited.

i) Acquisition of Banca Corrispondente business

Accounting for business assets and liabilities of Banca Corrispondente business recognized on the acquisition date have been as follows:

	Thousands of euros
	Fair value (*)
Assets:	
Loans and advances to credit institutions	441,736
Accrual of commissions and other assets	6,030
Liabilities:	
Deposits from credit institutions	(438,681)
Obligations with employees	(1,463)
Accruals	(5)
Net assets acquired	**7,617**

(*) Unaudited

After the closing of the transaction, BP2S transferred 29,684 thousand euros to Allfunds Bank, S.A.U. since the net value of the assets acquired was lower than that established by the parties in the contract.

Assets arising from the business combination

In this business combination, different assets were revealed as a consequence of the higher price paid on the net assets acquired. In this sense, as of December 31, 2020, the Group had completed the process of assigning the purchase price of the business of Banca Corrispondente, taking into consideration the report made by an independent expert. However, the Group is expecting to obtain additional information during 2021 (mainly related to the historical attrition rate) that could impact and modify the provisional allocation. If applicable, the modification will be applied retroactively to the acquisition date since it will be done within the 1-year window in accordance with IFRS 3. Consequently, as of December 31, 2020, the following provisional assets have been disclosed at the acquisition date:

	Thousands of Euros
Consideration transferred to BNP Paribas Securities Services ("BP2S")	414,000
Less – Cash transferred from BP2S to Allfunds Bank, S.A.U.	(29,684)
Less- Fair value of the net assets acquired	(7,617)
Emerged goodwill from business combination	**376,699**
Exclusivity agreement (Note 11) (*)	101,404
Relationship with clients (Note 11)	91,168
Technological platform (Note 11)	22,730
Deferred tax liabilities (Note 12)	(71,050)
Goodwill (Note 11)	**232,447**

(*) Fair value of the relationship between Allfunds Bank, S.A.U., and Banca Nazionale del Lavore ("BNL") by means of which Allfunds Bank, S.A.U, will provide the services of payment agent to managers whose funds are distributed by BNL.

The movement of assets with a defined useful life, as well as the associated deferred tax liability, from the acquisition date is detailed below:

2020

	Useful life	Thousands of euros		
		Initial balance at 2 October 2020	Amortization	Final Balance at 31 December 2020
Exclusivity agreement (Note 11)	13.5	101,404	(1,870)	99,534
Relationship with clients (Note 11)	11,9	91,168	(1,908)	89,260
Technological platform (Note 11)	5	22,730	(1,130)	21,600
Deferred tax liabilities (Note 12)		(71,050)	1,620	(69,430)

ii) Acquisition of the business of services of intermediation and custody (FDS: "Fund Dealing Services"

The accounting of the assets and liabilities of the Fund Dealing Services recognized on the acquisition date has led to the recognition of obligations associated with the transferred employees in the amount of 452 thousand euros. However, after the closing of the transaction, FDS transferred 452 thousand euros to Allfunds Bank, S.A.U., since the net value of the assets acquired was lower than the value established by the parties in the contract.

Assets arising from the business combination

No assets were disclosed in this business combination since the price paid corresponds to the fair value of the net assets acquired as detailed below:

	Miles de Euros
Cash transferred from BP2S to Allfunds Bank, S.A.U.	-
Less- Cash transferred from BP2S to Allfunds Bank, S.A.U.	(452)
Less- Fair value of the net assets acquired	452
Emerged goodwill from business combination	**-**

Impact of the business combination on Group results

The revenue attributable to this business combination from the acquisition date until December 31, 2020 is 23,364 thousand euros associated with the Correspondent Banking business and 114 thousand associated with the Fund Dealing Services business. In addition, Management's best estimate of the result attributable to this business combination from the acquisition date until December 31, 2020 is EUR 10,738 thousand associated with the Correspondent Banking business and EUR 11,333 thousand of loss associated with the Fund Dealing Services business.

Merger of Allfunds Bank International, S.A., and Allfunds International Schweiz AG

On October 7 2020 Allfunds Bank, S.A.U., as sole shareholder of Allfunds Bank, S.A.U., has approved the merger agreement by which Allfunds Bank International, S.A. (as absorbing entity) has absorbed Allfunds International Schweiz AG (as absorbed entity and wholly owned by the absorbing company), with the consequent extinction of the absorbed company and transfer of its assets by universal succession, without liquidation, to the absorbing company, leaving the absorbing company subrogated in all rights and obligations of the absorbed company. The merger was registered on October 20, 2020 in the Luxembourg commercial register, taking effect from January 1, 2020, date from which all the actions carried out by the absorbed companies are considered carried out by the absorbing company.

On the same date, Allfunds Bank International S.A. board of directors approved the transfer of all assets and liabilities from Allfunds International Schweiz AG to Allfunds International S.A., Luxembourg, Zurich branch. This branch had been registered in the Zurich commercial register on May 12, 2020.

f) Agency agreements

Neither at the end of 2020 or 2019 nor at any other time during these years did the Bank have any agency agreements in force, as defined in Article 21 of Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

g) Comparative information

The Bank's Directors present, for comparative purposes only, with each of the balance sheet items, the profit and loss account, the statement of recognized income and expenses, the total statement of changes in equity, the statement of cash flows and of the Explanatory Notes, all of them consolidated, in addition to the figures as of December 31, 2020, those corresponding to December 31, 2019, obtained in application of the provisions of the International Standards of Financial Information adopted by the European Union (IFRS - EU). However, the figures corresponding to December 31, 2019 included for comparative purposes in the accompanying consolidated financial statements differ from those included in the consolidated annual accounts as of December 31, 2019 approved by the Sole Shareholder for the events described below.

IFRS 3.49 states that during the measurement period of intangible assets arising in a business combination, the acquirer shall recognise adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Accordingly, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting. Consequently, in 2020, the Group performed the purchase price allocations on the business combinations in relation to the acquisition of the distribution business of

Credit Suisse and Nordic Fund Market by adjusting the comparative information at 31 December 2019, respectively. Since the business combinations were completed on 6 September 2019 and 31 October 2019, the initial accounting adjustment has an impact on the consolidated balance sheet at 31 December 2019, presented for comparison purposes in the consolidated financial statements at 31 December 2020, and on the consolidated income statement as at 31 December 2019.

The impact recognized in the consolidated balance sheet as at 31 December 2019, was as follows:

- An increase in total assets of EUR 10,533 thousand mainly arising from a net reduction in goodwill of EUR 158,977 thousand, a net increase in intangible assets of EUR 149,899 thousand, and a net increase in tax assets of EUR 19,308 thousand.

- A net increase in tax liabilities for EUR 29,723 thousand.

- A reduction in equity of EUR 19,190 thousand due to the impact on profit for 2019.

The impact of this restatement recorded in the consolidated income statement for 2019 was as follows:

- An increase in the amortization expense of EUR 4,040 thousand and consequently a decrease in the result from operating activities and in the profit or (-) loss before tax from continuing operations by that amount.

- An increase in the tax expense in the amount of 15,150 thousand euros.

As a result of these impacts, the result for the 2019 financial year has decreased by 19,190 thousand euros.

Consequently, in application of IFRS 3, the Group has recognized adjustments to the provisional amount with an impact on reserves amounting to 19,190 thousand euros to complete the initial accounting.

Below is a summary comparison of the consolidated balance sheet as of December 31, 2019 and the profit and loss account for the year 2019 prepared by the Administrators, with the impact of the retroactive application of the process for assigning the price of purchase:

ASSETS	Thousands of euros				LIABILITIES AND EQUITY	Thousands of euros			
	31-12-2019 (1)	Adjustments Credit Suisse	Adjustments NFM	31-12-2019 (2)		31-12-2019 (1)	Adjustments Credit Suisse	Adjustments NFM	31-12-2019 (2)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	1,041,428	-	-	1,041,428	**LIABILITIES**				
FINANCIAL ASSETS HELD FOR TRADING:	609	-	-	609	FINANCIAL LIABILITIES HELD FORTRADING:	748	-		748
Derivatives									-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS:	393	-	-	393	FINANCIAL LIABILITIES AT AMORTIZED COST:	1,191,057	-	-	1,191,057
									-
FINANCIAL ASSETS AT AMORTIZED COST:	313,037	-	-	313,037	TAX LIABILITIES:	3,892	29,399	324	33,615
					Liabilities for current taxes	*2,448*	-	-	*2,448*
TANGIBLE ASSETS:	28,248	-	-	28,248	*Liabillities for deferred taxes*	*1,444*	*29,399*	*324*	*31,167*
									-
INTANGIBLE ASSETS:	237,435	(9,085)	7	228,357	OTHER LIABILITIES	311,466	-	-	311,466
Goodwill	*202,392*	*(157,415)*	*(1,562)*	43,415					
Other intangible assets	*35,043*	*148,330*	*1,569*	184,942	**TOTAL LIABILITIES**	**1,507,163**	**29,399**	**324**	**1,536,886**
TAX ASSETS:	12,715	19,308	-	32,023					
Assets for current taxes	*12,116*	*(1,057)*	-	11,059	**EQUITY**				
Assets for deferred taxes	*599*	*20,365*	-	20,964	SHARE HOLDERS´EQUITY	467,116	(19,176)	(14)	447,926
				-	Capital	48,028	-	-	48,028
OTHER ASSETS	340,853	-	303	341,156	Share Premium	169,013	-	-	169,013
					Retained Earnings	229,968	-	-	229,968
					Profit attributable to the owners of the parent company	68,480	(19,176)	(14)	49,290
					Interim dividends	(48,373)	-	-	(48,373)
					Accumulated other comprehensive income	439	-	-	439
					TOTAL EQUITY	**467,555**	**(19,176)**	**(14)**	**448,365**
TOTAL ASSETS	**1,974,718**	**10,223**	**310**	**1,985,251**	**TOTAL LIABILITIES AND EQUITY**	**1,974,718**	**10,223**	**310**	**1,985,251**

(1) Consolidated balance sheet authorised for issue by the Board of Directors on 26 March 2020 and approved by the sole shareholder
(2) Adjusted consolidated balance sheet included in these consolidated financial statements for comparison purposes.

	Thousands of Euros			
	31-12-2019 (1)	Reestablishment Credit Suisse	Reestablishment NFM	31-12-2019 (2)
INTEREST INCOME	4,041	-	-	4,041
(INTEREST EXPENSES)	(5,060)	-	-	(5,060)
(EXPENSES ON SHARE CAPITAL REPAYABLE ON DEMAND)	-	-	-	-
NET INTEREST INCOME	**(1,019)**	**-**	**-**	**(1,019)**
DIVIDEND INCOME	-	-	-	-
FEE AND COMMISSION INCOME	1,329,077	-	-	1,329,077
(FEE AND COMMISSION EXPENSES)	(1,103,249)	-	-	(1,103,249)
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT		-	-	
MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	-	-	-	-
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	(139)	-	-	(139)
GAINS OR LOSSES ON FINANCIAL ASSETS NOT HELD FOR TRADING DESIGNATED AT FAIR		-	-	
VALUE THROUGH PROFIT OR LOSS, NET	-	-	-	-
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		-	-	
GAINS OR LOSSES FROM HEDGE ACCOUNTING, NET	-	-	-	-
EXCHANGE DIFFERENCES, NET	(407)	-	-	(407)
OTHER OPERATING INCOME	7,026	-	-	7,026
(OTHER OPERATING EXPENSES)	(4,717)	-	-	(4.717)
INCOME FROM INSURANCE AND REINSURANCE CONTRACTS	-	-	-	-
(EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS)	-	-	-	-
GROSS INCOME	**226,572**			**226,572**
(ADMINISTRATION COSTS)	(128,693)	-	-	(128,693)
(Personnel expenses)	*(54,968)*	-	-	*(54,968)*
(Other administrative expenses)	*(73,725)*	-	-	*(73,725)*
(DEPRECIATION)	(14,119)	(4,022)	(18)	(18,159)
(PROVISIONS OR REVERSAL OF PROVISIONS)	-	-	-	-
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF THE VALUE AND PROFIT AND LOSSES BY THE MODIFICATION OF CASH FLOWS OF FINANCIAL ASSETS NOT VALUED AT FAIR VALUE)	(319)	-	-	(319)
(Financial assets at amortized cost)	*(319)*	-	-	*(319)*
NET OPERATING INCOME	**83,441**	**-**	**-**	**79,401**
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES)	-	-	-	-
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS)	-	-	-	-
GAINS/(LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS, NET	(886)	-	-	(886)
NEGATIVE GOODWILL DERECOGNITION IN PROFIT OR LOSS	-	-	-	-
PROFIT OR LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS				
CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	-	-	-	-
OPERATING PROFIT BEFORE TAX	**82,555**	**-**	**-**	**78,515**
(TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION)	(14,075)	(15,154)	4	(29,225)
PROFIT FROM CONTINUING OPERATIONS	**68,480**	**-**	**-**	**49,290**
PROFIT FROM DISCONTINUED OPERATIONS (net)	-	-	-	-
PROFIT	**68,480**	**-**	**-**	**49,290**
Attributable to minority interest [non-controlling interests]	-	-	-	-
Attributable to owners of the parent	68,480	-	-	49,290
Basic earnings per share	0.061	-	-	0.044
Diluted earnings per share	0.061	-	-	0.044

(1) Profit and loss account prepared by the Board of Directors on March 26, 2020 and approved by the Sole Shareholder.

(2) Profit and loss account restated in these consolidated financial statements, for comparative purposes.

h) Environmental impact

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its consolidated equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these Notes to the consolidated financial statements.

i) Capital and capital management

On 26 June 2013, the European Parliament and the Council of the European Union approved Regulation (EU) No 575/2013, on prudential requirements for credit institutions and investment firms, which came into force on 1 January 2014, and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, which came into force in July 2013. This legislation, known as CRR/CRD IV, implemented the Basel Capital Accord (Basel III) with a gradual transition schedule until full implementation was achieved on 1 January 2019. In this connection, on 5 February 2014 Bank of Spain Circular 2/2014, of 31 January, was published. This Circular established which options of the aforementioned Regulation (EU) No 575/2013 must be complied with by Spanish financial institutions, including the Group, from 1 January 2014, on a permanent or transitory basis.

On 2 February 2016, Bank of Spain Circular 2/2016, to credit institutions, on supervision and capital adequacy, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) No 575/2013, was published. It is applicable to the Bank.

On 20 May 2019, the European Parliament and the Council of the European Union approved Regulation (EU) 2019/876 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

On June 24, 2020, the European Parliament and the Council of the European Union approved Regulation 2020/873, which modifies Regulation 575/2013 and Regulation 2019/876, which modifies the CRR and CRR II in certain settings in response to the Covid-19 pandemic. The main modifications are established in the following areas: credit risk coverage (transitional provisions IFRS 9, etc.), leverage ratio, exposures granted to employees / pensioners, support factor for SMEs, exemption from deduction in certain software assets as well as the establishment of a temporary prudential filter that neutralizes the impact of unrealized losses on public debt and market risk.

Regulation (EU) 575/2013 lays down uniform rules that must be complied with by entities in relation to: 1) regulatory own funds requirements relating to elements of credit risk, market risk, operational risk and settlement risk; 2) requirements limiting large exposures; 3) liquidity risk coverage relating to entirely quantifiable, uniform and standardised elements of liquidity risk, after the Commission delegated act has entered into force; 4) the setting of the leverage ratio; and 5) public disclosure requirements.

The aforementioned EU Regulation introduces a review of the concept and of the components of regulatory own funds requirements for credit institutions. Regulatory own funds comprise two elements: Tier 1 capital and Tier 2 capital. In turn, Tier 1 capital consists of the sum of Common Equity Tier 1 capital and Additional Tier 1 capital. In other words, Tier 1 capital comprises instruments that are capable of absorbing losses when the institution is a going concern, whereas the elements of Tier 2 capital will absorb losses primarily when the institution, as the case may be, is at the point of non-viability.

Institutions must at all times meet the following capital adequacy requirements:

i. A Common Equity Tier 1 ratio of 4.5% (CET 1).

ii. A Tier 1 capital (common equity plus additional capital) ratio of 6%.

iii. A total capital ratio of 8%.

In addition to these requirements, pursuant to the aforementioned legislation the Group must comply with the following capital requirements:

- Hold a capital conservation buffer, which was established as Common Equity Tier 1 capital equal to 2.5 %.

- Hold a countercyclical buffer of Common Equity Tier 1 capital that can be up to 2.5% of Risk Weighted Assets. From 2016 onwards, the level that this buffer must reach will be set by the national competent authorities, using macroeconomic variables, when a period of excess credit growth that might be leading to the build-up of system-wide risk is observed. In this regard, the institution-specific countercyclical capital buffer is obtained as the weighted average of the countercyclical capital buffers that apply in the jurisdictions in which the relevant credit exposures of the institution are located. Specifically, the countercyclical capital buffer requirement of the Allfunds Bank Group based on its geographic exposures was 0.1148% at 31 December 2020.

- Maintenance of a buffer as a systemically important institution in the event of designation as such. The Group has not been designated a systemically important institution and no capital buffer was established for 2020.

The Group's management of its capital, as far as conceptual definitions are concerned, is in keeping with Regulation (EU) 575/2013. With a view to ensuring that the aforementioned objectives are met, the Bank performs an integrated management of these risks, in accordance with the policies and processes indicated above.

The main figures relating to the capital ratios applicable to the Group pursuant to Regulation (EU) 575/2013, at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Common Equity Tier 1	320,686	208,738
Additional Tier 1 capital	-	-
Total Tier 1 capital	320,686	208,738
Tier 2 capital	-	-
Total eligible capital	320,686	208,738
Exposure for capital adequacy purposes	**1,318,365**	**934,400**

Common Equity Tier 1 includes basically the Group's share capital and reserves net of deductions.

At 31 December 2020 and 2019, the Group's eligible capital exceeded the minimum required under the regulations in force.

j) Deposit Guarantee Fund and Single Resolution Fund

i. Deposit Guarantee Fund

The Bank participates in the Deposit Guarantee Fund.

In 2020 and 2019, the accompanying consolidated income statements did not include any expense in this connection since there was no obligation to contribute in this respect, in accordance with Article 4 of Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions.

ii Single Resolution Fund

The expense incurred by the Group for its contribution to the Single Resolution Fund amounted to EUR 546 thousand in 2020 (2019: EUR 661 thousand) and is recognized under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss (see Note 24).

k) Customer care service annual report

As required by Article 17 of Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions, the Customer Care Service's annual report was submitted to the Bank's Board of Directors at its meeting held on 19 March 2020. This report indicates that the Service has received one claim and one complaint at the Milan branch from retail customers regarding the activity that the Italian branch carries out as a payment intermediary in the banking business. The complaint was related to the EUR/USD exchange rate applied and the complaint was about delays in reporting corporate events. Both the claim and the complaint have been resolved in a timely manner and are now closed, without any outflow of economic resources by the Group.

Also, in the report presented to the board on March 26, 2020, which includes the complaints and claims produced during 2019, it was indicated that the Service received 2 claims that had been closed at that date, not having involved any outflow of economic resources by the Group to close them.

l) Other issues

COVID-19

The appearance of the Coronavirus (COVID-19) in China in January 2020 and its recent global expansion to a large number of countries caused the viral outbreak to be classified as a pandemic by the World Health Organization on 11 March, 2020.

More recently it seems COVID-19 is weakening its grip on the situation with vaccine programs being rolled out throughout the Eurozone and elsewhere. This might offer some much needed societal and personal stability after a year of measures attempting to contain the virus. Although it will remain unsure to tell when everything will return to normal, the first signs are present.

The Group has not had any rental concessions as a result of the pandemic, thus there is no impact as a result of the current period amendment to IFRS 16 (See Note 1.c). Furthermore, the Group has not received any governmental assistance.

In response to the exceptional and challenging circumstances of Covid-19, the ECB recommended temporary suspension of all cash dividends and share buy-backs in March 2020. The revised ECB recommendation of December 2020 expects banks to exercise extreme prudence with regard to dividends and share buy-backs until 30 September 2021. In addition, ECB extended its expectation to banks to adopt extreme moderation with regard to variable remuneration until 30 September 2021. On 15 December 2020, the Bank of Spain published on its website their decision to extend this recommendation to the credit institutions under its direct supervision, including the Spanish less significant supervised groups (such as the Group). A similar position has been taken by other banking authorities in order to safeguard banks' capacity to absorb losses and lend to support the economy. This guidance could have a material adverse effect on the ability of the Group to pay dividends or make distributions to Shareholders.

Bearing in mind the complexity of the markets due to their globalization the consequences for the Allfunds Bank Group's operations are uncertain and will depend to a large degree on the evolution and extension of the pandemic in the coming months, as well as on the capacity of all the economic players affected to react and adapt to the circumstances.

In this regard, there has been a drop in the Allfunds Bank Group's forecast activity in its assets under management and in the fees associated with them, corresponding to the first months of 2020. However, an improvement in confidence and in the performance of the financial markets meant that intermediated funds increased by 34.4% in the second and third quarter of 2020 (not including the intermediated assets resulting from the inorganic acquisitions made in Sweden and Switzerland at the end of 2019 and beginning of 2020), mainly due to an appreciation in the valuation of intermediated assets of EUR 69.8 billion, the entry of new customers and increased activity from existing customers amounting to EUR 61.3 billion.

However, the directors and management of Allfunds Bank, S.A.U. have conducted an assessment of the current situation, based on the best available information. The following aspects of the results of this assessment are worthy of note:

- Liquidity risk: the general situation of the markets may lead to an overall increase in liquidity constraints in the economy, as well as a contraction in the credit market. In this connection, the Allfunds Bank Group has sufficient liquidity (see Note 7), which, together with the implementation of specific plans for the improvement and efficient management of liquidity will enable these constraints to be overcome. Additionally, liquidity has increased 77% when compared to 31 of December 2019 (see Note 7).

- Operational risk: the changing and unpredictable nature of events could lead to a risk of temporary interruption of the off-balance sheet resources under administration at collective investment undertakings and of the relationship with management companies and distributors. Allfunds Bank Group has procedures aimed at monitoring and managing the evolution of its operations at all times, in order to minimise the impact of this situation on its operations.

- Risk of changes in certain financial aggregates: the factors mentioned above, together with other specific factors, may lead to a decrease in the amounts of relevant headings for the Allfunds Bank Group in the next financial statements, such as "Fee and Commission Income" and "Fee and Commission Expenses", or of the off-balance sheet resources under administration, even though the decrease in the net commissions as of 31 December 2020 when compared to the budget approved before Covid-19 has not been significant.

- Risk of measurement of assets and liabilities: a change in the evolution future business figures could have an adverse impact on the carrying amount of certain assets (goodwill, other assets, loans and advances - customers) and on the need to recognise certain provisions or other types of liabilities. However, at the date of preparation of these consolidated financial statements, it was not apparent that the current situation arising from the pandemic would have an adverse impact on the measurement of these assets. As soon as sufficient and reliable information becomes available, the appropriate analyses and calculations will be made to allow, if necessary, the re-measurement of those assets and liabilities.

- Going concern risk: taking into account all the aforementioned factors, the Directors consider that these factors do not raise doubts as to the viability of the Allfunds Bank Group and, consequently, the application of the going concern basis of accounting remains valid.

Lastly, it should be noted that Bank's directors and management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise. Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Group´s ability to continue as a going concern. The impact of COVID-19 on future performance and therefore on the measurement of some assets and liabilities or on liquidity might be significant and might therefore require disclosure in the consolidated financial statements, but management has determined that they do not create a material uncertainty that casts significant doubt upon the Group´s ability to continue as a going concern.

m) Events after the reporting period

Since December 31, 2020 and up to the date of issuance of these consolidated annual accounts, there have been no significant subsequent events.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing these consolidated financial statements were as follows:

a) Definitions and classification of financial instruments

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.

An "equity instrument" is any agreement that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "derivative" is a financial instrument whose value changes in response to the change in a specified variable, sometimes called the underlying asset (such as an interest rate, financial instrument price, commodity price, foreign exchange rate, credit rating or the related index), which doesn't require an initial investment or is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

ii. Classification of financial assets for measurement purposes

Financial assets are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as "Non-Current Assets and Disposal Groups Classified as Held for Sale", or relate, where appropriate, to "Cash, cash balances at Central Banks and other demand deposits", "Fair value changes of the hedge items in portfolio hedges of interest rate risk", "Hedging derivatives" or "Investments in Joint Ventures and Associates", which are reported separately.

In accordance with IFRS 9, financial assets and liabilities are classified on the basis of the business model the Bank establishes to manage them and considering its contractual cash flows as defined below:

- The business model to manage financial assets is the way the Bank manages the financial asset groups together to generate cash flows. The aforementioned model can consist of holding financial assets to collect contractual cash flows, the sale of these assets or a combination of both objectives.

- The contractual cash flow characteristics of financial assets can be:

    - Those contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, commonly referred to as "SPPIs" and,

    - the rest of the characteristics.

a) Business models

There are three types of business model depending on how cash flows for financial instruments are handled:

- Amortized cost – collection of contractual cash flows: This consists of holding assets in order to collect contractual cash flows (principal and interests) over the life of the instrument.

- Mixed – collection of contractual cash flows and sale of financial assets: The mixed model combines the objective of holding assets to collect contractual cash flows the terms of which also respond solely to payments of the principal and interests, as well as selling these assets.

- Trading – sale of financial assets: The business model consists of buying and selling assets. The Bank makes its decisions based on the fair value of the assets and manages these to obtain their fair value.

b) SPPI test

The SPPI tests consists of determining if, in accordance with the contractual characteristics of the instrument, its cash flows represent only the return of its principal and interests, understood basically as compensation for the time value of money and debtor's credit risk.

The main purpose of the test is to distinguish between which products contained in the "collection of contractual cash flows" and "collection of contractual cash flows and sale of financial assets" business models can be measured at amortized cost and at fair value through other comprehensive income, respectively, or contrariwise, must be mandatorily measured at fair value through profit or loss. Debt instruments that are measured at fair value through profit and loss and equity instruments are not subject to this analysis.

Specifically, a financial asset, depending on its business model and the SPPI test, is classified into:

1. Financial assets at amortized cost: if the instrument is managed to generate cash flows in the form of contractual collections during the expected life of the instrument and passes the SPPI test.

2. Financial assets at amortized cost and at fair value through other comprehensive income: if the instrument is managed to generate cash flows i) in the form of contractual collections during the expected life of the instrument and ii) by means of the sale of the same and passes the SPPI test.

3. Financial assets mandatorily measured at fair value through profit or loss: if the instrument is managed to generate cash flows through their sale or if it does not meet the SPPI with the aforementioned business models. There are two categories of these assets:

   - Financial assets that are held for trading; included in this subcategory are instruments that meet one of the following characteristics: i) are acquired or incurred principally for the purpose of selling or repurchasing them in the short term, ii) are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking and iii) are a derivative that do not meet the definition of a financial guarantee contract and have not been designated as a hedging instrument.

- Financial assets not designated for trading compulsorily measured at fair value through changes in profit and loss. Debt instruments that cannot be classified at amortized cost or at fair value through other comprehensive income shall be classified in this subcategory given that, owing to their contractual characteristics, the cash flows they generate are not solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Bank can irrevocably opt to include equity instruments that must not be classified as held for trading in the "Financial assets at fair value through other comprehensive income" portfolio. Resort shall be had to this option on an instrument-by-instrument basis. Moreover, at initial recognition, the Bank may irrevocably opt to designate any financial asset as at fair value through profit or loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses thereon using different criteria.

Regardless of the frequency and importance of the sales, certain types of sales are not compatible with the held for trading category to receive contractual cash flows, such as sales owing to drops in credit quality, sales close on transaction maturity, in such a way that market price variations would not have a significant impact on the cash flows of the financial asset, sales responding to a change in regulations or taxation, sales responding to an internal restructuring or significant business combination, and sales arising from the implementing of a liquidity crisis plan when the crisis event is not reasonably expected.

The Group has defined the business models and divided its financial instrument portfolio for the purpose of doing the SPPI test, thereby distinguishing: i) families of instruments that group together fully homogeneous products ("umbrella families") in such a way that by testing a sample of portfolio products it would be possible to extrapolate the conclusion as to whether or not the rest of the products in the same family pass the test and ii) products which, because of their nature are analysed on a case-by-case basis, with respect to which the Bank conducted the SPPI test on each one.

iii. Classification of financial assets for presentation purposes

In addition to the categories included in section "ii" above, financial assets are classified, by type of instrument, into the following items in the balance sheet:

- Cash, cash balances in Central Banks and other demand deposits: cash balances and balances receivable on demand with central banks and other credit institutions.

- Loans and advances: includes the debit balances of all credit and loans granted by the Group, other than those represented by securities, as well as finance lease receivables and other debit balances of a financial nature in favour of the Bank, such as cheques drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organised markets, bonds given in cash, capital calls, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originating in banking transactions and services, such as the collection of rentals and similar items, where applicable. They are classified, depending on the institutional sector to which the borrower belongs, under:

    - Central banks: credit of any nature, including deposits made and money market operations in the name of the Bank of Spain or other central banks.

    - Loans and advances to credit institutions: credit of any nature, including credit received and money market operations in the name of credit institutions.

- Loans and advances to customers: includes the remaining credit, including money market operations through central counterparties.

- Debt instruments: bonds and other securities that create a debt for their issuer, that generate an implicit or explicit interest return at a contractually agreed rate, and that are in the form of certificates or book entries, irrespective of the issuer.

- Equity instruments: financial instruments issued by other entities, such as shares and non-voting equity units, if any, which have the nature of equity instruments for the issuer, unless they are investments in subsidiaries, jointly controlled entities or associates. Investment fund units are included in this item, if any.

- Derivatives: includes the fair value in favour of the Group of derivatives which do not form part of hedge accounting.

iv. Classification of financial liabilities for measurement purposes

Financial liabilities are classified into the various categories used for management and measurement purposes unless they are related to Hedge derivatives, which are reported separately. Financial liabilities are classified for measurement purposes into one of the following categories:

- Financial liabilities designated at fair value through profit or loss: financial liabilities are included in this category when more relevant information is obtained, either because this eliminates or significantly reduces recognition or measurement inconsistencies (accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases, or because a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Bank's directors. Liabilities may only be included in this category on the date when they are incurred or originated.

- Financial liabilities held for trading: it includes compulsorily all the financial liabilities which comply with any of the following characteristics: they have been issued with the intention of being repurchased in the near future, they are short positions, belong to a portfolio of financial instruments identified and managed jointly, for which there is evidence of recent actions with the objective of achieving short term profit or there are derivatives instruments which do not meet with the definition of a financial guarantee contract and have not been designated as accounting hedging instruments.

- Financial liabilities at amortized cost: financial liabilities not included in the above category which arise from the ordinary borrowing activities carried on by financial institutions, irrespective of their instrumentation and maturity.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the consolidated balance sheet for presentation purposes, where applicable:

- Deposits: includes all repayable balances received in cash by the Group, including those having the substance of subordinated liabilities (amount of financing received which, for the purposes of payment priority, ranks behind ordinary debt), except for debt securities. This item also includes cash bonds and cash consignments received the amount of which may be invested without restriction. Deposits are classified on the basis of the creditor's institutional sector into:

  - Central Banks: deposits of any nature, including credit received and money market operations received from the Bank of Spain or other central banks.

  - Credit institutions: deposits of any nature, including credit received and money market operations in the name of credit institutions.

  - Customers: includes the remaining deposits, including money market operations through central counterparties.

- Derivatives: includes the fair value of the Group's liability in respect of derivatives which do not form part of hedge accounting.

- Other financial liabilities: includes the amount of payment obligations having the substance of financial liabilities not included under any other item.

b) Measurement of financial assets and liabilities and recognition of fair value changes

In general, financial instruments are initially recognized at fair value which, in the absence of evidence to the contrary, is deemed to be their acquisition cost. Financial instruments not measured at fair value through profit or loss are adjusted by the transaction costs and any fees and commissions which, under the applicable rules, should form part of the calculation of the effective interest rate on the transactions. Investments in Group companies are initially measured at acquisition cost. Financial assets and liabilities are subsequently measured at each year-end as follows:

i. Measurement of financial assets

Financial assets are measured at fair value, without deducting any transaction costs that may be incurred on their sale or other form of disposal, except for financial assets at amortized cost, held-to-maturity investments, Investments in subsidiaries, joint ventures and associates and equity instruments, whose fair value cannot be determined in a sufficiently objective manner and financial derivatives, where applicable, that have those equity instruments as their underlying and are settled by delivery of those instruments.

The "fair value" of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep active market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Financial Assets at amortized cost

"Financial assets at amortized cost" are measured subsequent to acquisition at amortized cost using the effective interest method. Amortized cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interests repayments and the cumulative amortization (taken to the consolidated income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortized cost furthermore includes any reductions for impairment considered likely to occur. In the case of financial assets, amortized cost furthermore includes any reductions for impairment or uncollectibility. In the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognized. The interest earned on these assets is recognized under "Interest income" in the consolidated income statement. Any impairment losses that might arise are recognized under "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss" in the consolidated income statement using the criteria indicated in Section e of this Note. The assets denominated in foreign currencies are measured using the criteria included in Note 2-k.

The "effective interest rate" is the discount rate that exactly matches the initial amount of a financial instrument to the present value of its estimated cash flows during its life, based on the contractual terms, but disregarding future credit losses. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, by the fees and the transaction costs that, because of their nature, should be included in the calculation of the interest rate. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Financial assets at fair value through accumulated other comprehensive income

Financial assets at fair value through other comprehensive income are recognized in the consolidated balance sheet at fair value from their trade date. Changes in the fair value of all these assets are recognized in consolidated equity (other comprehensive income). When they consist of investments in debt instruments, the cumulative changes in value remain in equity until the asset is derecognized, at which time they are reclassified to profit or loss; however, when they consist of equity instruments, the cumulative changes are reclassified directly to reserves when the asset is derecognized.

Financial assets not designated for trading compulsorily measured at fair value through profit or loss

"Financial assets not designated for trading compulsorily measured at fair value through profit or loss" are recognized in the consolidated balance sheet at fair value from their trade date. Changes in the fair value of all these assets are recognized under "Gains or Losses on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss, Net" in the consolidated statement of profit or loss, except for any interest accrued by application of the effective interest method, which is recognized under "Interest Income" in the consolidated statement of profit or loss.

Financial assets held for trading

All derivatives classified as held for trading are recognized in the consolidated balance sheet at fair value from the trade date. If the fair value is positive, they are recognized as an asset and if the fair value is negative, they are recognized as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recognized in "Gains or Losses on financial assets and liabilities held for trading, net" in the income statement. Specifically, the fair value of any financial derivatives traded in organised markets included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure over the counter (OTC) derivatives.

The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques accepted in the financial markets: "net present value" (NPV), option pricing models, etc.

ii. Measurement of financial liabilities

In general, financial liabilities are measured at amortized cost, as defined above, except for those included under "Financial liabilities held for trading", which are measured at fair value, using the same measurement and recognition methods as those described in the preceding section for derivatives with a favourable balance for the Group.

iii. Valuation techniques

The fair value recognized by the Bank for the financial instruments included under "Financial assets held for trading" and "Financial liabilities held for trading" in the consolidated balance sheet as at 31 December 2020 is based on "internal valuation models" using data drawn from the market. The main technique used in the "internal valuation models" is the "present value" method.

Additionally, the fair value recognized by the Group for the financial instruments included under "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" is obtained, for units in investment funds, from the prices sourced from information service providers, mainly Bloomberg, which construct their prices on the basis of those reported by contributors. With regard to equity instruments not listed on organised markets and for which no other valid references for the estimation of fair value are available, the Group recognises these instruments at cost in the consolidated balance sheet since it is not possible to estimate their fair value reliably. In these cases, the Group estimated the potential impairment of these instruments on the basis of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

The Bank's directors consider that the result of applying these valuation techniques on the financial assets and liabilities recognized in the consolidated balance sheet and the income arising from these financial instruments is reasonable and reflect their market value.

c) Derecognition of financial assets and liabilities

Financial assets are generally only derecognized when the cash flows they generate have been extinguished or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognized when the obligations they generate have been extinguished or when they are acquired by the Bank (with the intention either to cancel them or to resell them).

In 2020 and 2019, the Group did not transfer any financial instrument which was not derecognized.

d) *Offsetting of financial instruments*

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Group did not hold any financial assets or liabilities in the accompanying consolidated balance sheets at 31 December 2020 and 2019 that had been offset or were eligible for offset.

e) *Impairment of financial assets*

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments, give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

The hedging amount for impairment shall be calculated according to whether or not there has been a significant increase in the credit risk since initial recognition and whether or not default has occurred. Accordingly, impairment hedging shall be equal to:

- The expected twelve-month credit losses when the risk of default has not significantly increased since initial recognition.

- The lifetime expected credit losses if the risk of default has significantly increased since initial recognition.

- Expected credit losses when default has occurred.

Financial instruments are grouped into three categories based on the impairment method applied, in accordance with the following structure:

- Stage 1 – Normal risk: those transactions the credit risk of which has not significantly increased since initial recognition. Impairment hedging shall be equal to the twelve-month expected credit losses. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.

- Stage 2 – Normal risk under special surveillance: those transactions the credit risk of which has significantly increased since initial recognition, but without default. Impairment hedging shall be equal to the lifetime expected credit losses of the transaction. Interest revenue shall be calculated applying the effective interest rate to the gross carrying amount of the transaction.

- Stage 3 – Non-performing: credit-impaired transactions, i.e. there has been default. Hedging shall be equal to the expected credit losses. Interest revenue shall be calculated by applying the effective interest rate at amortized cost (i.e. adjusted for an impairment allowance) of the financial instrument.

The measurement of whether or not there has been any significant increase in credit risk must be based on reasonable and supportable information that is available free of charge or disproportionate effort, which shall indicate the credit risk increases since initial recognition and must reflect historical, actual and forward-looking information.

The definitions established to measure the significant credit risk are in keeping with the following criteria:

- Drop in the credit rating given by credit rating agencies

- Drop in the country rating where the counterparty operates

- Increase in credit default swaps (CDS)

- Public information of results with losses

- Threat of systemic risk

- Merger, take-over or capital reduction

- Changes in shareholders

- Significant increase in consumption limits and in customer payment experience.

Whatever the case, Stage 2 is considered with respect to instruments with defaults of over 30 days.

Method to calculate expected losses

The measurement process for possible impairment losses for these instruments that involve the risk of insolvency for obligors (credit risk) is done collectively, as there are no significant individual cases that exceed a particular threshold. The aforementioned estimate is done based on sector information and its historical experience.

The amount for impairment losses, estimated in accordance with the criteria set forth above, are entered in the headings "Impairment losses or reversals on financial assets not at fair value through profit or loss – Financial assets at amortized cost".

As a general criterion, the carrying amount allowance for financial instruments due to impairment is entered in the profit and loss account for the reporting year in which the impairment appears. Recoveries of previously entered impairment losses, where appropriate, are reflected in the profit and loss account for the reporting year in which the impairment is eliminated or reduced.

Whenever it is considered that the probability of recovery of any amount entered is remote, this is removed from the balance, without prejudice to the Bank and its dependent companies attempting its collection until their rights have definitively lapsed; whether owing to the statutory limitation, having been written off or some other reason.

f) Tangible assets

The Group's tangible assets relate in full to property, plant and equipment for own use and are presented at acquisition cost, less:

- The related accumulated depreciation, and

- Any estimated impairment losses, calculated by comparing the carrying amount of each asset with its recoverable amount, which is defined as the higher of value in use and fair value less costs to sell.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite useful life, if any, and, therefore, is not depreciated.

The period tangible asset depreciation charge is recognized in the consolidated income statement and is calculated using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Furniture and fixtures	10
Computer hardware	25
Right-of-use assets	33

The consolidated entities assess at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced with a charge to the consolidated income statement to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated).

Similarly, if there is an indication of a recovery in the value of a tangible asset on which an impairment loss has been recognized, the consolidated entities recognise the reversal of the impairment loss recognized in prior periods with a credit to the consolidated income statement and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

The estimated useful lives of property, plant and equipment for own use are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognized in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses are recognized as an expense on the consolidated income statement in the period in which they are incurred.

g) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration..

The lessee must recognize a right-of-use asset that represents its right to use the leased asset, recorded under "Tangible assets - Property, plant and equipment" of the consolidated balance sheet (see Note 10), and a lease liability that represents its obligation to make the lease payments that are recorded under "Financial liabilities at amortized cost - Other financial liabilities" in the consolidated balance sheet (see Note 14). For the purposes of the consolidated income statement, the amortization of the right of use must be recorded under "Amortization - tangible assets" (see Note 10) and the financial cost associated with the lease liability under "Expenses for Interest - Other interest "(see Note 20).

In the case of short-term lease contracts and those whose underlying is of low value, the lessee may choose to recognize the expenses derived from the operating lease agreements in the consolidated income statement in the year in which they accrue instead of the recognition of assets and liabilities detailed above.

Any collection or payment that may be made when contracting a lease will be treated as an advance collection or payment that will be charged to income throughout the lease period, as the benefits of the leased asset are transferred or received.

h) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the Group, where applicable. Only assets whose cost can be estimated reasonably and objectively and from which the Group considers it probable that future economic benefits will be generated are recognized

Other than goodwill are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over those useful lives using methods similar to those used to depreciate tangible assets.

The Group recognises any impairment loss on the carrying amount of these assets with a charge to "Impairment or reversal of impairment on non-financial assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognized in prior years are similar to those used for tangible assets (see Note 2-f).

This category mainly includes goodwill, computer applications and other intangible assets arising from the acquisition of the business of Investlab AG, the business of Banca Corrispondente of BNP, Allfunds Sweden AB and Fintech Partners, S.L. (see Notes 1.e and 11).

Goodwill

Any excess of the cost of the investments in the consolidated entities and entities accounted for using the equity method over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- it is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognized in the acquired entities' balance sheets.

- If it is attributable to specific intangible assets, by recognizing it explicitly in the consolidated balance sheet provided that the fair value of these assets within twelve months following the date of acquisition can be measured reliably.

- The remaining amount is recognized as goodwill, which is allocated to one or more cash-generating units (hereinafter, "CGUs") (a cash generating unit is the smallest identifiable group of assets that, as a result of continuing operation, generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets). The cash-generating units represent the Group's geographical and/or business segments.

Goodwill (which is only recognized when acquired for consideration) therefore represents prepayments made by the acquirer for future economic benefits derived from assets of the acquiree that are not individually and separately identifiable and recognisable. Goodwill is not amortized in any way, but rather, at least annually and whenever there is any indication of impairment, it is estimated whether there has been any impairment reducing its recoverable amount to below its carrying amount and, if so, it is written down with a charge to "Impairment or Reversal of Impairment of Non-Financial Assets - Intangible Assets and Other Intangible Assets" in the consolidated income statement.

Goodwill is allocated to one or more cash-generating units ("CGUs") that are expected to benefit from the synergies of the business combinations. Each CGU to which goodwill is allocated:

- Represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

- Is not larger than a business segment.

The CGUs to which goodwill has been allocated are tested for impairment (the allocated portion of goodwill is included in their carrying amount). This test is performed at least annually or whenever there is an indication of impairment.

A CGU to which goodwill has been allocated is tested for impairment by comparing the carrying amount of that unit - adjusted by the amount of the goodwill attributable to non-controlling interests, if the Group has opted not to measure non-controlling interests at fair value - with its recoverable amount.

The recoverable amount of a CGU is the higher of its fair value less costs of disposal and its value in use. Value in use is calculated as the discounted present value of the cash flow projections estimated by management for the unit and is based on the most recent budgets available for the coming years. The main assumptions used in calculating value in use are: a sustainable growth rate to extrapolate the cash flows to perpetuity, and an interest rate to discount the cash flows that is equal to the cost of capital allocated to each cash-generating unit and is the sum of the risk-free rate plus a premium that reflects the risk inherent in the business being assessed.

If the carrying amount of a CGU is higher than its recoverable amount, the Group recognises an impairment loss, which is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU, and then, if losses remain to be allocated, to reduce the carrying amount of the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the CGU. Where the Group has opted to measure non-controlling interests at fair value, the impairment of the goodwill attributable to those non-controlling interests is recognized. An impairment loss recognized for goodwill is never reversed in a subsequent period.

i) Other assets and other liabilities

"Other Assets" in the consolidated balance sheet includes the amount of assets not recorded in other items, which relate basically to the accrued income from the Group's activity, excluding accrued interest, which is recognized in the same item as the financial instruments giving rise to it.

"Other Liabilities" includes the payment obligations having the substance of financial liabilities not included in any other consolidated balance sheet item and mainly the accrual accounts arising from transfers of the fees and commissions associated with the Group's main activity.

j) Provisions and contingent liabilities

Provisions are present obligations at the consolidated balance sheet date arising from past events which could give rise to a loss for the Group, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing, and the Group expects that an outflow of resources embodying economic benefits will be required to settle such obligations.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. They include the Group's present obligations when it is considered possible but not probable that an outflow of resources embodying economic benefits will be required to settle them and their amount cannot be quantified in a sufficiently reliable manner.

The consolidated financial statements include, where applicable, all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled and the amount is reasonably estimable. In accordance with current standards, contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed in the Notes.

In this respect, on 3 March 2011, Fairfield Sentry Limited and Fairfield Sigma Limited (the "Funds"), both in liquidation and affected by the so-called Madoff case, filed a claim at the United States Bankruptcy Court for the Southern District of New York against a distributor company outside the Bank and against Allfunds Bank, S.A.U. ("the Bank"), as a result of the reimbursements made by the Bank to the participants in the above Funds prior to December 2008, in accordance with the instructions of the abovementioned distributor company because, in the opinion of the liquidators of the Funds, among other reasons, incorrect payments had been made and unjust enrichment had resulted from such reimbursements in the amount of USD 3,505,471.33 (approximately EUR 2,857 thousand).

On August 2016, the plaintiff also suspended certain claims from the Court of the British Virgin Islands. The Court of the British Virgin Islands denied the request for dismissal (although the Bank is not sued in the British Virgin Islands, there is a possibility that such claims will be reviewed in New York).

On 13 January 2017, the group of defendants, which includes Allfunds Bank, S.A.U., filed an application for the dismissal of the claim. On 6 December 2018, the court found in favour of the defendants with respect to their contractual claims, except in the cases in which the defendant was irrefutably aware that the applicable net asset value at the time the redemptions were made was erroneous due to the investments of the funds held through Madoff. In this situation, the plaintiff could take action against the defendants and where the Bank is not included.

After the decision of 6 December 2018, the parties (plaintiffs and defendants) agreed to close the claims in order to execute that decision. After this agreement was presented to the Court, on 4 April 2019, the Court accepted the closing of the claims relating to Allfunds. Subsequently, the plaintiffs have appealed the decision of the Court of 6 December 2018 (including the closing order regarding Allfunds), not resolved by the Court at the date of formulation of these audited consolidated financial statements.

On 19 July 2019, the plaintiff submitted an amendment to the claim against Allfunds under which all claims dismissed under the December 2018 decision are eliminated, remaining only the claims related to the British Virgin Islands lawsuit on which it will submit a request for dismissal (although the Bank is not sued in the British Virgin Islands).

On 16 March 2020, the group of defendants has filed a new withdrawal action (against the claim and the amendment of the claim).

On 20 March 2020, several Spanish defendants filed a supplement to the new withdrawal action seeking to demonstrate that the Spanish defendants, including Allfunds, are financial institutions eligible for the "free port" or safe harbour exemption under U.S. law by providing the necessary documentation (renewed motion).

On May 29, 2020, the Liquidators filed their opposition to Defendants' Renewed Motion and the Supplemental MOL, and Defendants filed a consolidated reply on June 19, 2020. The U.S. Bankruptcy Court determined that it will use two representative complaints (filed against Citibank NA London and HSBC Private Bank (Suisse) SA) to decide certain issues presented in the Renewed Motion, including whether (i) the majority of redemption payments were paid "to" or "for" the benefit of a covered entity under the U.S. Bankruptcy Code's safe harbor defense and (ii) whether the Liquidators' claims against Defendants who are parties to the Hague Convention ("Hague Defendants") must be dismissed for insufficient service of process, respectively. The Hague Defendants, which include the Bank, did not permit or authorize the Liquidators to serve their complaints by international mail.

On December 14, 2020, the U.S. Bankruptcy Court issued a favorable decision on the merits of the Renewed Motion ("Fairfield III"). Specifically, the U.S. Bankruptcy Court dismissed the BVI Avoidance Claims against all defendants, including the Bank. (The U.S. Bankruptcy Court declined to dismiss the constructive trust claims (i.e., the Liquidators' conclusory allegations that certain "Knowledge Defendants," knew the net asset value was inflated at the time of the redemptions).) However, the Liquidators intend to appeal Fairfield III to the same District Court judge who is handling the appeal of Fairfield II. The new appeal will be consolidated with the Liquidators' appeals of Judge Bernstein's previous Fairfield decisions. On February 24, 2021, the order implementing the U.S. Bankruptcy Court's Fairfield III decision for the Bank was entered. On March 12, 2021, a final judgment was entered, dismissing the Bank from the case, with prejudice. As noted, the Liquidators intend to appeal this order to the District Court. On February 26, 2021, Judge Bernstein retired from the U.S. Bankruptcy Court and was replaced by Chief Bankruptcy Judge Cecelia G. Morris, who will preside over the litigation going forward.

The Group considers that, ultimately, it will not have to bear the possible adverse consequences of the aforementioned proceeding, since it considers that it acted merely as an intermediary without benefiting, on any occasion, from the redemptions made, and that it was not irrefutably aware that the applicable net asset value at the time the redemptions were made was erroneous, and, accordingly, no provision was recognized in this connection at 31 December 2020 and 2019.

At 2020 and 2019 year-end, there were no additional legal proceedings outstanding or claims against the Group.

k) Foreign currency transactions

The Group's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

The detail, by currency and item, of the equivalent euro value of the main asset and liability balances in the balance sheet denominated in foreign currency at 31 December 2020 and 2019, taking into account the nature of the entries and the most meaningful foreign currencies to be represented is as follows:

Nature of Foreign Currency Balances	Equivalent value in Thousands of euros			
	31-12-2020		31-12-2019	
	Assets	Liabilities	Assets	Liabilities
Balances in US Dollars:				
Cash, and cash balances with Central Banks and other demand deposits	166,163	-	185,105	-
Financial assets at amortized cost	56,455	-	8,979	-
Other assets	66,176	-	48,886	-
Financial liabilities at amortized cost	-	213,893	-	193,536
Other liabilities	-	54,902	-	42,000
	288,793	268,795	242,970	235,536
Balances in Sterling Pounds:				
Cash, and cash balances with Central Banks and other demand deposits	101,378	-	97,696	-
Financial assets at amortized cost	21,501	-	1,351	-
Tangible assets	4,701	-	5,993	-
Other assets	3,729	-	5,858	-
Financial liabilities at amortized cost	-	124,208	-	103,179
Other liabilities	-	6,610	-	6,533
	131,309	130,818	110,898	109,712
Balances in Swiss Franc:				
Cash, and cash balances with Central Banks and other demand deposits	57,495	-	39,040	-
Financial assets at amortized cost	5,851	-	24,951	-
Tangible assets	1,864	-	2,458	-
Intangible assets	931	-	177,162	-
Tax assets	110	-	6,546	-
Other assets	36,536	-	7,245	-
Financial liabilities at amortized cost	-	15,613	-	24,616
Tax liabilities	-	16	-	363
Other liabilities	-	33,752	-	2,883
	102,787	49,381	257,402	27,862
Balances in Swedish Krona:				
Cash, and cash balances with Central Banks and other demand deposits	28,534	-	10,176	-
Financial assets at amortized cost	215	-	175	-
Tax asstes	1,077	-	741	-
Other assets	11,159	-	234	-
Financial liabilities at amortized cost	-	24,101	-	975
Tax liabilities	-	42	-	92
Other liabilities	-	11,962	-	478
	40,985	36,105	11,326	1,545
Balances in other currencies:				
Cash, and cash balances with Central Banks and other demand deposits	38,104	-	22,749	-
Financial assets at amortized cost	6,222	-	1,396	-
Tangible assets	1,813	-	1,228	-
Intangible assets	17	-	25	-
Tax assets	3,698	-	765	-
Other assets	6,231	-	2,730	-
Financial liabilities at amortized cost	-	28,467	-	14,160
Tax liabilities	-	156		
Other liabilities	-	6,675	-	2,184
	56,087	35,298	28,893	16,344
Total foreign currency balances	**619,961**	**520,397**	**651,489**	**390,999**

In general, exchange differences arising on the translation of foreign currency balances to the functional currency applying the exchange rate prevailing at year-end are recognized, since substantially all of them arise from monetary items, at their net amount under "Exchange differences (net)" in the consolidated income statement, except for exchange differences arising on any financial instruments at fair value through profit or loss (in the Group's case, derivatives classified as Financial assets held for trading), which are recognized in the consolidated income statement without distinguishing them from other changes in the fair value of these instruments.

l) Recognition of income and expenses

The most significant criteria used by the Group to recognise its income and expenses are summarised as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies are recognized as income when the right to receive them arises.

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognized in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and liabilities measured at fair value through profit or loss are recognized when collected.

- Commissions for the sale of shares in Collective Investment Institutions (CIIs), calculated as a result of applying the agreed percentage to the daily volume held in said shares on behalf of the Group's clients, are recognized at the time they occur.

- Those relating to the provision of a service in a single act, which are recognized when the single act is carried out.

iii. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

iv. Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates, when the effect of discounting is material.

m) Post-employment benefits

Under the collective agreements currently in force and other arrangements, the Bank has undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability or death.

The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. At 31 December 2020 and 2019 the Group did not have any obligations which should be considered to be defined benefit obligations in accordance with applicable legislation, except for 92 and 24 employees of the Branches in Italy and Switzerland, respectively.

The contributions made by the Group each year under its defined contribution obligations are recognized under "Administrative Expenses - Staff Costs" in the consolidated income statement (see Note 23.1). The amounts not yet contributed at each year-end are recognized, at their present value, under "Financial Liabilities at Amortized Cost - Other Financial Liabilities" (see Note 14.3).

n) Termination benefits

Under current legislation, the consolidated entities are required to pay termination benefits to employees terminated without just cause. At 31 December 2020 and 2019, there were no redundancy plans making it necessary to record a provision in this connection.

o) Income tax

The Bank, as the representative in Spain of the tax group, opted to apply the consolidated income tax regime in accordance with Royal Decree-Law 2/2011.

Under the special consolidated tax regime for corporate groups, the group of entities that contribute to the income tax base must be regarded, for all purposes, as a single taxpayer. However, each of the entities forming part of the consolidated tax group must calculate the tax debt that would correspond to it were it to file individual tax returns, and recognise the income tax payable or receivable by it based on the profit or the loss, respectively, contributed by it to the group.

The current income tax expense is calculated as the tax payable with respect to the taxable profit, adjusted by the amount of the changes in the year in the assets and liabilities resulting from any temporary differences and any tax credit and tax loss carryforwards that might exist.

Deferred tax assets and liabilities include any temporary differences, measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases that are expected to reverse in the future, and any tax loss and tax credit carryforwards that might exist. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

"Tax Assets" in the consolidated balance sheet includes, as the case may be, the amount of any tax assets, and a distinction is made between: "Current Tax Assets" (amount of taxes to be recovered in the next twelve months) and "Deferred Tax Assets" (amount of taxes to be recovered in future years, including those arising from any tax loss and tax credit carryforwards that might exist).

"Tax Liabilities" in the consolidated balance sheet includes, as the case may be, the amount of any tax liabilities (except for provisions for taxes), which are broken down into: "Current Tax Liabilities" (amount payable for income tax on the taxable profit for the period and for other taxes in the next twelve months) and "Deferred Tax Liabilities" (amount of any income taxes payable in future periods).

Deferred tax liabilities are recognized for all taxable temporary differences that might exist, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognized for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition (except in a business combination), as the case may be, of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred tax assets (any tax loss and tax credit carryforwards) are only recognized, where they exist, if it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which they can be utilised.

Any deferred tax assets and liabilities recognized are reassessed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, any unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

p) Consolidated statement of recognized income and expense

The consolidated statement of recognized income and expenses presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognized in the consolidated income statement for the year and the other income and expenses recognized, in accordance with current regulations, directly in consolidated equity; in turn, with regard to the latter, a distinction is made between those items which in accordance with the applicable regulations may be reclassified to profit or loss and those that will not.

Accordingly, this statement presents, as applicable:

a. Consolidated profit for the year.

b. The net amount of the income and expenses recognized as accumulated other comprehensive income in consolidated equity that will not be reclassified to profit or loss in the future.

c. The net amount of the income and expenses recognized as accumulated other comprehensive income in consolidated equity that may be reclassified to profit or loss in the future.

d. The income tax incurred in respect of the items indicated in b) and c) above, except for the valuation adjustments arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented net.

e. Total consolidated comprehensive income, calculated as the sum of a) to d) above, presenting separately the amount attributable to the Parent and the amount relating to non-controlling interests.

q) Consolidated statement of total changes in equity

The consolidated statement of changes in total equity presents the changes that have taken place in consolidated equity, including those, if any, arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of the various consolidated equity items, and the changes are grouped together on the basis of their nature into the following items:

- Adjustments due to changes in accounting policies and to the correction of errors: include the changes in consolidated equity arising as a result of any retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors.

- Income and expense recognized in the year: includes, in aggregate form, the total of the aforementioned items recognized in the consolidated statement of comprehensive income.

- Other changes in equity: includes the remaining items recognized in consolidated equity, including, inter alia, increases and decreases in share capital, distribution of consolidated profit, transactions involving own equity instruments, equity-instrument-based payments, transfers between consolidated equity items and, as the case may be, any other increases or decreases in consolidated equity.

r) Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. In addition, the cash flows from operating activities section includes EUR 93 thousand and EUR 30,136 thousand relating to the cash contributed by Allfunds InvestLab AG 2 and BNP, respectively, at the time of the business combination (see Note 1-e).

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the consolidated equity and liabilities that are not operating activities.

For the purposes of preparing the consolidated statement of cash flows, the balance of "Cash, Cash Balances at Central Banks and Other Demand Deposits" on the asset side of the consolidated balance sheet was considered to be cash and cash equivalents.

s) Grants, donations and legacies received

The Group accounts for grants, donations and legacies received from third parties other than the owners as follows:

a. Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss.

b. Refundable grants: while they are refundable, they are recognized as a liability.

c. Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

Also, grants, donations and legacies received from the sole shareholder do not constitute income and must be recognized directly in equity, regardless of the type of grant involved, provided that they are not refundable.

3. Allfunds Bank Group

Allfunds Bank, S.A.U. is the Parent of the Allfunds Bank Group. At 31 December 2020, the Bank's assets and equity represented most of the Group's consolidated assets and equity. The Bank's net profit and its separate profit for 2020 represented most of the consolidated net profit attributable to the Parent in 2020, excluding adjustments or eliminations on consolidation.

To perform its business activities, the Bank has one office in Spain and five branches abroad (Italy, United Kingdom, Singapore, France and Poland) and four representative offices abroad (Colombia, Chile, United States and Arab Emirates). In addition to the operations carried out directly, the Bank is the head of a group of subsidiaries (see Appendix I) that are engaged in various activities and that constitute, together with it, the Allfunds Bank Group (the "Group").

The Bank's condensed 2020 and 2019 balance sheets, income statements, statements of recognized income and expense, statements of changes in equity and statements of cash flows are as follows:

ALLFUNDS BANK, S.A.U.

CONDENSED BALANCE SHEETS AS OF 31 DECEMBER 2020 AND 2019
(Thousands of Euros)

ASSETS	31/12/2020	31/12/2019	LIABILITIES AND EQUITY	31/12/2020	31/12/2019
			LIABILITIES:		
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	1,564,199	711,288	FINANCIAL LIABILITIES HELD FOR TRADING	251	778
FINANCIAL ASSETS HELD FOR TRADING	503	607	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	393	393	FINANCIAL LIABILITIES AT AMORTIZED COST	1,606,731	931,292
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	HEDGING DERIVATIVES	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSEIVE INCOME	-	-	FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
FINANCIAL ASSETS AT AMORTIZED COST	207,850	321,588	LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	-	-
HEDGING DERIVATIVES	-	-	PROVISIONS	-	-
FAIR VALUE CHANGES OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	TAX LIABILITIES	81,793	-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	440,992	250,125	OTHER LIABILITIES	312,861	269,768
TANGIBLE ASSETS	23,083	20,442	LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-	-
			TOTAL LIABILITIES	**2,001,636**	**1,201,838**
INTANGIBLE ASSETS	644,726	28,726			
			EQUITY:		
TAX ASSETS	8,267	5,179	SHAREHOLDERS' EQUITY:	1,232,761	426,045
			Capital	68,774	48,028
OTHER ASSETS	344,384	289,535	Share premium	913,267	169,013
			Retained earnings	206,214	202,007
NON-CURRENT ASSETS AND DISPOSABLE GROUPS OF ELEMENTS CLASSIFIED AS HELD FOR SALE	-	-	Profit or loss	56,306	55,370
			Interim dividends	(11,800)	(48,373)
			ACCUMULATED OTHER COMPREHENSIVE INCOME	-	-
			TOTAL EQUITY	**1,232,761**	**426,045**
TOTAL ASSETS	**3,234,397**	**1,627,883**	**TOTAL LIABILITIES AND EQUITY**	**3,234,397**	**1,627,883**
MEMORANDUM ITEMS:					
Loan commitments given	-	-			
Financial commitments given	-	-			
Other commitments given	66,085	57,233			

ALLFUNDS BANK, S.A.U.

CONDENSED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	Income/(Expenses)	
	2020	2019
INTEREST INCOME	2,920	3,798
(INTEREST EXPENSES)	(4,577)	(4,235)
(SHARE CAPITAL REPAYABLE ON DEMAND EXPENSES)	-	-
NET INTEREST INCOME	**(1,657)**	**(437)**
DIVIDEND INCOME	13,010	12,000
FEE AND COMMISSION INCOME	1,249,225	1,138,250
(FEE AND COMMISSION EXPENSES)	(1,016,539)	(952,360)
GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	-	-
GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	253	(170)
GAINS/(LOSSES) ON FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
GAINS/(LOSSES) FRON HEDGE ACCOUNTING, NET	-	-
EXCHANGE DIFFERENCES, NET	65	(278)
OTHER OPERATING INCOME	16,744	8,901
(OTHER OPERATING EXPENSES)	(3,967)	(4,666)
GROSS INCOME	**257,134**	**201,240**
(ADMINISTRATION COSTS)	(133,432)	(111,374)
(DEPRECIATION & AMORTIZATION)	(31,437)	(11,740)
(PROVISIONS OR REVERSAL OF PROVISIONS)	-	-
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF THE VALUE AND PROFIT AND LOSSES BY THE MODIFICATION OF CASH FLOWS OF FINANCIAL ASSETS NOT VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS)	(605)	(244)
NET OPERATING INCOME	**91,660**	**77,882**
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES)	(750)	-
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS)	-	(796)
GAINS/(LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	-	-
NEGATIVE GOODWILL DERECOGNITION IN PROFIT OR LOSS	-	-
PROFIT OR LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	-	-
OPERATING PROFIT BEFORE TAX	**90,910**	**77,086**
(TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS)	(34,604)	(21,716)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**56,306**	**55,370**
PROFIT FROM DISCONTINUED OPERATIONS (net)	-	-
PROFIT FOR THE PERIOD	**56,306**	**55,370**

ALLFUNDS BANK, S.A.U.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

A) CONDENSED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE

(Thousands of Euros)

	Income/(Expenses)	
	31/12/2020	31/12/2019
PROFIT RECOGNIZED IN INCOME STATEMENT	**56,306**	**55,370**
OTHER RECOGNIZED INCOME (EXPENSES):		
Items not subject to reclassification to income statement	-	-
Items subject to reclassification to income statement	-	-
TOTAL INCOME AND EXPENSE FOR THE PERIOD	**56,306**	**55,370**

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

2020

	Total Equity							
	Shareholders' Equity						Accumulated other Comprehensive Income	Total Equity
	Paid up Capital	Share Premium	Retained Earnings	Profit for the Period	Interim Dividends	Total Shareholders' Equity		
ENDING BALANCE AT 31 DECEMBER 2019	**48,028**	**169,013**	**202,007**	**55,370**	**(48,373)**	**426,045**	-	**426,045**
Total recognized income and expense	-	-	-	56,306	-	56,306	-	56,306
Other changes in equity	20,746	744,254	4,207	(55,370)	36,573	750,410	-	750,410
ENDING BALANCE AT 30 DECEMBER 2020	**68,774**	**913,267**	**206,214**	**56,306**	**(11,800)**	**1,232,761**	**-**	**1,232,761**

2019

	Total Equity							
	Shareholders' Equity						Accumulated other Comprehensive Income	Total Equity
	Paid up Capital	Share Premium	Retained Earnings	Profit for the Period	Interim Dividends	Total Shareholders' Equity		
ENDING BALANCE AT 31 DECEMBER 2018	**27,041**	-	**167,463**	**79,293**	**(29,000)**	**244,797**	-	**244,797**
Total recognized income and expense	-	-	-	55,370	-	55,370	-	55,370
Other changes in equity	20,987	169,013	34,543	(79,293)	(19,373)	125,878	-	125,878
ENDING BALANCE AT 30 DECEMBER 2019	**48,028**	**169,013**	**202,007**	**55,370**	**(48,373)**	**426,045**	**-**	**426,045**

ALLFUNDS BANK, S.A.U.

CONDENSED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of Euros)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**56.306**	**55,370**
Adjustments made to obtain the cash flows from operating activities	66.701	45,983
Profit adjusted	**123.097**	**101,353**
Net increase/decrease in operating assets	49.154	36,705
Net increase/decrease in operating liabilities	750.092	181,192
Collection/Payments for income tax	(21.319)	(23,424)
Total Cash Flows from operating activities	**901.024**	**295,826**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments	(48.224)	(53,578)
Total Cash Flow from investing activities	**(48.224)**	**(53,578)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend payments	(14.490)	(78,623)
Issuance of own equity instruments	14.636	-
Total Cash Flow from financing activities	**46**	**78,623**
EFFECT EXCHANGE RATE CHANGES	**65**	**(278)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**852.911**	**163,347**
Cash and cash equivalents at beginning of year	711.288	547,941
Cash and cash equivalents at end of the period	1.564.199	711,288
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:		
Cash	21	26
Cash equivalents at central banks	1.046.703	296,022
Other financial assets	517.475	415,240
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**1.564.199**	**711,288**

4. Segment reporting

The Group reports its results of operations through the following two reportable segments: Net *platform revenues*, and net *subscription and other net revenues*.

- *Platform revenue* is generated from commission-based and transaction-based revenues. These revenues are generated based on a daily fee calculated based on the amount of each Fund Manager's outstanding Assets under Administration ("AuA's") in collective investment undertakings ("CIU's") on the Allfunds Platform, according to the Service fee model or the Rebate Commission fee model.

- *Subscription and other revenues* include Allfunds Connect (including both annual license fees and annual membership fees) and digital add-ons, as well as the Group's Fund Research and Investment services and Legal and Compliance services. Allfunds generates income from subscription and other services based on fixed membership fees and licenses and charges for its digital solutions and tools and other investment and legal solutions.

The Directors regularly review the performance of each of these distinct revenue-generating services, and the Company has determined that these represent the operating segments of the group. The operating segments have not been aggregated, thus the reportable segments are equivalent to the operating segments. Revenues for each segment are recognized in accordance with the same accounting principles and policies as those used to prepare the financial statements.

The Group previously reported its operating segments based on a geographical segmentation. As described elsewhere herein, the impact of the BNPP Acquisition in 2020 was significant and resulted in nearly double the level of assets under administration. This factor, along with the further integration of the 2019 acquisitions, resulted in the need for management to review the business in a different way. As a result of the M&A activities and organic expansion, the Company now has significant global operations; however the vast majority of the business has the same purpose: to generate revenues related to an underlying volume of assets. This type of activity is distinct to the generation of revenues from other types of services that the company provides, services such as membership and joining fees, which are not related to underlying assets, thus, management must separately evaluate and manage this sector of the business. As such, the Directors have changed their approach and applied a different segmentation beginning in 2020. The 2019 comparative segment information has been restated accordingly.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes.

	Thousands of euros	
	2020	2019
Net Platform revenue	295,293	216,258
Net subscription and other net revenues (*)	14,007	11,912
	309,301	**228,170**

(*) Includes revenue from Finamterix (See Note 24).

No single customer contributed 10 per cent or more to the Group's revenue in either 2020 or 2019.

5 Distribution of the Bank's profit

The distribution of the Bank's net profit for 2020 that the Board of Directors will propose for approval by the sole shareholder is as follows:

	Thousands of Euros
Dividends	11,800
Reserves	44,506
	56,306

Dividends

Year 2020

i. At the Board Meeting held on 9 March 2020, the Bank's directors resolved to distribute interim dividends of EUR 2,790 thousand and EUR 11,800 thousand out of 2019 and 2020 profit, respectively; these amounts had been paid in full at the date of authorisation for issue of these consolidated annual accounts. The provisional accounting statements prepared by the Bank’s directors in accordance with Article 277 of the Consolidated Spanish Limited Liability Companies Law evidencing the existence of sufficient funds for the distribution of the interim dividends are as follows:

	Thousands of Euros	
	31-12-2019	29-02-2020
Profit before tax	77,086	17,030
Less:		
Estimated income tax	(21,716)	(5,174)
Dividend paid	(48,373)	-
Legal reserve	(4,198)	-
Distributable profit	**2,799**	**11,856**
Interim dividend to be distributed	2,790	11,800
Gross dividend per share (euros)	1.74	7.37

The provisional accounting statements indicated the existence of sufficient funds for the distribution of EUR 1,742 million.

Year 2019

ii. At the Board Meeting held on 1 August 2019, the Bank's directors resolved to distribute an interim dividend out of 2019 profit of EUR 28,750 thousand, this amount had been paid in full at 31 December 2019. The forecasted financial statements prepared by the Bank’s directors in accordance with Article 277 of the Consolidated Spanish Limited Liability Companies Law evidencing the existence of sufficient liquidity for the distribution of the interim dividend is as follows:

	Thousands of Euros
	30/06/2019
Profit before tax	42,575
Less:	
Estimated income tax	(13,825)
Interim dividend distributed	-
Distributable profit	**28,750**
Interim dividend to be distributed	28,750
Gross dividend per share (euros)	31.90

The forecasted financial statements inform of the sufficient cash balance available for the distribution amounting to EUR 1,276 million.

iii. The Bank's sole partner (Liberty Partners, S.L.U) agreed on 1 August 2019 the distribution of a dividend charged to voluntary reserves amounting to EUR 10,750 thousand at the Bank, this amount had been paid in full at 31 December 2019.

iii. At the Board Meeting held on 26 August 2019, the Bank's directors resolved to distribute an interim dividend out of the profit between 1 and 31 July of EUR 19,623 thousand, this amount had been paid in full at 30 September 2019. The forecasted financial statements prepared by the Bank's directors in accordance with Article 277 of the Consolidated Spanish Limited Liability Companies Law evidencing the existence of sufficient liquidity for the distribution of the interim dividend is as follows:

	Thousands of Euros
	31/07/2019
Profit before tax	48,373
Less:	
Interim dividend distributed	28,750
Estimated legal reserve	-
Distributable profit	**19,623**
Interim dividend to be distributed	19,623
Gross dividend per share (euros)	21.78

The forecasted financial statements inform of the sufficient cash balance available for the distribution amounting to EUR 1,268 million.

iv. The Bank's sole partner (Liberty Partners, S.L.U) agreed on 16 December 2019 the distribution of a dividend charged to voluntary reserves amounting to EUR 5,000 thousand at the Bank, this amount had been paid in full at 31 December 2019.

Basic earnings/(loss) per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Group by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held in the period.

Accordingly:

	2020	2019
Cost:		
Net consolidated profit for the period attributable to the Parent (thousands of euros)	71,798	49,290
Weighted average number of shares outstanding (thousands of shares)	1,854	1,124
Basic earnings per share (euros)	**38.7**	**43.9**

Diluted earnings/(loss) per share

For the purpose of calculating diluted earnings per share, both the amount of profit or loss attributable to ordinary equity holders, and the weighted average number of shares outstanding, net of treasury shares, must be adjusted for all the dilutive effects of potential ordinary shares (share options, warrants and convertible debt instruments).

At 31 December 2020 and 2019, the Group did not hold any instruments convertible into Bank shares or that conferred privileges or rights that could, as the result of any contingency, make them convertible into shares and, accordingly, the diluted earnings per share coincide with the basic earnings per share calculated as shown in the section above.

6. Remuneration and other benefits paid to the Bank's Directors and senior executives

a) Remuneration of Directors

Following is a detail of the remuneration earned by the members of the Bank's Board of Directors in 2020 and 2019 in their capacity of directors.

	Thousands of Euros	
	2020	2019
Carvajal, Jaime (*)	11	45
Kleinman, Blake	-	-
Korp, Johannes	-	-
Rangaswami, Jayaprakasa	45	45
Reid, Christopher	-	-
Saurel, Leonora	-	-
Zia, Fabian (**)	-	-
Gioffreda, Alessandro (***)	-	-
Dolly, Lisa (***)	-	-
	56	**90**

(*) Ceased in September 2020

(**) Appointment as director in March 2020

(***) Appointment as director in October 2020

During the ended period 2020 and 2019, respectively, the directors did not receive any other short-term remuneration, post-employment benefits, other long-term benefits, termination benefits or equity-instrument-based payments. Also, at 31 December 2020 and 2019, the Bank did not have any post-employment obligations to current or former members of its Board of Directors.

However, in 2020, the Bank paid an insurance company premiums amounting to EUR 74 thousand in relation to third-party liability insurance to cover the Bank's directors and executives (2019: EUR 69 thousand).

b) Remuneration of senior executives

For the purpose of the preparation of these financial statements, the Bank's senior executives were considered to be all the members of the Management Committee, the other employees who belong to the group identified by the Bank pursuant to the definition contained in Bank of Spain Circular 2/2016, of 2 February, which completes the adaptation of Spanish law to Directive 2013/36/EU and Regulation (EU) 575/2013, and certain regional and area managers.

Following is a detail of the remuneration paid to the Group's senior executives in 2020 and 2019:

		Thousands of Euros		
		Salary		
Year	Number of Persons	Fixed	Variable	Total
2020	27	6,008	3,175	9,183
2019	25	6,338	4,508	10,846

As a result of the obligations imposed by the Law on the Regulation and Supervision of Credit Institutions, its implementing regulations, as well as the EBA Guidelines on adequate remunerations policies, the Bank's Board of Directors has established the following remuneration model for the identified collective:

a) For the identified group whose variable remuneration does not exceed a certain threshold, it will be entirely paid in cash in the year following its accrual.
b) For the identified group whose variable remuneration exceeds the established threshold, the variable remuneration will be paid according to the following schedule:

   a. 60% in cash in the year following its accrual

   b. 40% deferred in three years from the date of its approval or the achievement of the aforementioned events being conditioned to the permanence of the beneficiary in the Bank, as well as to none of the circumstances contained in the clauses of the Bank's remuneration policy. The variable compensation will be settled in cash. As of December 31, 2020, in reference to the identified group affected, 40% of the deferred variable compensation has deferred 1/3 of the variable remuneration of 2017 and 2/3 of the variable remuneration of 2018 and 3/3 of the variable retribution of 2019.

Additionally, at the Bank's General Meetings held on 23 December 2016 and 30 March 2017, the sole shareholder of the Bank resolved to approve extraordinary variable remuneration of EUR 1,005 thousand and EUR 968 thousand, respectively, to certain senior executives if certain events associated with the sale of the Bank take place. These amounts will be recognized from 2017 onwards (see Note 15). 40% of this extraordinary variable remuneration will be paid on a deferred basis over three years from the date of approval or the date on which the aforementioned events take place and will be conditional on the beneficiary remaining in the Bank's employ and that none of the circumstances envisaged in the clauses included in the Bank's remuneration policy are met. The total amount payable in this connection at 31 December 2019 was EUR 235 thousand. As of December 31, 2020, there are no amounts pending payment for this concept.

In 2020 and 2019 the senior managers received no variable remuneration relating to long-term incentive plans other than those listed above. At 31 December 2020 and 2019, there were no incentive plans in force.

c) *Pension, insurance and other obligations*

At 2020, year-end, the Bank had commitments to defined benefit post-employment obligations with 19 of the current senior executives of the Bank for retirement, permanent disability or death (2019: 17 members). The contributions made in this connection in 2020 amounted to EUR 293 thousand (2019: EUR 190 thousand) (see Note 23.1).

The capital guaranteed by life insurance policies for senior executives amounted to EUR 18,478 thousand at 31 December 2020 (31 December 2019: EUR 17,065 thousand). The Group paid premiums of EUR 22 thousand (2019: EUR 27 thousand) to insurance companies in this connection in 2020. At 31 December 2020 and 2019, there were no life insurance policies covering any of the Bank's current or former directors.

d) *Loans*

As of December 31, 2020, and 2019, the Group had no direct risks with the former or current members of the Bank's Board of Directors or the Group's Senior Management, or guarantees provided to them.

e) *Information regarding situations of conflict of interest involving the directors*

At the close of fiscal year 2020, the members of the Bank's Board of Directors had not communicated to the other members of the Board of Directors any situation of conflict, direct or indirect, that they or persons related to them, as defined in the Law on Capital Companies, may have the interest of the Bank.

7. Cash, cash balances at Central Banks and other demand deposits

The detail of "Cash, cash balances at Central Banks and other demand deposits" in the accompanying consolidated balance sheets as at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Cash	24	28
Cash balances at Central Banks (*)	1,232,995	538,609
Other demand deposits	610,099	502,791
	1,843,118	**1,041,428**

(*) This balance relates to cash held at the Bank of Spain, the Bank of Italy and the Bank of Luxembourg. The cash is considered eligible for liquidity requirements and enables the Bank to reduce its counterparty risk concentration.

The balance recognized under this heading at 31 December 2020 and 2019 represents the maximum level of credit risk exposure assumed by the Group in relation to these instruments.

Note 25 provides information on the residual maturities and the average interest rates on the debt instruments classified in this financial asset category.

Note 27 provides information about the fair value of financial instruments at December 31 2020 and 2019.

At 31 December 2020 and 2019, the Group did not hold any assets in this category with accrued, past-due amounts or that were impaired.

8. Financial assets not designated for trading compulsorily measured at fair value through profit or loss

During the year 2020, the Group has acquired holdings in an investment fund of Mutua amounting to EUR 9 thousand. Additionally, at 31 December 2020 and 2019, the Group held equity instruments of S.W.I.F.T., SCRL, an unlisted company, amounting to EUR 384 thousand.

At 31 December 2020 and 2019, none of the debt securities was assigned to own or third-party commitments.

Note 27 contains information on the fair value of these instruments at 31 December 2020 and 2019.

At 31 December 2020 and 2019, there were no impaired financial assets or unimpaired past-due financial assets classified in this category, and no losses were recognized on these assets in the years then ended.

9. Financial assets at amortized cost

The detail, by type of financial instrument, of "Loans and advances" in the accompanying consolidated balance sheets as at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Financial assets at amortized cost:		
to Central Banks	12,465	6,079
to credit institutions	43,426	270,807
to customers	177,599	36,151
	233,490	**313,037**

9.1 Loans and advances to Central Banks

The consolidated balance of this item on the asset side of the accompanying consolidated balance sheets as at 31 December 2020 and 2019 mainly, relates to the balances held with the Bank of Spain, the Bank of Italy, Bank of Singapore and the Bank of Luxembourg in order to meet the minimum reserve ratio requirements. This ratio is calculated based on customer deposits and securities other than shares maturing in less than two years.

At 31 December 2020 and 2019, the Group met the minimum reserve ratio required by the applicable Spanish legislation.

9.2 Loans and advances to credit institutions

The detail, by type and currency of the transaction, of "Loans and Advances to Credit Institutions" on the asset side of the accompanying consolidated balance sheets as at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Type:		
Time deposits	43,404	270,773
Add: Valuation adjustments	22	34
Of which-		
Accrued interest	*22*	*34*
	43,426	**270,807**
Currency:		
Euro	5,218	270,739
Foreign currencies	38,208	68
	43,426	**270,807**

Note 25 contains a detail of the terms to maturity of these assets at 2020 and 2019 year-end and of the average annual interest rates in 2020 and 2019. Note 27 provides information on the fair value of these financial assets.

9.3 Loans and advances to customers

The detail, by loan type and status and borrower's geographical area of residence, of "Loans and Advances to Customers" on the asset side of the accompanying consolidated balance sheets as at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
By operation type and status:		
Receivable on demand and other (*)	176,640	35,289
Impaired assets (**)	2,941	1,806
Less: Valuation adjustments	(1,982)	(944)
Of which-		
Impairment losses	*(1,982)*	*(944)*
	177,599	**36,151**
Borrower's geographical area:		
Spain	32,597	2,250
European Union (excluding Spain)	38,474	12,830
Rest of the world	106,528	21,071
	177,599	**36,151**

(*) At 31 December 2020 includes EUR 32,965 thousand for financial operations pending settlement (settled at the date of issuance of the current annual accounts) (EUR 8,580 thousand at 31 December 2019) and 88,876 thousand for commissions for the marketing of units in collective investment undertakings receivable at those dates, respectively (EUR 19,676 thousand for commissions for the marketing of units in collective investment undertakings receivable at 31 December 2019) (see Note 21). Also, at 31 December 2020 includes EUR 22,112 thousand related to loan advances to Allfunds (UK) Limited and LHC3.

(**) Correspond, entirely, to the commissions of shares from Collective Investment Undertakings pending of collection at that dates (see Note 21).

Note 25 contains a detail of the terms to maturity of these assets at 2020 and 2019 year-end and of the average annual interest rates in 2020 and 2019. Note 27 provides information on the fair value of these financial assets.

At 31 December 2020 and 2019, there were no loans and advances to customers for material amounts without fixed maturity dates.

Changes in loans and advances classified as "Financial Assets at Amortized Cost"

Following is a detail of the changes in the balance of loans and advances to credit institutions and loans and advances to customers recognized under "Financial Assets at Amortized Cost" in the consolidated balance sheets as at 31 December 2020 and 2019, based on their accounting classification and excluding any impairment losses:

2020

	Thousands of Euros		
	Stage 1	Stage 2	Stage 3
Opening balance	**32,605**	**2,684**	**1,806**
Additions relating to new transactions	150,492	9,007	1.323
Changes in balances and full repayments	(8,580)	(7,943)	(1,813)
Reclassification to Stage 1	-	-	-
Reclassification to Stage 2	-	-	-
Reclassification to Stage 3	-	(1,625)	-
Reclassification to written-off	-	-	-
Reclassification from Stage 1	-	-	-
Reclassification from Stage 2	-	-	1,625
Reclassification from Stage 3	-	-	-
Balance at end of year	**174,517**	**2,123**	**2,941**

2019

	Thousands of Euros		
	Stage 1	Stage 2	Stage 3
Opening balance	**31,698**	**874**	**805**
Additions relating to new transactions	21,506	6,941	-
Changes in balances and full repayments	(20,599)	(3,593)	(537)
Reclassification to Stage 1	-	-	-
Reclassification to Stage 2	-	-	-
Reclassification to Stage 3	-	(1,538)	-
Reclassification to written-off	-	-	-
Reclassification from Stage 1	-	-	-
Reclassification from Stage 2	-	-	1,538
Reclassification from Stage 3	-	-	-
Balance at end of year	**32,605**	**2,684**	**1,806**

Impairment losses

In 2020 the expense incurred by the Group in relation to impairment losses amounted to EUR 800 thousand (2019: EUR 319 thousand).

The changes in “Impairment Losses” in the foregoing detail in 2020 and 2019 were as follows:

2020

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	**19**	**4**	**921**	**944**
Provisions acquired in business combinations (Note 1-e) not affecting profit or loss	-	-	-	-
Increase through cause/acquisition	383	10	315	708
Decreases due to derecognition		-	-	-
Changes due to credit risk variation (recoveries)	(12)	-	(410)	(422)
Changes due to modifications without derecognition(net)	-	(5)	757	752
Ending balance	**390**	**9**	**1,583**	**1,982**

2019

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	**14**	**42**	**559**	**615**
Provisions acquired in business combinations (Note 1-e) not affecting profit or loss	-	-	10	10
Increase through cause/acquisition	13	4	626	643
Decreases due to derecognition	(8)	-	(263)	(271)
Changes due to credit risk variation (recoveries)	-	(42)	(11)	(53)
Changes due to modifications without derecognition(net)	-	-	-	-
Ending balance	**19**	**4**	**921**	**944**

Past-due but not impaired financial assets

The Group held past-due but not impaired financial assets in the accompanying balance sheets as at 31 December 2020 and 2019 amounting to EUR 25,686 thousand and EUR 8,817 thousand, respectively, all of which had maturities of less than 30 days, were held with other financial companies and originated from uncollected commissions for the commercialization of shares in Collective Investment Institutions, as well as amounts overdrawn in current accounts at those dates. In addition, as of December 31, 2020 and 2019, the Group had EUR 60,910 and 9,661 thousand, respectively, in fiduciary accounts, commissions for the commercialization of shares in Collective Investment Institutions that were pending transfer to bank accounts in the Bank's name.

Impaired assets

The detail of the changes in the balance of the financial assets classified as financial assets at amortized cost and collectively estimated to be impaired due to credit risk at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Beginning balance	1,806	805
Additions net of recoveries	1,135	1,001
Ending balance	**2,941**	**1,806**

At 31 December 2020 and 2019, there was no accrued interest receivable on these assets.

In addition, following is a detail of the financial assets classified as Financial assets at amortized cost which were considered to be impaired due to credit risk at 31 December 2020 and 2019, classified by age of the oldest past-due amount:

	Thousands of Euros				
	With Balances Past Due by				
	Within 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	Total
Balances at 31 December 2020	1.102	555	489	795	2,941
Balances at 31 December 2019	935	236	166	469	1,806

Written-off assets

At 31 December 2020 and 2019, the Group did not hold any financial assets classified as Financial assets at amortized cost and considered to be written-off assets, and there were no changes in this connection in those years.

10. Tangible assets

The changes in 2020 and 2019 in "Tangible Assets" in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2020	2019
Cost:		
Beginning balance	40,312	44,057
Additions	9,487	4,765
Disposals	(70)	(8,510)
Other changes (*)	(111)	-
Ending balance	49,618	40,312
Accumulated depreciation:		
Beginning balance	(12,064)	(12,757)
Charge for the year	(8,344)	(6,932)
Disposals	70	7,625
Other changes	21	-
Ending balance	(20,317)	(12,064)
Tangible assets, net	**29,301**	**28,248**

(*) Corresponds mainly to exchange rate differences.

The detail, by type of asset, of the items composing "Tangible Assets" in the accompanying consolidated balance sheets at 31 December 2020 and 2019 is as follows:

	Thousands of Euros		
	Cost	Accumulated Depreciation	Carrying Amount
Rights-of-use	22,911	(5,090)	17,821
Furniture and fixtures	13,939	(4,905)	9,034
Computer hardware	3,462	(2,069)	1,393
Balances at 31 December 2019	**40,312**	**(12,064)**	**28,248**
Rights-of-use (Note 1.b)	30,473	(11,292)	19,181
Furniture and fixtures	14,959	(6,340)	8,619
Computer hardware	4,186	(2,685)	1,501
Balances at 31 December 2020	**49,618**	**(20,317)**	**29,301**

As of December 31 2020, tangible assets for a gross amount of 3,133 thousand euros, approximately, were fully amortized (2,651 thousand euros, approximately, as of December 31, 2019). In 2019, the Group has written off tangible assets with a net book value of 886 thousand euros, recording the loss under "Gains or losses on writing off non-financial assets, net" accompanying consolidated income statement. In 2020, the Group has not recorded losses in the consolidated income statement associated with the write-off of tangible assets.

In view of the nature of the Group's tangible assets, its directors consider that their fair values do not differ significantly from their respective carrying amounts at 31 December 2020 and 2019.

At 31 December 2020 and 2019 and throughout those years, there were no impairment losses on property, plant and equipment for own use in addition to those indicated this Note.

11. Intangible assets

The detail of "Intangible Assets" in the accompanying consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousand of Euros	
	31-12-2020	31-12-2019
Goodwill:	415,570	43,415
Fintech Partners, S.L.U.	*6,704*	*6,704*
Investlab (*)	*158,264*	*18,556*
Allfunds Sweden AB (*)	*18,155*	*18,155*
Banca Corrispondente Business of BNP (*)	*232,447*	-
Technological platform and Finametrix portfolio (Nota 1.g)	6,479	6,479
Cooperation agreement – Investlab (*)	162,264	148,635
Exclusivity agreement – BNP (*)	101,404	-
Relation with clients - Investlab (*)	3,717	3,717
Relation with clients – Nordic (*)	1,587	1,587
Relation with clients – BNP (*)	91,168	-
Technological platform – BNP (*)	22,730	-
Subdistribution agreement – PAM (*) (**)	175,636	-
Myfundmatch platform (*)	1,429	-
IT developments	61,770	44,182
Less: Accumulated Amortization	(53,524)	(19,658)
Less: Impairments	(750)	-
Total, net	**989,480**	**228,357**

(*) See Note 1.e
(**) Includes EUR 29,273 thousand corresponding to VAT.

At 31 December 2020 or 2019, all of the Group’s intangible assets, except from goodwill, had a finite useful life.

The changes (gross amounts) in 2020 and 2019 in “Intangible Assets” in the accompanying consolidated balance sheets were as follows:

	Thousand of euros	
	31-12-2020	31-12-2019
Beginning balance	248,015	34,569
Additions:	795,834	213,446
Goodwill –Investlab - Phase 1	-	*18,556*
Goodwill –Investlab - Phase 2	*139,708*	-
Goodwill - Nordic		*18,155*
Goodwill –Banca Corrispondente business	*232,447*	-
Cooperation agreement	*13,629*	*148,635*
Exclusivity agreement	*101,404*	-
Relation with clients – Investlab	-	*3,717*
Relation with clients - Nordic	-	*1,587*
Relation with clients - BNP	*91,168*	-
Technological platform - BNP	*22,730*	-
Subdistribution agreement - PAM	*175,636*	-
Myfundmatch platform	*1,429*	-
Capitalisation of internal staff costs	*2,151*	*3,272*
Rest	*15,532*	*19,524*
Impairments	*(750)*	-
Other movements	(95)	-
Ending balance	**1,043,004**	**248,015**

The changes in “Accumulated Amortization” in 2020 and 2019 were as follows:

	Thousands of Euros	
	2020	2019
Beginning balance	(19,658)	(8,433)
Charges	(33,948)	(11,227)
Other movements	82	2
Ending balance	**(53,524)**	**(19,658)**

At December 31, 2020, intangible assets for a gross amount of approximately 5,563 thousand euros were fully amortized (3,475 thousand euros, approximately, as of December 31, 2019).

In 2020, the Group has impaired the intangible asset associated with the Myfundmatch platform for an amount of 750 thousand euros, recording the loss under "Gains or losses on derecognition of non-financial assets, net" on the accompanying consolidated income statement. As of December 31, 2019, and during fiscal year, then ended the group did not have impaired intangible assets.

In 2019 the Bank received a grant from the Centre for the Development of Industrial Technology of the Spanish Ministry of Economy, Industry and Competitiveness totalling EUR 197 thousand earmarked for the R&D project on the Blockchain Platform. This grant has been paid during the 2020 financial year. Consequently, in financial year 2020, 37 thousand euros corresponding to the subsidy received have been charged to results.

11.1 Goodwill

The breakdown of goodwill, based on the cash-generating units (CGU) that originate it, is as follows:

	Thousands of Euros	
	31-12-2020	31-12-2019
Fintech Partners, S.L.U.	6,704	6,704
Investlab	158,264	18,556
Allfunds Sweden AB	18,155	18,155
Banca Corrispondente Business of BNP	232,447	-
Total	**415,570**	**43,415**

The movement produced in the 2020 and 2019 financial years was as follows:

	Thousands of Euros
Balance at 1 January 2019	6,704
Additions	
Investlab - Phase 1	*18,556*
Allfunds Sweden AB	*18,155*
Impairment losses	-
Balance at 31 December 2019	**43,415**
Additions	
Investlab - Phase 2	*139,708*
Banca Corrispondente business	*232,447*
Impairment losses	-
Balance at 31 December 2020	**415,570**

Business combinations

The business combinations that occurred in 2020 and 2019 are detailed in Note 1-e.

Impairment test

At least once per year (or whenever there is any indication of impairment), the Group reviews goodwill for impairment (i.e., a potential reduction in its recoverable amount to below its carrying amount) (see Note 2-h). The first step that must be taken in order to perform this analysis is the identification of the cash-generating units, i.e. the Group's smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of each cash-generating unit is determined taking into consideration the carrying amount (including any fair value adjustment arising on the business combination) of all the assets and liabilities of all the independent legal entities composing the cash-generating unit, together with the related goodwill. The carrying amount of the cash-generating unit to be recovered is compared with its recoverable amount in order to determine whether there is any impairment.

The Group's directors assess the existence of any indication that might be considered to be evidence of impairment of the cash-generating unit by reviewing information including the following: (i) certain macroeconomic variables that might affect its investment (political situation and economic situation, among others) and (ii) various microeconomic variables comparing the Group's investment with the financial services industry of the country in which the cash-generating unit carries on most of its business activities (off-balance-sheet intermediated funds, net fees and commissions, earnings, among others).

Regardless of whether there is any indication of impairment, every year the Group calculates the recoverable amount of each cash-generating unit to which goodwill has been allocated and, to this end, it uses internal estimates or appraisals performed by independent experts other than the external auditor.

Firstly, the Group determines the recoverable amount by estimating the fair value of each cash-generating unit and calculating its value in use using discounted cash flow projections. The main assumptions used in this calculation are: (i) projections of earnings and intermediated funds based on the financial budgets approved by the Bank’s directors which cover a five-year period, (ii) discount rates determined as the cost of capital taking into account the risk-free rate of return plus a risk premium in line with the market and the business in which the units operate and (iii) constant growth rates to extrapolate earnings to perpetuity which do not exceed the long-term average growth rate for the market in which the cash-generating unit in question operates, considering the expected evolutions and the long-term nominal growth of the unit's geographic location.

The cash flow projections used by Bank management to obtain the values in use are based on the financial budgets approved by the Bank's directors. The Bank's management prepares its budgets using the following key assumptions:

- Microeconomic variables of the cash-generating unit: management takes into consideration the off-balance-sheet intermediated funds, the net fees and commissions generated by these assets, the fee and commission mix and the business decisions taken in this regard.
- Past performance variables: in addition, management takes into consideration in the projection the difference (both positive and negative) between the cash-generating unit's past performance and that of the market.

Following is a detail of the main assumptions used in determining the recoverable amount, at 2020 year-end, of the cash-generating units valued using the discounted cash flow method (Fintech Partners, S.L.U., and Investlab CGUS) and dividend discount model (Allfunds Sweden AB):

	2020		
	Projected Period	Discount Rate	Growth Rate
Fintech Partners, S.L.U.	5 years	10.2%	1.3%
Investlab	5 years	10.8%	1.9%
Allfunds Sweden AB	5 years	12.9%	1.9%

For the analysis of the potential impairment of BNP's Banca Corrispondente business CGU, given that the transaction was executed on October 2, 2020, the Group performed an impairment test internally based on cash flow projections for the period 2020-2024.

At 31 December 2019, the Group calculated the value in use of the goodwill arising in the acquisition of Fintech Partners, S.L.U. using a projected period of five years, a discount rate of 9.9% and a growth rate of 1.6%. As a result of this estimate, no impairment of the goodwill was disclosed at 31 December 2019.

In relation to the goodwill arising as a result of the acquisition of InvestLab and Allfunds Sweden AB, since these acquisitions took place in the second half of 2019 and there was no evidence of impairment, the Group did not test the goodwill for impairment at 31 December 2019.

Given the degree of uncertainty of these assumptions, the Group performs a sensitivity analysis thereof using reasonable changes in the key assumptions on which the recoverable amount of the cash-generating units is based in order to confirm whether their recoverable amount still exceeds their carrying amount. The sensitivity analysis involved adjusting the discount rate by +/- 50 basis points and the perpetuity growth rate by +/- 50 basis points. Following the sensitivity analysis performed, the value in use of all the cash-generating units still exceeds their carrying amount. Consequently, the Group did not recognise any impairment loss on the goodwill at 31 December 2020 or 2019.

12. Tax matters

The Group files consolidated income tax returns in Spain. There are two tax groups: (i) one tax group for credit institutions and similar entities, which pay tax at a rate of 30%, and (ii) another tax group for the entities that are not credit institutions, which pay tax at a rate of 25%.

The tax group of credit institutions is made up of Liberty Partners, S.L.U. (the Bank's sole shareholder) and the Bank (the company appointed as representative of the tax group in Spain). In addition, the tax group of Spanish companies that are not credit institutions comprises Fintech Partners, S.L.U. (the company appointed as representative of the tax group in Spain), Allfunds Digital, S.L. (formerly Finametrix, S.L.U.), Nextportfolio, S.L.U., and Allfunds Blockchain, S.L. (an entity incorporated in 2020 (see Note 1-e) and included in the tax group from inception) as subsidiaries.

12.1 Reconciliation of the accounting profit to the taxable profit

The detail of the full amount of the income tax expense incurred by the Group at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Allfunds Bank, S.A.U., Spain	10,432	6,768
Allfunds Bank, S.A.U. Branch in Italy	20,203	14,948
Allfunds Bank, S.A.U. Branch in France	3,955	-
Allfunds Bank, S.A.U. Branch in Poland	15	-
Finametrix Group	456	463
Allfunds Bank International, S.A.	4,657	2,235
Allfunds International Schweiz AG (*)	-	374
Allfunds InvestLab AG	-	(10,472)
Allfunds Bank Brasil Representaçoes, Ltda.	55	-
Allfunds Sweden AB	(362)	1,016
Expense arising on consolidation (**)	2,266	13,893
Total income tax expense	**41,677**	**29,225**

(*) Companies absorbed by Allfunds Bank International, S.A. in the financial year 2020 (see Note 1.e)

(**) Relating mainly to the decrease in the deferred tax assets and liabilities arising at consolidated level as a result of the purchase price allocation in the business combinations performed (see Note 1-e).

Although the income tax return for the year ended 31 December 2020 has not yet been filed, the reconciliation of the consolidated accounting profit to the estimated taxable profit of the Bank in Spain, as well as to the income tax expense of the Bank in Spain recognized in the consolidated income statements for the years ended 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Consolidated profit before tax	113,475	78,515
Permanent differences:		
Increase (*)	43,519	29,973
Decrease (**)	(120,997)	(80,452)
Taxable profit	**35,997**	**28,036**
Tax rate applicable in Spain	30%	30%
Total	**10,799**	**8,411**
Less tax credits and tax relief (***)	(2)	(3)
Income tax expense of Allfunds Bank S.A.U., Spain	**10,797**	**8,408**
Economic interest group (****)	(4,263)	-
Tax liability	**6,534**	**8,408**
Compensation of tax credits generated by the tax group	(124)	(4,664)
Advance tax paid by Allfunds Bank, S.A.U.	(10,519)	(4,252)
Other	(27)	-
Current tax asset	**(4,136)**	**(508)**

(*) Relating mainly to non-tax-deductible expenses, losses incurred abroad and consolidation adjustments.

(**) Relating mainly to the (profits or losses of the branches abroad and the consolidated companies, which are taxed in the respective countries in which they are established, to tax-exempt dividend.

(***) Corresponds to the deduction for donations to non-profit organisations under Law 49/2002, of 23 December, on the tax regime for non-profit organisations and tax incentives for patronage.

(****) It corresponds to the (i) allocation of tax losses by Arcano Imasde, AIE and (ii) and to the tax base of the R&D&I tax credit, both taken by Arcano Imasde, an economic interest grouping in which the Bank holds an ownership interest and which acts as an investment vehicle in several R&D&I projects through ownership interests, in turn, in other economic interest groupings.

In addition, the Bank recognized an income tax benefit amounting to EUR 366 thousand relating to, inter alia, the adjustment resulting from the difference between the amount recognized for 2019 income tax and the amount ultimately paid.

12.2 Tax assets and liabilities

The detail of current and deferred tax asset balances in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Current tax assets:	**9,020**	**11,059**
Deferred tax assets:	**55,112**	**20,964**
Non-deductible depreciation and Amortization	251	313
Non-tax-deductible provisions	182	182
Tax assets	54,609	20,398
Other tax credits of subsidiaries	71	71
	64,132	**32,023**

As a result of the application of the consolidated tax regime, the Bank availed itself of tax assets generated by the sole shareholder (Liberty Partners S.L.U.) amounting to EUR 124 thousand at 31 December 2020, and since the Bank is the company appointed as the representative in Spain of the consolidated tax group, the aforementioned tax asset is recognized (net of the pre-payments made in the year and the expense provisioned as a liability) under "Tax Assets - Current Tax Assets" in the accompanying consolidated balance sheet. Also, the Group recognized a payment obligation to Liberty Partners S.L.U., for this amount under "Financial Liabilities at Amortized Cost - Other Financial Liabilities" in the accompanying consolidated balance sheet (see Note 14.3).

"Deferred Tax Assets - Tax Assets" includes the tax assets arising in the business combination through which the distribution business of Credit Suisse was acquired (EUR 54,388 thousand). The tax assets arising from the acquisition of the business of Credit Suisse amounted to 64,915 thousand euros (see note 1.e), of which 5,245 and 5,282 thousand euros have been amortized in 2019 and 2020, as stablished by the Swiss regulation.

The detail of current and deferred tax liability balances in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Current tax liabilities:	**15,145**	**2,448**
Deferred tax liabilities:	**100,271**	**31,167**
Arising in business combinations (Note 1-e)	100,011	30,966
Fintech Partners, S.L.U.	*1,051*	*1,243*
Allfunds International Schweiz AG	*29,229*	*29,399*
Allfunds Sweden AB	*301*	*324*
Banca Corrispondente Business of BNP	*69,430*	-
Other	260	201
	115,416	**33,615**

The balance of "Tax Liabilities - Current Tax Liabilities" in the accompanying consolidated balance sheets includes mainly the income tax payable generated in Luxembourg, Italy and France.

12.3 Tax loss carryforwards

In addition to the tax assets detailed in Note 12.2, the Group has the following unrecognized tax loss carryforwards from prior years. There is no time limit on the offset of these tax losses, and in accordance with the accounting principle of prudence, the Group has not recognized them because the timing of their possible recovery is uncertain since it depends on future taxable profits being obtained.

Entity	Country	Year Incurred	Amount of Tax Loss (Thousands of Euros)
Allfunds Bank, S.A.U., Singapore Branch	Singapore	2017 2018 2019	2,716 3,300 5,919
Allfunds Bank, S.A.U. UK Branch	UK	Before 2015	1,049
Allfunds International Bank S.A., Zurich Branch	Switzerland	2017 2018 2019	17,807 10,515 8,136
Allfunds Hong Kong Limited	Hong Kong	2018	13
Allfunds Bank Brasil Representaçoes, Ltda.	Brazil	2015 2016 2017 2018 2019 2020	15 23 27 236 305 10
Total			**50,071**

12.4 Transactions carried out under Title VII, Chapter VII of the Spanish Income Tax Law

For the informative purposes envisaged in Spanish Income Tax Law 27/2014, it is hereby stated that, on 2 October 2020, the following contributions were made to the Bank (as acquiring entity):

- Non-monetary contribution by BP2S (as transferor), in exchange for shares of the Bank, of its correspondent banking business, which was automatically and immediately allocated to Allfunds Bank, S.A.U. Branch in Italy (and was therefore not relevant for tax purposes in Spain) with the exception of the line of business relating to local transfer agent (LTA) services -offered to non-Spanish management companies that wish to market their funds in Spain- that was being carried on by BP2S Branch in Spain and was integrated into the Bank itself.

- Non-monetary contribution by PAM (as transferor), in exchange for shares of the Bank, of the PAM activity, which was automatically and immediately allocated to Allfunds Bank, S.A.U. Branch in France (and was therefore not relevant for tax purposes in Spain).

The aforementioned transactions were reported to the tax authorities in the form and within the period established in the regulations.

In this regard, it is indicated that:

- the value of the net assets acquired in these transactions coincides with the value at which they were recorded in the transferring entities prior to the transaction, On the occasion of the acquisition of the PAM business, Allfunds Bank, S.A.U. Branch in France has recorded an intangible asset that was not previously recorded in PAM. With regard to the acquisition of the BC business, Allfunds Bank, S.A.U. Branch in Italy has recorded a number of intangibles and, additionally, goodwill arising on the business combination (see Note 1.e).

- the transferring entities have not enjoyed any tax benefits for which the Bank must assume compliance with certain requirements in accordance with tax regulations.

Therefore, the information contained in this section and in Note 1.e complies with the requirements of 11.5 Years open for review.

Also, on 14 October 2020, Liberty Partners, S.L.U., (as acquirer) launched a capital increase that was subscribed by BP2S and PAM through the non-monetary contribution of all of the shares of the Bank held by them. They received as consideration shares in Liberty Partners, S.L.U.

12.5 Years open for review by the tax authorities

Under current legislation, tax returns cannot be deemed to be definitive until they have been reviewed by the tax authorities or until the related statute-of-limitations period has expired.

On 17 November 2020, the Bank was notified by the Spanish State Tax Agency of the commencement of a tax audit of the Bank relating to income tax for 2016-2018. This tax audit is partial in scope and is confined to checking the international double taxation tax credit generated and/or taken by the Bank in its income tax filings for 2016, 2017 and 2018, which arose from the obtainment of income abroad through Allfunds Bank, S.A.U. Branch in Italy (the income of which is effectively taxed in Italy).

In regards to other taxes, at 31 December 2020, the Bank and the consolidated companies had open for review by the tax authorities the taxes applicable to them as a result of their activity for which, at that date, the regulatory statute-of-limitations period for their review, which in the case of Spanish legislation is four years from the end of the voluntary filing period, had not expired.

Also, due to the varying interpretations that can be made of certain tax legislation applicable to the transactions performed by the Bank and the consolidated companies for the years open for review, certain contingent tax liabilities might arise. However, the Bank's directors and its tax advisers consider that the tax charge, if any, which might arise from future inspections by the tax authorities, or from inspections already performed that have not been finally resolved, would not have a material effect on these consolidated financial statements.

13. Other assets and other liabilities

The detail of "Other Assets" and "Other Liabilities" in the accompanying consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2020	2019	2020	2019
Sundry accounts	1,011	3,034	11,471	6,307
Accrued expenses (*)	-	-	40,523	28,446
Accrued fees and commissions on the marketing of units in collective investment undertakings (Notes 21 and 22)	418,517	333,690	352,159	276,713
Other revenues outstanding until expiration	17,090	3,985	-	-
Prepaid expenses	5,557	447	-	-
	442,175	**341,156**	**404,153**	**311,466**

(*) At 31 December 2020 and 2019, this item included EUR 22,350 thousand and EUR 11,785 thousand, respectively, relating to the variable remuneration payable at those dates. The Bank's directors consider that no significant differences will arise between these amounts and those finally paid. Also, it includes EUR 6,620 thousand corresponding to the payment obligation related to the collaboration agreement between the Bank and Credit Suisse AG, which, as of December 31, 2020, signed within the framework of the operation carried out (see Note 1.e).

14. Financial liabilities at amortized cost

The detail, by type of financial instrument, of "Financial Liabilities at Amortized Cost" in the accompanying consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Financial liabilities at amortized cost:		
Deposits from credit institutions	266,760	428,647
Deposits from customers	1,181,627	531,093
Other financial liabilities	364,277	231,317
	1,812,664	**1,191,057**

14.1 Deposits from credit institutions

The detail, by type and currency, of "Deposits From Credit Institutions" on the liability side of the accompanying consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Type:		
Demand accounts	266,760	428,647
	266,760	**428,647**
Currency:		
Euros	170,355	294,627
Foreign currencies	96,405	134,020
	266,760	**428,647**

Note 25 contains a detail of the terms to maturity of these liabilities at 2020 and 2019 year-end and of the average annual interest rates in 2020 and 2019 and Note 27 provides information on the fair value of these financial liabilities.

14.2 Deposits from customers

The detail, by type and currency, of "Deposits from customers" on the liability side of the accompanying consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Type:		
Demand accounts	1,181,627	531,093
	1,181,627	**531,093**
Currency:		
Euros	936,235	389,512
Foreign currencies	245,392	141,581
	1,181,627	**531,093**

The balance of "Deposits from customers" included current accounts held by the non-resident sector, for an amount of EUR 1,164,242 thousand and EUR 513,845 thousand as at 31 December 2020 and 2019, respectively.

Note 25 contains a detail of the terms to maturity of these liabilities at 2020 and 2019 year-end and of the average annual interest rates in 2020 and 2019 and Note 27 provides information on the fair value of these financial liabilities.

14.3 Other financial liabilities

The detail of "Other Financial Liabilities" in the accompanying consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Lease liabilities	19,477	18,165
Tax collection accounts	79,014	33,104
Special accounts	85,087	124,714
Payment obligations	106,824	27,824
Other	73,875	27,510
	364,277	**231,317**

"Special accounts" in the foregoing table basically refers to funds temporarily held on behalf of clients due to orders of transfer of investments in collective investment undertakings received, which were yet to be settled, at year-end.

"Payment obligations" Includes EUR 19,556 thousand and EUR 10,418 thousand relating to accrued fees and commissions payable at 31 December 2020 and 2019, respectively (see Note 22); and EUR 63,945 and 10,813 thousand as of December 31, 2020 and 2019, respectively, corresponding commissions for the commercialization of shares in Collective Investment Institutions held in fiduciary accounts that were pending transfer to bank accounts in the Bank's name. It also includes EUR 85 thousand relating to the amounts not yet contributed at 31 December 2020 to the Group employees' defined contribution plans (2019: EUR 36 thousand) -see Note 2-m-. This caption also includes EUR 9,766 thousand corresponding to the payment obligation related to the collaboration agreement between the Bank and Credit Suisse AG, which, as of December 31, 2020, signed within the framework of the operation carried out (see Note 1.e).

Note 25 contains a detail of the terms to maturity of these liabilities at 2020 and 2019 year-end, and Note 27 provides information on the fair value of these financial liabilities.

Disclosures on the average periods of payment to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions corresponding to Allfunds Bank, S.A.U.

	Days	
	2020	2019
Average period of payment to suppliers	28	29
Ratio of transactions settled	28	30
Ratio of transactions not yet settled	26	16

	Thousands of Euros	
	2020	2019
Total payments made	62,544	53,564
Total payments outstanding	2,688	3,130

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

"Average period of payment to suppliers" is taken to be the period that elapses from the date of receipt of the invoices (with no significant differences compared to the corresponding dates of the invoices) and the payment date.

15. Paid up capital

At 31 December 2019, the Bank's share capital was represented by 1,600,943 fully subscribed and paid registered shares of EUR 30 par value each and a share premium of EUR 169,013 thousand, all with the same dividend and voting rights, and its sole shareholder was Liberty Partners, S.L.U.

As indicated in Note 1.e, on 26 March 2020, in the context of the second phase of the acquisition by the Allfunds Bank Group of Credit Suisse's distribution business, the Bank's sole shareholder carried out a capital increase involving a non-monetary contribution amounting to EUR 190,000 thousand. This capital increase was carried out through the issuance of 175,713 shares, of EUR 30 par value each and with a share premium of EUR 1,051.30 per share, which were subscribed in full by Liberty Partners, S.L.U. (sole shareholder of the Bank).

On October 2, 2020, as indicated in Note 1.e and in the context of the transaction carried out between Allfunds Bank, S.A.U., BNP Paribas Securities Services (BP2S) and BNP Paribas AM (PAM), the bank's sole shareholder has carried out two capital increases with a non-monetary contribution amounting to 414,000 and 146,363 thousand euros. These increases have been carried out through the issuance of 371,378 and 131,295 shares, respectively, with a nominal value of 30 euros and an issue premium of 1,084.77 euros per share, which were subscribed by BP2S and PAM, respectively. On the same date and in the context of the previous operation, the bank's sole shareholder has carried out a capital increase with a monetary contribution amounting to EUR 14,636 thousand. This increase was carried out through the issuance of 13,130 shares with a nominal value of 30 euros and an issue premium of 1,084.73 euros per share, which were subscribed and paid by PAM. On October 2, Liberty Partners, S.L.U, carried out a capital increase through a non-monetary contribution of the shares of BP2S and PAM in Allfunds Bank, S.A.U. (See Note 2.e).

Consequently, at 31 December 2020, the Bank's share capital amounted to EUR 68,774 thousand and was represented by 2,292,459 fully subscribed and paid registered shares, of EUR 30 par value each and with a share premium of EUR 913,267 thousand, all with the same dividend and voting rights, and its sole shareholder was Liberty Partners, S.L.U.

16. Retained earnings

The balance of "Retained earnings" in the accompanying consolidated balance sheets includes the net amount of the accumulated profit or loss recognized in previous years through the consolidated income statement that, in the distribution of the profit, was assigned to consolidated equity and was not distributed subsequently to the Bank's shareholders later.

The detail of "Retained earnings" of the consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Retained earnings:		
Legal	9,606	5,408
Capitalisation reserve	9,954	9,954
Voluntary reserves	168,866	172,178
Reserves at subsidiaries-	39,205	42,428
Allfunds Bank International, S.A.	*40,464*	*52,956*
Allfunds International, Schweiz AG (*)	-	*(11,090)*
Allfunds Bank Brasil Representaçoes Ltda.	*(891)*	*(452)*
Fintech Partners, S.L.U.	*33*	*180*
Finametrix, S.L.U.	*830*	*759*
Nextportfolio, S.L.U.	*(698)*	*75*
Allfunds Hong Kong LTD	*(347)*	-
Allfunds Sweden AB	*(186)*	-
	227,631	**229,968**

(*) Absorbed by Allfunds Bank International, S.A. on October 2020 (See Note 1.e)

Legal reserve

Under Legislative Royal Decree 1/2010, of 2 June, approving the Consolidated Spanish Limited Liability Companies Law, Spanish entities must transfer 10% of net profit for each year to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2019, following the capital increases carried out on 26 March and 2 October 2020 (see Note 15), the legal reserve fell short of the legally required minimum.

Capitalisation reserve

Article 25 of Spanish Income Tax Law 27/2014, of 27 November, created the concept of the capitalisation reserve, which consists of a restricted reserve that allows taxable profit to be reduced by 10% of the amount of the increase in shareholders' equity up to the limit of 10% of taxable profit prior to the offset of any tax losses, provided the increase is maintained over a five-year period from the end of the tax period in which the adjustment was carried out, unless the company has accounting losses. As a consequence of the above, in 2016 the Bank recognized a capitalisation reserve of EUR 4,636 thousand. Also, in 2019 the Bank transferred EUR 5,318 thousand to the capitalisation reserve with a charge to voluntary reserves in connection with the capital increase carried out in 2019. In 2020 the Bank did not recognise a capitalisation reserve for the capital increases carried out in the year.

17. Memorandum items

"Memorandum Items" relates to balances at 31 December 2020 and 2019 relates to balances representing rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances needed to reflect all transactions performed by the Group although they may not impinge on its net assets.

Contingent obligations held by the Group which may result in the recognition of financial assets refer in their entirety to those available to third parties. The detail thereof at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Available to third parties:		
Credit institutions	49,092	42,434
Other resident sectors	2,250	1,250
Other non-resident sectors	14,743	13,539
	66,085	**57,223**

In addition, at 31 December 2020, the Group held off-balance-sheet funds under administration relating to units in collective investment undertakings (CIUs) amounting to EUR 1,158,453 million (31 December 2019: EUR 425,340 million). The detail of the held off-balance-sheet funds under management relating to units in collective investment undertakings (CIUs) is as follows:

	Million of Euros	
	2020	2019
Off–balance–sheet funds		
Assets under administration	614,989	425,340
Assets under distribution	543,464	-
	1,158,453	**425,340**

The Group classifies as assets under administration the funds with respect to which it acts as intermediary in subscriptions and redemptions of investments in collective investment undertakings; the Group receives the related orders from its customers, sends them to the collective investment undertaking management companies to be executed and is also responsible for the settlement of the transactions and the management of the resulting positions for its customers.

Also, the Group classifies as assets under distribution the customer funds covered by distribution agreements between the Group and fund managers in which the customers act as sub-distributors of the Group and the Group provides distribution-related services (distribution of investments in collective investment undertakings, trading, calculation and payment of fees returned, remittance of data and documentation on collective investment undertakings, etc.) but does not participate in the brokerage of subscriptions and redemptions of investments in collective investment undertakings or the settlement or management of these positions.

18. Notional values of trading derivatives

The detail of the notional and/or contractual amounts of the trading derivatives held by the Group at 31 December 2020 and 2019, maturing in less than twelve months, is as follows:

	Thousands of Euros	
	2020	2019
Unmatured foreign currency purchases and sales (*):		
Purchases	89,080	95,170
Sales	116,187	120,032

(*) Relating to OTC foreign currency purchases and sales.

The above transactions mature within one year. The notional and/or contractual amounts of the aforementioned contracts do not reflect the actual risk assumed by the Group, since the net position in these financial instruments is the result of offsetting and/or combining them. This net position is used by the Group basically to hedge the currency risk.

19. Interest Income

"Interest Income" at 2020 and 2019 in the accompanying consolidated income statements comprises the interest accruing in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value (except for derivatives).

The detail of the main items of interest income earned by the Group in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Loans and advances to credit institutions	1,082	3,512
Loans and advances to customers income	1,326	529
Other interests (*)	1,068	-
	3,476	**4,041**

(*) It corresponds to financial income derived from Allfunds Bank, S.A.U. participation in Economic Interest Groups.

20. Interest expenses

"Interest expenses" in 2020 and 2019 in the accompanying consolidated income statements includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value (except for those that might have arisen from derivatives).

The detail of the main items of interest expense and similar charges borne by the Group in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Deposits from credit institutions	1,109	2,204
Cash balances at Central Banks	4,544	2,301
Lease liabilities	344	354
Deposits from customers	23	167
Other interests	4	34
	6,024	**5,060**

21. Fee and commission income

"Fee and Commission Income" comprises the amount of all fees and commissions accruing in favour of the Group in the year, except those that form an integral part of the effective interest rate on financial instruments, if applicable.

The detail of "Fee and Commission Income" in the accompanying consolidated income statements at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Fee and commission income arising from:		
Marketing of products-		
Investment funds	1,484,915	1,270,836
Other	55,122	30,683
	1,540,037	1,301,519
Investment services-		
Administration and custody	3,090	2,223
	3,090	2,223
Other-		
Foreign exchange	30,036	15,211
Other fees and commissions	13,558	10,124
	43,594	25,335
	1,586,721	**1,329,077**

Fee and commission income arising in 2020 and 2019 from the distribution of units in collective investment undertakings amounted to EUR 1,484,915 thousand and EUR 1,270,836 thousand, respectively, of which EUR 507,691 thousand and EUR 354,228 thousand had not been received at 31 December 2020 and 2019, and were recognized under "Financial assets at amortized cost" and "Other assets", respectively in the accompanying consolidated balance sheets (see Notes 9.3 and 13).

22. Fee and commission expenses

"Fee and Commission Expenses" shows the amount of all fees and commissions paid or payable by the Group in the year, except those that form an integral part of the effective interest rate on financial instruments.

The detail of "Fee and Commission Expenses" in the accompanying consolidated income statements at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Fees and commissions assigned to:		
Third parties	2,685	1,635
Distributors	1,277,378	1,101,614
	1,280,063	**1,103,249**

The fee and commission expenses incurred in 2020 and 2019 in respect of fees and commissions paid to distributors amounted to EUR 1,277,378 thousand and EUR 1,101,614 thousand, respectively, of which EUR 435,660 thousand and EUR 297,944 thousand were payable at 31 December 2020 and 2019, respectively, and were recognized under "Financial Liabilities at Amortized Cost – Other Financial Liabilities" and "Other Liabilities" in the accompanying consolidated balance sheets (see Notes 13 and 14.3).

23. Administration costs

23.1 Personnel expenses

"Personnel expenses" comprises all the remuneration accruing in the year with respect to permanent or temporary employees, regardless of their function or post.

The detail of "Personnel expenses" in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Wages and salaries	61,447	44,436
Social security costs	8,013	6,793
Termination benefits	441	1,117
Contributions to defined contribution pension funds (Note 2-m) (*)	1,540	993
Training expenses	238	318
Other staff costs	1,551	1,311
	73,230	**54,968**

(*) Includes the 2020 and 2019 contributions to the defined contribution pension plans, of which EUR 293 thousand and EUR 190 thousand related to the contributions made for the Bank's senior management in 2020 and 2019, respectively (see Note 6.c).

The average number of employees at the Group, by professional category, in 2020 and 2019 was as follows:

	Average Number of Employees	
	2020	2019
Senior executives	24	34
Other line personnel	555	463
General services personnel	13	15
	592	**512**

At 31 December 2020 and 2019, the number of employees at the Group, by professional category and gender, was as follows:

	2020		2019	
	Women	Men	Women	Men
Senior executives	3	24	4	21
Other line personnel	357	419	193	283
General services personnel	9	3	12	3
	369	**446**	**209**	**307**

At 31 December 2020, the Bank's Board of Directors consisted of two women and six men (one woman and five men at 31 December 2019).

Also, it is hereby stated that in 2020 and 2019 the Bank had 7 employees with a disability equal to or greater than 33%.

At 31 December 2020 and 2019, under the collective agreements currently in force and other agreements, the Group had defined contribution obligations to supplement the public social security system benefits accruing to certain employees in Sweden, the Milan and London branches, Madrid office, and to their beneficiary right holders, for retirement, permanent disability or death. At 31 December 2020 and 2019, the Group did not have any defined-benefit pension or similar long-term obligations to its employees.

23.2 Other general administrative expenses

The detail of "Other General Administrative Expenses" in the accompanying consolidated income statements for 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Property, fixtures and supplies	2,361	2,753
Information technology	14,053	11,005
Communications	5,073	4,868
Advertising and publicity	695	911
Legal expenses and lawyers' fees	5,681	4,407
Technical reports	16,165	34,945
Surveillance and cash courier services	129	113
Insurance and self-insurance premiums	731	680
Governing and Control Bodies	109	89
Entertainment and staff travel expenses	891	2,582
Association membership fees	457	428
Subcontracted administrative services (*)	32,703	8,669
Levies and taxes	1,852	1,802
Contributions to foundations	123	178
Other expenses	204	295
	81,227	**73,725**

(*) Includes EUR 13,241 and 157 thousand, at 31 December 2020 corresponding to the collaboration agreement signed between the Bank and Credit Suisse AG and Transitory Service Agreement (TSA) between the Bank and BNP, respectively, within the framework of the operation carried out (see Note 2). In addition, at 31 December 2020 and 2019, EUR 10,516 and 1,800 thousand, respectively, are included corresponding to the temporary services agreement ("TSA") between the Bank and BNP and the Sub distribution agreement between PAM and the Bank, signed within the framework of the operation carried out (see Note 2).

The balance of "Technical Reports" includes the expenses incurred by the Group for advisory services on acquisition and business combination transactions performed in the year (see Note 1-e).

Also, in 2020 "Technical Reports" in the foregoing table includes, inter alia, the fees for financial audit and other services provided to the Group by its auditor, or by companies related to the auditor as a result of a relationship of control, common ownership or common management, the detail being as follows:

	Thousands of Euros
Audit services	1,039
Other assurance services	101
Total audit and other assurance services	**1,140**
Tax fees	14
Other services	2
Total professional services	**1,155**

The services provided by the Groups' auditors meet the independence requirements included in the applicable regulation in Spain and did not involve the performance of any work that is incompatible with the audit function.

24. Other operating income and other operating expenses

The balance of "Other Operating Income" in the accompanying consolidated statements of profit or loss relates mainly to income from the provision of non-financial services by Finametrix, S.L.U.

	Thousands of euros	
	2020	2019
Capitalisation of internal staff costs	4,240	3,272
Revenues Finametrix	2,643	2,342
Other	4,830	1,412
	11,713	**7,026**

The detail of "Other Operating Expenses" in the accompanying consolidated statements of profit or loss for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Contribution to the Single Resolution Fund	546	661
Losses	3,704	3,953
Other	274	103
	4,524	**4,717**

25. Residual maturity periods and average interest rates

The detail, by maturity, of the balances of certain items in the consolidated balance sheets as at 31 December 2020 and 2019, and of the average interest rates in both years is as follows:

2020

	31/12/2020							
	Thousands of Euros							Average Annual Interest Rate (%)
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total	
Assets:								
Cash, cash balances at Central Banks (Note 7)	1,233,019	-	-	-	-	-	1,233,019	-0.47%
Other demand deposits (Note 7)	610,099	-	-	-	-	-	610,099	0.25%
Financial assets at amortized cost (Note 9)-								
Loans and advances to Central Banks	-	12,465	-	-	-	-	12,465	-0.47%
Loans and advances to credit institutions	-	43,426	-		-	-	43,426	0.16%
Loans and advances to customers	176,254	103	22	352	653	215	177,599	1.07%
	2,019,372	**55,994**	**22**	**352**	**653**	**215**	**2,076,608**	
Liabilities:								
Financial liabilities at amortized cost (Note 14)-								
Deposits from credit institutions	266,760	-	-	-	-	-	266,760	0.52%
Customer deposits	1,181,627	-	-	-	-	-	1,181,627	0.01%
Other financial liabilities	265,847	79,015	7	268	18,226	914	364,277	0.13%
	1,714,234	**79,015**	**7**	**268**	**18,226**	914	**1,812,664**	

2019

	31/12/2019							
	Thousands of Euros							Average Annual Interest Rate (%)
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total	
Assets:								
Cash, cash balances at Central Banks (Note 7)	538,637	-	-	-	-	-	538,637	-0.40%
Other demand deposits (Note 7)	502,791	-	-	-	-	-	502,791	0.34%
Financial assets at amortized cost (Note 9)-								
Loans and advances to Central Banks	-	6,079	-	-	-	-	6,079	-0.40%
Loans and advances to credit institutions	-	10,780	-	260,027	-	-	270,807	0.65%
Loans and advances to customers	34,940	119	54	111	713	214	36,151	2.14%
	1,076,368	**16,978**	**54**	**260,138**	**713**	**214**	**1,354,465**	
Liabilities:								
Financial liabilities at amortized cost (Note 14)-								
Deposits from credit institutions	428,603	44	-	-	-	-	428,647	0.66%
Customer deposits	531,093	-	-	-	-	-	531,093	0.10%
Other financial liabilities	180,048	33,104	7	15	12,614	5,529	231,317	0.16%
	1,139,744	**33,148**	**7**	**15**	**12,614**	**5,529**	**1,191,057**	

This table, prepared pursuant to the legislation applicable to the Group, does not reflect the Group's liquidity position since it considers demand accounts and other customer deposits as any other liability, whereas their stability is a typical feature of commercial banking. Considering this effect, the differences between assets and liabilities for each of the maturity periods are within reasonable thresholds in view of the business volume managed, and the directors do not envisage any liquidity problems or stress for the Group.

26. Related party transactions

a) Transactions with related party companies

The detail of the Group's most significant balances at 31 December 2020 and 2019 and of the results of the transactions performed in those years with related party companies (see Notes 13.3 and 4) is as follows:

	Thousands of Euros	
	Group and Associates	
	2020	2019
Assets:		
Deposits in credit institutions	83,725	
Loans and advances to credit institutions	1,382	-
Loans and advances to customers	24,951	-
Trading derivatives	-	-
Intangible assets	415,827	132,290
Other assets	13,755	-
Liabilities:		
Deposits from credit institutions	17,933	-
Other financial liabilities	9,766	4,664
Trading derivatives	-	-
Other liabilities	37,028	-
Equity:		
Interim Dividend	(11,800)	(48,373)
Profit and loss:		
Debit-		
Fee expense	303	-
Commission expenses	81,862	-
Other administrative expenses	25,714	4,181
Credit-		
Fee income	63	-
Commission income	24,857	-
Other administrative income	269	-

(*) Includes balances with Credit Suisse and BNP.

b) Transactions with the Bank's Board members and Senior executives of the Group

Certain employees of the Group have invested in the Management Equity Plan of LHC Manco Limited. Together, the employees through LHC Manco Limited indirectly own 0.48% of Allfunds Bank S.A.U. The employees voluntarily bought in to the shares at a fair market value. There are several conditions attached to the ownership of these shares restricting the ability and price at which these shares can be disposed of.

As the shares have been issued and acquired at fair market value, there was no difference between the value that the employee received, and the value paid by the employee. Consequently, no expense has been accounted for in these consolidated financial statements.

The information on the remuneration payable to the Board members and Group's key executives is detailed in Note 5.

27. Fair value of financial assets and financial liabilities

The following breakdown, by class of financial asset and liability, of the fair value of the Group's financial instruments at 31 December 2020 and 2019:

	Thousands of Euros			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash, cash balances at Central Banks and other demand deposits	1,843,118	1,843,118	1,041,428	1,041,428
Financial assets held for trading – Derivatives	507	507	609	609
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	393	393	393	393
Financial assets at amortized cost	233,490	233,490	313,037	313,797
	2,077,508	**2,077,508**	**1,355,467**	**1,356,227**
Financial liabilities:				
Financial liabilities held for trading – Derivatives	213	213	748	748
Financial liabilities at amortized cost	1,812,664	1,812,664	1,191,057	1,191,057
	1,812,877	**1,812,877**	**1,191,805**	**1,191,805**

The methodology used to calculate fair value for each class of financial assets and liabilities is as follows:

- Cash, cash balances at central banks and other demand deposits: relate to financial assets convertible into cash on demand and, accordingly, their fair value was considered to coincide with their carrying amount.

- Trading derivatives (assets and liabilities): the fair value of the trading derivatives was obtained by discounting estimated cash flows based on the forward curves of the respective underlyings, quoted in the market.

- Financial assets not designated for trading compulsorily measured at fair value through profit or loss: the amount recognized in this line item relates to equity instruments not listed on organised markets and for which no other valid references for the estimation of fair value were available, as a result of which the Bank recognized them at cost in the balance sheet since it was not possible to estimate their fair value reliably. In these cases, the Bank estimated the potential impairment of these instruments on the basis of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

- Financial assets at amortized cost: the fair value of Financial assets at amortized cost was obtained using the present value model, which discounts future cash flows to the present, using interest rates based on directly or indirectly observable market data to calculate the discount rate.

- Financial liabilities at amortized cost: these relate to financial liabilities at amortized cost at a fixed interest rate and maturing at less than one year and, accordingly, it was considered that their fair value coincided with their carrying amount since there were no significant differences.

In accordance with the applicable legislation, following is certain information regarding the classification of financial instruments recognized at fair value pursuant to the following definitions:

- Level 1: financial instruments whose fair value was determined by reference to their quoted prices (unadjusted) in active markets.

- Level 2: financial instruments whose fair value was estimated by reference to quoted prices on organised markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.

- Level 3: instruments whose fair value was estimated by using valuation techniques in which one or another significant input is not based on observable market data.

The detail of the financial instruments held by the Group at 31 December 2020 and 2019 based on the method of measurement at fair value is as follows:

	Thousands of Euros					
	31-12-2020			31-12-2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash, cash balances at central banks and other demand deposits	1,843,118	-	-	1,041,428	-	-
Financial assets held for trading – Derivatives	-	507	-	-	609	-
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (*)	-	-	-	-	-	-
Financial assets at amortized cost	-	-	233,573	-	-	313,797
	1,843,118	**507**	**233,573**	**1,041,428**	**609**	**313,797**
Financial liabilities:						
Financial liabilities held for trading - Derivatives	-	213	-	-	748	-
Financial liabilities at amortized cost	-	-	1,812,664	-	-	1,191,057
	-	**213**	**1,812,664**	-	**748**	**1,191,057**

(*) Does not include equity instruments valued at cost

There are equity instruments in the Group that, as they correspond to shares in unlisted entities that are not listed on organized markets and do not have other valid references for this estimate, have been recorded at cost in the balance sheet because it has not been possible to estimate reliably its fair value As of December 31, 2020 and 2019, the balance of these equity instruments amounted to 393 thousand euros. In these cases, the Group has estimated the potential deterioration of the same from the net equity of the Company corrected for the tacit capital gains existing at the valuation date.

28. Risk management

a) Credit risk exposure

Credit risk is the possibility of loss stemming from the failure of customers or counterparties to meet their payment obligations to the Group. Specifically, the exposure is mainly to regulated institutions (which are the only authorised customers for the Group) to which the Group has granted credit lines tied to the settlement of brokerage transactions.

In order to manage and control this risk, the Group has a system of account overdraft limits by counterparty based on an internal methodology for assessing the probability of default for each counterparty defined by the Risk Control Unit. The probability assigned is reviewed and measured at least once a year, so that the limits can be adjusted to each customer's risk profile.

As can be seen in the following sections of this Note and in other sections of these notes to the consolidated financial statements, at 31 December 2020 and 2019, the main asset positions held by the Group related to balances with financial institutions located in the European Union of an eminently transitional nature associated with its activity, with non-performing balances representing 0.06% and 0.09%, respectively, of its assets at those dates, the coverage ratio of those balances being 87% and 52%, respectively.

In view of the business activities carried on by it, the Group does not provide financing for property construction or development or provide home purchase financing to households.

Neither in 2020, 2019 or prior years did the Group conduct any material renegotiation or restructuring of its balances receivable, in the sense in which those terms are defined in the applicable legislation.

b) Settlement risk exposure

Settlement risk is the risk arising from counterparties not fulfilling or failing to settle transactions.

The Group has a procedure for calculating settlement risk exposure by counterparty and has established alerts and indicators of the use of limits based on an internal methodology defined by the Risk Control Unit. In addition, automatic delivery-versus-payment (collateralised order) procedures are in place for counterparties identified as sensitive by the Bank's Risk Committee.

c) Interest rate risk exposure

The Group does not have any significant exposure to this risk because its main balance sheet aggregates are either on demand or mature at short term and the balance between assets and liabilities is perfect, meaning that the exposure to interest rate risk is practically zero.

d) Liquidity risk exposure

Liquidity risk is the risk that the Group might not have sufficient liquidity to meet its payment commitments.

The Bank's Board of Directors has established conservative criteria for the management of, and dilution of losses stemming from, liquidity risk. Liquidity risk management is duly instrumented and documented and is also fully compliant with the applicable legislation on liquidity. The Bank periodically prepares various regulatory reports relating to liquidity, such as the LQ statements, the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR) and the Additional Liquidity Monitoring Metrics (ALMM), as well as the liquidity stress tests as part of the Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP), in order to evaluate the adequacy of the Bank's capital and liquidity to carry on its business activity in normal market conditions and in stress situations.

To supplement the monitoring performed by the Risk Control Unit, the Trading & Execution Services (Transactions) area, through the Banking Services (Settlements) department, performs an ongoing follow-up of order settlement processes in each of the currencies in which the Bank operates, thus providing twofold control of the Group's liquidity.

e) Operational risk exposure

Operational risk is defined as "the risk of loss resulting from deficiencies or failures of internal processes, human resources or systems or that arising due to external causes". This risk relates to events of a purely operational nature, which differentiates it from market or credit risk.

The Group's aim in operational risk control and management is to identify, prevent, measure, mitigate and monitor this risk. The priority, therefore, is to identify and eliminate any clusters of operational risk.

In order to reduce this risk, the main operating processes are analysed periodically. These processes are reflected in procedures manuals that include the measures necessary to establish complete operational control.

The Group considers insurance to be a key element in operational risk management and places particular emphasis on insurance through professional liability, employee fidelity and cybersecurity insurance policies.

f) *Exposure to other market risks*

In addition to the risks above, the Group is exposed to the structural exchange rate risk arising from its foreign currency transactions. This risk is monitored and managed on a daily basis and the impact on the consolidated income statement is limited by setting maximum exposure limits and applying procedures subsequently to ensure that these limits are not exceeded, and by using economic hedges.

g) Risk concentration

Following is the detail, at 31 December 2020 and 2019, of the information on risk concentration, broken down by geographical area and business segment of the Bank's counterparties at those dates, which includes the "Cash, Cash Balances At Central Banks and Other Demand Deposits", "Financial Assets Held for Trading", "Financial assets not designated for trading compulsorily measured at fair value through profit or loss and "Financial Assets at Amortized Cost" line items.

31 December 2020

	Thousands of Euros				
	Spain	Other EU Countries	America	Rest of the World	Total
Central Banks and Credit Institutions	244,238	1,420,952	67,060	166,931	1,899,181
Public sector – Central government	-	-	-	-	-
Other financial institutions	32,059	39,811	9,275	95,810	176,955
Non-financial companies and individual entrepreneurs-	295	215	-	386	896
Other purposes – SMEs and individual entrepreneurs	*295*	*215*	-	*386*	*896*
Other households and NPISH- (*)	452	-	-	-	452
Consumer loans	*452*	-	-	-	*452*
Other purposes	-	-	-	-	-
	277,044	**1,460,978**	**76,335**	**263,127**	**2,077,484**

(*) NPISH: non-profit institutions serving households.

31 December 2019

	Thousands of Euros				
	Spain	Other EU Countries	America	Rest of the World	Total
Central Banks and Credit Institutions	413,632	835,774	11,698	57,549	1,318,653
Public sector – Central government	197	-	-	-	197
Other financial institutions	1,312	13,449	913	19,729	35,403
Non-financial companies and individual entrepreneurs-	308	2	-	409	719
Other purposes – SMEs and individual entrepreneurs	*308*	*2*	-	*409*	*719*
Other households and NPISH- (*)	446	21	-	-	467
Consumer loans	*446*	-	-	-	*446*
Other purposes	-	*21*	-	-	*21*
	415,895	**849,246**	**12,611**	**77,687**	**1,355,439**

(*) NPISH: non-profit institutions serving households.

31 December 2020

	Thousands of Euros		
	Cantabria	Madrid	Total Spain
Central Banks and Credit Institutions	74,666	169,572	244,238
Public sector – Central government	-	-	-
Other financial institutions	-	32,059	32,059
Non-financial companies and individual entrepreneurs-	-	295	295
Other purposes – SMEs and individual entrepreneurs	-	*295*	*295*
Other households and NPISH- (*)	-	452	452
Consumer loans	-	*452*	*452*
Other purposes	-	-	-
	74,666	**202,378**	**277,044**

(*) NPISH: Non-profit institutions serving households.

31 December 2019

	Miles de Euros			
	Cantabria	Comunidad Valenciana	Madrid	Total Spain
Central Banks and Credit Institutions	81,341	130,000	202,291	413,632
Public sector – Central government	-	-	197	197
Other financial institutions	-	-	1,312	1,312
Non-financial companies and individual entrepreneurs-	-	-	308	308
Other purposes – SMEs and individual entrepreneurs	-	-	*308*	*308*
Other households and NPISH- (*)	-	-	446	446
Consumer loans	-	-	*446*	*446*
Other purposes	-	-	-	-
	81,341	**130,000**	**204,554**	**415,895**

(*) NPISH: Non-profit institutions serving households.

29. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

Subsidiaries composing the Allfunds Bank Group at 31 December 2020 and 2019

31 December 2020

Entity	Location/ Registered Office	Line of Business	Ownership	Ownership Interest	Thousands of Euros — Company Data — Share capital	Reserves	Profit (Loss) in the period
Allfunds Bank International, S.A.	Luxembourg	Institutional brokerage services for the purchase and sale of units in collective investment undertakings	Direct	100%	15,000	49,726	39,942
Allfunds Sweden AB	Sweden	Institutional brokerage services for the purchase and sale of units in collective investment undertakings	Direct	100%	744	4,372	(1,377)
Allfunds Nominee, Limited	United Kingdom	Asset holding	Direct	100%	1	-	-
Allfunds Bank Brasil Representaçoes, Ltda.	Brazil	Representation services	Direct	100%	1,043	(459)	(79)
Fintech Partners, S.L.U. (*)	Spain	Activities of holding companies	Direct	100%	227	393	2,289
Allfunds digital, S.L.U. (**)	Spain	Computer programming activities	Indirect	100%	3	420	1,111
Nextportfolio, S.L.U.	Spain	Computer programming activities	Indirect	100%	10	333	243
Allfunds Hong Kong Limited	Hong Kong	Without activity	Direct	100%	1,972	(348)	(977)
Allfunds Blockchain, S.L.U. (***)	Spain	Computer programming and technological development activities	Direct	100%	3	-	-
Myfundmatch (****)	France	Institutional intermediation	Direct	100%	1,750	1,082	(1,894)

(*) Through this company, a 100% stake is held in the capital stock of Allfunds Digital, S.L.U. and of Nextportfolio, S.L.U.

(**) Previously denominated Finametrix, S.L.U.

(***) Company incorporated on September 4, 2020 (see Note 1.e).

(****) Company acquired on October 2, 2020 (see Note 1.e).

31 December 2019

Entity	Location/ Registered Office	Line of Business	Ownership	Ownership Interest	Thousands of Euros / Company Data: Share Capital	Reserves	Profit (Loss) in the Period
Allfunds Bank International, S.A. (*)	Luxembourg	Institutional brokerage services for the purchase and sale of units in collective investment undertakings	Direct	100%	15,000	15,317	6,843
Allfunds International, Schweiz AG (**)	Switzerland	Distribution of collective investment undertakings	Indirect	100%	2,060	192,627	24,854
Allfunds InvestLab AG (***)	Switzerland	Fund platform services to mutual fund manager companies	Indirect	100%	915	16,511	32,480
Allfunds Sweden AB (****)	Sweden	Institutional brokerage services for the purchase and sale of units in collective investment undertakings	Direct	100%	744	4,949	4,069
Allfunds Nominee, Limited	United Kingdom	Asset holding	Direct	100%	1	-	-
Allfunds Bank Brasil Representaçoes Ltda.	Brazil	Representation services	Direct	100%	1,043	(452)	(7)
Fintech Partners, S.L.U. (*****)	Spain	Activities of holding companies	Direct	100%	227	196	197
Finametrix, S.L.U.	Spain	Computer programming activities	Indirect	100%	3	930	781
Nextportfolio, S.L.U.	Spain	Computer programming activities	Indirect	100%	10	356	(23)
Allfunds Hong Kong Limited	Hong Kong	Without activity	Direct	100%	807	-	(348)

(*) Through this Company, a 100% ownership interest is held in the share capital of Allfunds International, Schweiz AG, as well as a 0.01% ownership interest held in the share capital of Allfunds Bank Brasil Representaçoes LTDA. On October 7, Allfunds Bank International, S.A. (absorbing entity) and Allfunds International, Schweiz AG (absorbed entity) merged by absorption effective January 1, 2020. (absorbing entity) and Allfunds International, Schweiz AG (absorbed entity) with effect from January 1, 2020. On the same date, the transfer of all assets and liabilities of Allfunds International, Schweiz AG to Allfunds International, S.A., Luxembourg, Zurich branch, was approved.

(**) Through this Company, a 100% ownership interest is held in the share capital of Allfunds InvestLab AG.

(***) Company absorbed on 6 June 2020 by Allfunds International, Schweiz AG and dissolved at 30 June 2020 (see note 2).

(****) Company acquired on 31 October 2019. The loss attributable to this business combination from the acquisition date to 31 December 2019 amounted to EUR 186 thousand.

(*****) Through this company, it holds 100% of the share capital of Finametrix, S.L.U. and Nextportfolio, S.L.U.

Appendix II

Annual banking report

This information was prepared in compliance with Article 89 of Directive 2013/36/EU of the European Parliament and Council, of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (commonly known as CRD IV) and its transposition to Spanish domestic legislation in accordance with Article 87 and Transitional Provision Twelve of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, published in the Official State Gazette of 27 June 2014.

Pursuant to the aforementioned Article, from 1 January 2015, credit institutions must for the first time publish, specifying, by country in which they are established, the following information on a consolidated basis for the last complete financial year:

a. Name, nature and geographical location of the activity.

b. Turnover.

c. Number of employees on a full-time equivalent basis.

d. Profit before taxes.

e. Income tax.

f. Subsidies or state aid received.

Pursuant to the above, Allfunds Banks, S.A.U. (the "Bank") hereby provides the required information mentioned above.

Name, nature and geographical location of the activity.

- This information is available in Notes 1 and 3 and in Appendix I of the consolidated financial statements of the Allfunds Bank Group for the year ended 31 December 2020 and prior years, which give details of the companies that operate in each jurisdiction, including their name, geographical location and the nature of their activity, amongst other things. The financial statements for the previous years are available to the public on the Bank's website at the following address:

  https://www.allfundsbank.com/lr/web/public/company-information

  As shown in the information indicated above, the main activity carried on by the Allfunds Bank Group in the various jurisdictions in which it operates is the provision of investment services and, specifically, the marketing of units/ shares in collective investment undertakings.

- The information corresponding to turnover and the number of employees on an equivalent full-time basis is shown below, together with some explanatory notes on the basis of presentation of that information:

Jurisdiction	Millions of Euros Turnover	No. of Employees on a Full-Time Equivalent Basis
Chile	-	3
Dubai (EAU)	-	3
Colombia	-	3
Singapore	3	14
Brasil	-	1
Spain	162	361
Italy	95	135
Luxembourg	34	37
France	-	10
Poland	3	176
United Kingdom	25	40
Switzerland	42	23
Sweden	1	6
Hong Kong	-	3
Total	**365**	**815**
Consolidation adjustments	(53)	
Allfunds Bank Group	**312**	

For the purposes of this report, turnover is considered to be gross income, as defined and presented in the consolidated income statement that forms part of the Group's consolidated financial statements.

The data on turnover per country, shown in the previous table, was obtained from the statutory accounting records for 2020 of the Group's companies with the corresponding geographic location and was converted into euros.

“Consolidation adjustments” in the above table includes the necessary adjustments in order to convert the above aggregate information into information on the consolidated Group and it therefore includes adjustments for uniformity and to eliminate transactions between Group companies.

The number of employees on a full time equivalent basis was obtained from the headcount of each company/country at 2020 year-end.

The consolidated income statement for the year ended 31 December 2020 includes profit before tax for the Allfunds Bank Group of EUR 114 million and income tax of EUR 42 million:

Jurisdiction	Millions of Euros	
	Profit Before Tax	Income Tax
Spain	51	11
Italia	53	20
Luxembourg	16	7
United Kingdom	8	-
France	(16)	4
Poland	-	-
Singapore	(2)	-
Switzerland	28	-
Hong Kong	(1)	-
Myfundmatch	(1)	-
Sweden	(1)	-
Total	**135**	**42**
Consolidation adjustments	(21)	
Consolidated Allfunds Bank Group	**114**	

At 31 December 2020, the Group's return on assets (ROA) was estimated at 1,99%.

In 2019 the Allfunds Group received a grant from the Centre for the Development of Industrial Technology of the Spanish Ministry of Economy, Industry and Competitiveness totalling EUR 197 thousand earmarked for the R&D project on the Blockchain Platform. This subsidy has been paid during the 2020 financial year.

Allfunds Bank Group

Consolidated Directors' Report for the year ended 31 December 2020

Allfunds Bank Group

The consolidated financial statements of the Allfunds Bank Group ("the Group") for 2020 consist of the consolidated balance sheet, consolidated statement of profit or loss, and consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, which are audited by Deloitte, S.L. The accompanying directors' report summarises the main characteristics of the Group's performance and outlines the most significant future prospects.

Directors' Report for 2020

In 2020 the Group obtained net profit amounting to EUR 71,798 thousand, up 45.66% on the previous year. Fee and commission income was the largest revenue item. It increased by 35.79% in net terms due to the decline in the margin obtained on fees and commissions received from investment fund management companies and fees and commissions assigned to the Bank's customers, offset partially by the increase in the volume of assets under management compared with 2019.

The detail of customer positions, by geographical area, is as follows:

Geographical Area	Millions of Euros
Continental Europe, except Spain and Portugal	880,353
Spain and Portugal	143,127
UK and Ireland	84,300
Latin America	26,335
Middle East	24,338

Economic climate

Not only did the rate of growth of the world economy fall in 2020, but it suffered a contraction of around -3.5% due the effects of the covid-19 pandemic. The recent approval and roll out of the vaccination process encourages the hope that the effects of the pandemic will reach a turning point, although the new variants continue to generate concern and uncertainty, which hold back expectations. In the middle of this situation of considerable uncertainty, the world economy is expected to grow in 2021 and 2022 by 5.5% and 4.2%, respectively.

According to the international economic bodies' latest projections, the solidity of the recovery that is expected for the next few years varies considerably from one country to another, depending mainly on each country's medical capabilities, the efficacy and strength of the support policies, the exposure to cross-border economic repercussions and structural economic characteristics. In the advanced economies, the projections point to growth rates of 4.3% and 3.1% for 2021 and 2022, respectively. The fastest rate of growth would be that of the US, while the slowest would be that of Japan.

It is estimated that growth in the euro zone will stabilise at 4.2% in 2021 and 3.6% in 2022, following the severe contraction of -7.% that took place in 2020. The outlook for the economy in the European Union is for stable growth, subject to the evolution of the pandemic and the progress of the vaccination process.

In the UK, growth is expected to be even faster than that of the European Union and is expected to rise to 4.5% and 5.0% in 2021 and 2022, respectively. This growth forecast assumes that after the UK's departure from the European Union, the transition process to a new strong relationship with the rest of the European Union will continue in an orderly and gradual way.

The projection for growth in the US is for an acceleration of 5.1% in 2021 followed by a slowing of the pace of growth to 2.5% in 2022. The year began under a new presidential administration and the rate of growth will be dictated by the outbreaks of the pandemic, the effectiveness of the vaccines and the new fiscal stimuli. The country is also facing increasing inequality and social unrest, which reduce the potential for the growth of its GDP. A new package of fiscal stimuli will be necessary if a sharp fall in household income is to be avoided and the forecasts for growth set out above are to be achieved.

The Japanese economy, which contracted by -5.1% in 2020, will grow less quickly than the rest of the advanced economies, at 3.1% in 2021, since it is an economy that is highly exposed to external impacts because of its high dependence on exports. This vulnerability has been confirmed in recent years, since the Japanese economy has experienced periods of recession very recently. Despite the budget stimulus plan, monetary easing and the structural reform carried out by the Japanese government, growth continues to be very weak and public debt very high. Against this backdrop, the growth rate is expected to fall to 2.4% in 2022.

The Asian emerging economies are expected to grow at rates ranging from 8.3% in 2021 to 5.9% in 2022, following the contraction of -1.1% in 2020 as a result of the pandemic. The downside in 2022 relates mainly to the downward revision of the projection for growth in India, where domestic demand slowed down more than expected. Growth in China is expected to rise to 8.1% in 2021 and then fall to 5.6% in 2022. The export-driven Chinese economy is investing in advanced technologies to reduce its dependence on developed countries' supply chains, and has also benefitted from increased demand for consumer goods in Western economies.

Growth in Europe's emerging and developing economies in 2021 and 2022 will increase faster than initially estimated, at a rate close to 4.0% in both years, with across-the-board dynamic growth in Central and Eastern Europe.

The projection in Latin America is for growth to rebound in the next few years, following the sharp contraction of -7.4% in 2020, to 4.1% in 2021 and 2.9% in 2022. The revisions are due to cuts in the outlook for growth in Brazil in 2022, due, among other reasons, to the continued weakness of investment, and to a significant downward revision in the growth forecasts for other countries, which were affected by social tension in the months prior to the health crisis.

Growth in the Middle East and Central Asia is expected to remain at a moderate level of 3.0% in 2021 and then spike to around 4.2% in 2022. Many factors weigh down the outlook for the region: the effects of the pandemic, medical and vaccination capacities in these countries, significant geopolitical tensions, social discontent and deep civil conflicts.

A stabilisation in interest rates is expected over the next two years, with no significant changes expected according to the latest forecasts until at least the end of 2022.

In general terms, inflation has been contained in the last year, and has even entered into negative territory in the most advanced economies and has slowed down even further in most emerging market economies due to the weakening of demand resulting from the health crisis. However, it is considered that inflation will rise in most countries in the next two years, even though the increase is expected to be very moderate.

Growth outlook

The outlook for global GDP growth is 5.5% and 4.2% for 2021 and 2022, respectively. The recovery in growth projected for this year is taking place after the considerable economic downturn recorded in 2020 due to the covid-19 pandemic. Even so, the contraction in global growth in 2020 was approximately -3.5%, a 0.9 percentage-point improvement on original expectations, reflecting greater dynamism than expected in the second half of the year. However, these projections are subject to a series of risks, mainly: the effects and evolution of the pandemic, access to medical intervention, the development and progress of the vaccination process, the efficacy of the support for the policies implemented by countries' governments, the exposure to the cross-border economic repercussions and each economy's structural characteristics at the beginning of the crisis. Besides, all these outcomes, as was the case before the appearance of the covid-19 pandemic, depend to a large extent on the avoidance of a fresh escalation of trade tensions between the US and China, an orderly Brexit with a gradual transition, and the continued containment of the social discontent that emerged in various countries in 2020 as a result of the political handling of the pandemic.

Economic activity in the euro zone will continue to be marked by high levels of uncertainty. The foundations supporting growth in the area are still fragile and are underpinned to a considerable extent by monetary policy action and the evolution of the pandemic. This diagnosis is shown in the macroeconomic projections for the area, which anticipate stable growth of 4.2% and 3.6% for 2021 and 2022, respectively, starting, however, from a steep drop of -7.2% in 2020, due to the effects of the health crisis. Furthermore, the countries in the European Union are subject to the additional, prolonged uncertainty regarding the estimated projections for economic growth caused by how the UK's new economic relationship with the rest of the European Union following Brexit might affect that growth.

As regards Spain, a growth rate exceeding the eurozone average is expected for 2021 and 2022, of close to 5.9% and 4.7%, respectively, the highest in the euro zone, although the contraction in 2020 was one of the deepest among European Union countries, at -11.1%. Other countries immediately behind in growth projections are France, with 5.5% and 4.1% in 2021 and 2022, respectively, and Germany, with 3.5% and 3.1%, respectively.

The emerging and developing economies were tested in 2020, especially by the difficult health situation they were suffering from, and because they started from a position, before the covid-19 health crisis, characterised by trade tensions, oil price volatility, and, as is usual in these territories, severe geopolitical tensions and a continuing increase in social discontent. Even after taking the foregoing into account, these economies are expected to expand by 6.3% in 2021 and 5.0% in 2022, compared with -2.4% in 2020.

Transaction performance

In 2020 our main aims focused on the following:

- Developing our digital ecosystem, improving the range of services for customers and management companies (data & analytics, trading & execution, research & regulatory solutions).

- Launching new tools and functionalities in our digital platform: Allfunds Connect; the highlights being MiFID & regulatory tech services, Telemetrics, Nextportfolio, digital on-boarding of management companies.

- Ongoing investment in new technologies: Blockchain, APIs.

- Non-organic growth through significant acquisitions: NFM, Credit Suisse Invest Lab, Fundinfo and the BNP Group's fund distribution business.

- Consolidation of our position in principal markets and expansion in Central & Nordic Europe, Asia, Latam and the French market: In 2020 78 new commercial agreements were added, reaching a total of 760 at the end of the year, with customers operating in 55 different countries.

- Increase in the range of funds available to our retail customers through new agreements with the world's major management companies: 120 management companies obtained fully automated access to the platform, which had a total of 1,960 management companies and 98,358 investment funds at 2020 year-end. The funds originate in 41 different domiciles.

- Ongoing investment in our platform of funds and ETFs, increase in automation and reliability of our services to customers (Trading & Execution, Corporate Actions).

Performance of the distribution channels

Being a very significant element for obtaining income from the Bank, the distribution channels in which the Bank operates are:

- The direct distribution of funds (Retail and Portfolios) represented 42.1% compared to 43.9% in 2019.

- The CIU channel, comprising funds of funds, open-end investment companies (SICAVs) and pension funds, represented 22.1% of the total traded volume compared to 20.7% in 2019.

- The percentage of structured products, which include investment funds as underlying, remains at 0.3% compared to 0.2% in the previous years.

- The insurance channel remains at the 23.5% of the total traded volume compared to 24.4% in 2019.

- Lastly, the channel corresponding to Omnibus accounts represented 12% of the intermediated volume compared to 10.7% in 2019.

Consolidated balance sheet

As of December 31, 2020, the commissions pending collection and payment amount to EUR 507,691 and 435,660 thousand, respectively, which means an 43.32% increase in collections and an 46.22% increase in payments with respect to fiscal year 2019, respectively.

At December 31, 2020, the total amount of the Group's assets amounted to EUR 3,602,569 thousand, which represents an increase of 81.47% with respect to 2019 year-end.

In the same way as in previous years, the items related to the balance of the accounts (deposits in credit institutions), are those that represent the greater relative weight of the assets of the balance. The position held in these accounts amounts to EUR 635,524 thousand, increasing by 15.52% compared to the end of the previous year.

Intangible assets amounted to EUR 989,480 thousand, up 333.30% year on year. This is due mainly to the goodwill and intangible assets arising on the acquisition of Allfunds Investlab AG, Allfunds Sweden AB, the correspondent banking businesses acquired, the fund dealing services (FDS) business and the intangible asset relating to the PAM activity, the last three forming part of the transaction completed on 2

October 2020 with BNP Paribas Securities Services (BP2S) and BNP Paribas AM (PAM). It is also the result of increased investment in new IT developments.

Tangible assets (furniture, IT equipment and facilities), net of amortization, amounted to EUR 29,301 thousand, representing a decrease of 3.73%.

The Bank offers its clients the possibility to open current accounts in it, in order to provide them with a better intermediation service in the purchase and sale of shares and holdings in CIUs. The balance maintained, as of December 31, 2020, in these accounts amounts to EUR 1,448,387 thousand, increasing by 50.91% with respect to the previous year.

The amount of transactions contracted for purchase and sale of shares and units of CIUs and pending settlement, recorded in the balance sheet liability, has increased by 31.77% with respect to the end of 2019. As of December 31, 2020 amounts to EUR 85,087 thousand.

Earnings

The net profit obtained by the Group amounts to EUR 71,798 thousand at the end of the year, being 45.66% lower than at the end of the 2019 financial year.

The detail by company, without taking intra-Group transactions into consideration, is as follows:

	Thousands of Euros
Allfunds Bank, S.A.U.	56.306
Allfunds Bank International, S.A.	39.942
Allfunds Bank Brasil Representaçoes LTDA	79
Fintech Partners, S.L.	2.289
Allfunds digital, S.L.U.	1.111
Nextportfolio, S.L.U.	243
Myfundmatch	(1.894)
Allfunds Sweden AB	(1.377)
Allfunds Hong Kong Limited	(977)

Net interest income decreased 150.5% in respect to 2019 to EUR up to a negative amount of EUR 2,548 thousand as a result of the lower returns obtained due to the reduction in interest rates.

Net fee and commission income amounted to EUR 306,658 thousand, which represents a decrease of 35.79% compared to 2019. The 77% in 2020 and 82% in 2019 of these fees and commissions are related to the intermediation in the distribution of shares and participations in CIUs.

Administrative costs, which comprise staff costs and other general administrative expenses, amounted to EUR 154,457 thousand, 20.02% more than in 2019. Most of this increase is due to the increased of the systems maintenance costs, the costs of M&A operations and the new hires in all the regions of the Group, as well as the increase in costs due to the increase of the CPI.

Off-balance-sheet figures

As in previous years, the main activity carried on by the Bank is the provision of brokerage services in the distribution of foreign CIUs, which it performs without taking ownership of the assets in which the investments are made. As a result, none of the customers' assets are recognized on the Bank's balance sheet.

At 31 December 2020, the volume of customer funds intermediated amounted to EUR 1,158,453 million, which represents a 166,83% increase.

Share capital and treasury shares

As of December 31, 2020, the Bank's share capital amounted to EUR 68,774, represented by 2,292,459 registered shares, each with a par value of 30 euros, fully subscribed and paid.

At current date, the owner of the Bank is Liberty Partners, S.L.U.

During the year 2020, no transactions were carried out on own shares or treasury stock.

Research and development policy

The year 2021 will focus mainly on the following three lines:

- Ensuring all M&A operations, making integration as effective as possible and impacting as little as possible on day-to-day operations.

- Continue to explore cloud initiatives and what solutions we can place in this paradigm.

- Continue to create digital solutions for our clients and managers.

Staff

The main data in this connection are disclosed in Note 23.1 to the accompanying consolidated financial statements.

Financial risk management policies

The main risks arising from the Bank's activities are: operational risk, settlement risk, liquidity risk, credit risk, interest rate risk and market risk. The Bank has established certain procedures in order to identify, evaluate, monitor, manage, mitigate and validate these risks as part of the risk aversion policy established by the Bank's most senior governing body, namely its Board of Directors.

For this purpose, general management provides the Group with the human and technological resources it needs to develop risk management best practices.

The actions undertaken by the Group with regard to the management of these risks are described in Note 28 to the consolidated financial statements.

Outlook

The Bank's management policy for 2020 includes the following aims:

- Continue to increase the number of customers, the trading volume and the percentage market share in the marketing of foreign CIUs in the various markets in which it has a presence.

- Consolidation of the range of services not associated with the intermediation business related to our digital ecosystem.

- Integration of the acquisitions and businesses completed in 2019 and 2020 (NFM, Credit Suisse Invest Lab, Fundinfo, BNP) in the Bank's technological environment.

- Completion of the purchase of the BNP Group's third-party fund distribution business n the Bank's operating platform and the opening of new offices in Paris and Warsaw.

- Boosting commercial activity in the Asian markets (mainly Singapore, Hong Kong and Taiwan), supported by the branch in Singapore.

- Develop the financial markets brokerage license received by the Hong Kong SFC in April 2020.

- Consolidate the office in the United States, Miami, expanding our activities in the world of international private banking.

Environment

In view of the Group's operations, there are no environmental implications in this respect (see Note 1-h to the consolidated financial statements).

Average payment period to suppliers

The average period of payment to suppliers in 2020 was 28 days, which was less than the maximum period established in the applicable legislation (see Note 14.3).

Events after the reporting period

In the period from 31 December 2020 to the date of authorisation for issue of these consolidated financial statements, no significant subsequent events took place.

Appendix IV

Non-financial Information Report

Statement of non-financial information 2020

Allfunds

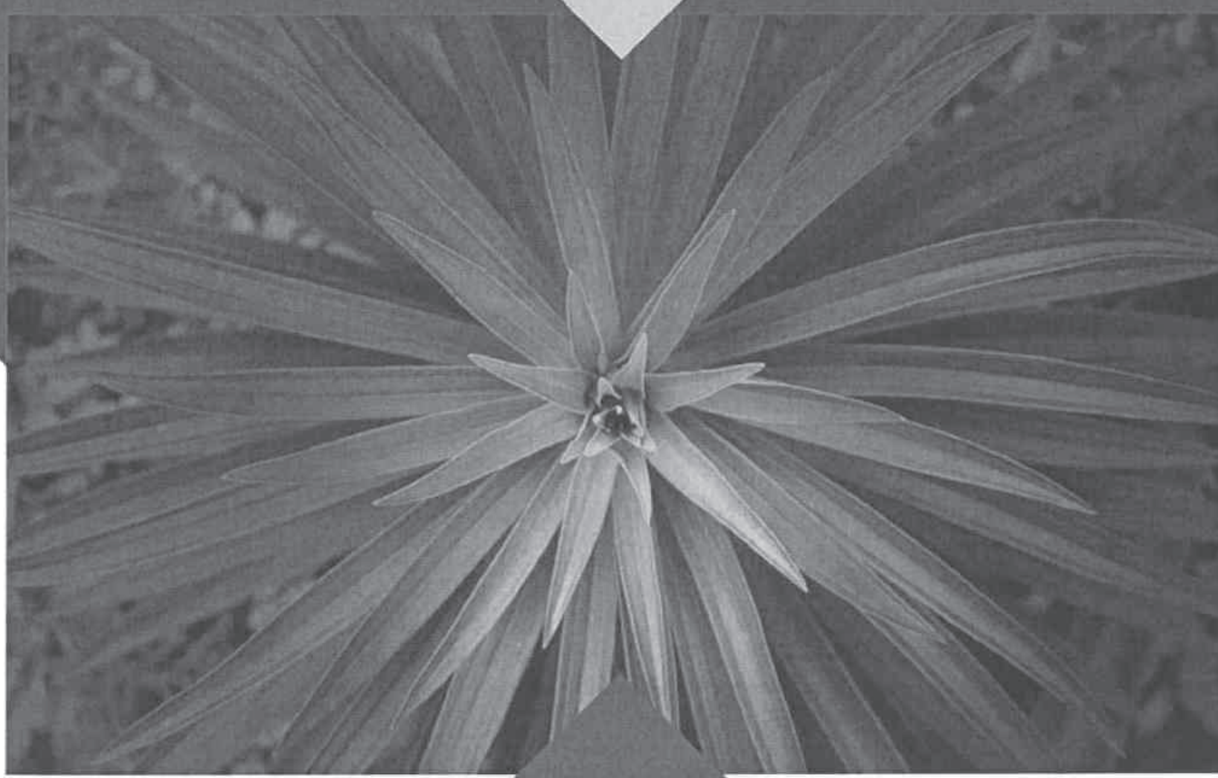


Table of Contents

Introduction

This document is the non-financial information statement of Allfunds, an international financial group comprising its parent company Allfunds BANK, S.A.U., and all its subsidiary financial institutions, branches and representative offices, which together with the Bank constitute the Allfunds Group (hereinafter Allfunds). The statement of non-financial information is prepared in accordance and in compliance with Law 11/2018, of 28 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Auditing of Accounts, with regard to non-financial information and diversity.

Purpose

The purpose of this document is to comply with Law 11/2018, of 28 December, amending the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Auditing of Accounts, with regard to non-financial information and diversity, specifically article one and point 6 thereof. And in this regard, it contains sufficient and necessary information to understand the development, results and situation of Allfunds, and the impact of its activity with respect to, at least, environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as with respect to personnel, including the measures, if any, that have been adopted to promote the principle of equal treatment and opportunities for women and men, non-discrimination and inclusion of persons with disabilities and universal accessibility.

The consolidated statement of non-financial information has been prepared in accordance with the contents of current mercantile regulations and refers to the period from January to December 2020.

In addition, the preparation of this non-financial information statement takes into account the recommendations of international initiatives of recognised prestige in the field of social responsibility, such as:

- Global Reporting Initiative (GRI) standards and guidelines for sustainability reporting.
- The Ten Principles of the United Nations Global Compact and the Principles for Responsible Investment.
- The seven principles of social responsibility set out in the ISO 26000 standard.

- Sectoral analysis based on the study of non-financial information statements, social responsibility reports and sustainability reports of companies in the sector.
- The Sustainability Yearbook 2020. RobecoSAM.
- Relevant issues identified through an analysis of national and international press.

Organisational context

Business model

Business environment and markets in which it operates

Founded in 2000, Allfunds was the first platform to offer fund distribution services and fully automated operations.

Our continuous evolution and adaptation to change has positioned Allfunds as a leader among Wealth-tech platforms, offering innovative solutions backed by cutting-edge technology.

connect
Focused on Digital Solutions Allfunds Connect

allfunds blockchain
Investment into proprietary blockchain technology

allsolutions
Sub-advisory services

Allfunds offers its clients, in a digital environment, access to exclusive solutions that enable them to overcome the challenges of an ever-changing market that requires agility, flexibility, simplification and efficiency:

- Investment and fund selection solutions.
- Portfolio comparison and simulation tools.
- Data, market insights and fund analysis.
- Information and marketing support tools.
- Fund distribution services.
- Order execution, administration, custody and settlement services.

ALLFUNDS CONNECT. Offers a comprehensive solution, providing clients with sophisticated tools for fund analysis and selection, portfolio management and customised reporting, with analytics and market data. Through the regulatory data hub, you can access reports such as EMT, EPT and TPT, enabling efficient and reliable compliance with local and global regulations (MiFID II, PRIIPs, Solvency).

NEXTPORTFOLIO. It is a set of analysis and portfolio management tools, aimed at investment advisers and managers. It allows you to create, monitor and analyse model and client portfolios, simulating financial scenarios and providing simple reports for monitoring your investments.

DIGITAL SELECTOR. It offers access to a universe of tools created by our team of 30 investment analysts. These tools can be used to conduct analysis and research based on a unique database and assist at every stage of the investment selection process.

ALLFUNDS TELEMETRICS. This is a data-driven tool to drive our clients' overall strategy and underpins our full service proposition. It identifies market and investment trends and opportunities through sophisticated analysis of data generated and aggregated daily on the Allfunds trading platform, offering a unique competitive advantage to our clients.

Key facts about Allfunds

- Presence on **four** continents and in **55** different countries.
- **760 clients.**
- **1.960 fund houses** available offering **98.358 funds for trading**.
- **1.3** trillion Euro in **assets under intermediation**.
- Transactions in **25 different currencies** and availability of **30 different fund addresses**.
- **353 billion settled** per year, with a total of **16.2 million transactions** executed per year, working with over **230 fund administrators**.
- Currently over **125,000 accounts** have been opened with fund managers/administrators.
- Acquisition of Finametrix, Nasdaq Broker Services AB, Credit Suisse InvestLab, the fund research business of Fundinfo AG and BNP Paribas Fund Dealing Services & Banca Corrispondente.

In 2020 it was Allfunds' 20 year anniversary. For the past 20 years we have worked tirelessly to deliver excellence to clients and drive value through our fund distribution network and wealthtech solutions. We are dedicated to working hard to achieve our goals and to never stop innovating.

Acquisitions and agreements 2020

Second phase of the acquisition of Credit Suisse's distribution business

On 26 March 2020, Allfunds International, Schweiz AG took control of Credit Suisse InvestLab 2 AG (subsequently renamed Allfunds InvestLab 2 AG, to which Credit Suisse AG had previously transferred distribution contracts with fund managers and sub-distribution contracts with fund distributors) by acquiring all of the company's shares.

Myfundmatch

On 2 October 2020, Allfunds Bank, S.A.U. signed an agreement with BNP Paribas Securities Services to acquire all of the shares of Myfundmatch for €750 thousand, which were fully paid up at the date of preparation of these condensed interim consolidated financial statements. Myfundmatch is an entity incorporated in Paris and registered in the French commercial register. Its main purpose is to carry out activities related to the operation of a communication platform between fund managers and investors. The company is subject to the rules and regulations governing entities operating in France. At the date of acquisition, the company's share capital consisted of 1,750,000 shares with a par value of 1 Euro each.

BNP operation

On 2 October 2020, Allfunds Bank, S.A.U. and BNP Paribas Securities Services (BP2S) and BNP Paribas AM (PAM) have completed the transaction signed on 21 October 2019 after obtaining relevant regulatory approvals and as a result thereof:

a) BNP Paribas Securities Services ("BP2S") has contributed the correspondent banking business division which performs, inter alia, the activities of payment agent, investor relations manager, tax agent, foreign exchange agent and transfer services agent (the BC Business) and, which it carries out through its branches in Italy, Poland and Spain, to Allfunds Bank, S.A.U. who will develop it on its own account and through its branch in Italy (with operational support from its new branch in Warsaw, Poland. This business has been valued by an independent expert at €414,000 thousand. This transaction has been carried out through a non-cash capital increase in which Allfunds Bank, S.A.U. has issued 371,378 new shares with a nominal value of €30 per share and a share premium of €1,084.77 per share, which have been subscribed by BP2S. As a result, BP2S holds 16.20% of the share capital of Allfunds Bank, S.A.U.

b) PAM has contributed:

- the right in favour of Allfunds Bank, S.A.U. (a) to have access to certain entities of the BNPP group for the exclusive purpose of offering fund distribution services and other products and services that do not compete with the products offered by the BNPP group, and (b) to present itself to CIIs and fund managers as the fund distributor of the aforementioned entities acting through PAM by virtue of the sub-distribution agreements signed with the various entities of the BNPP group (the PAM Activity) and Allfunds Bank, which will carry it out through its new branch in Paris (France). This right has been valued by an independent expert at €146,363 thousand. This transaction was carried out by means of a non-monetary capital increase in which Allfunds Bank, S.A.U. issued 131,295 new shares with a par value of €30 per share and a share premium of €1,084.77 per share, which were subscribed by PAM in consideration for the business contributed. As a result, PAM has acquired 5.73% of the share capital of Allfunds Bank, S.A.U.

- Cash for an amount of €14,636 thousand. This operation was carried out by means of a cash capital increase in which Allfunds Bank, S.A.U. issued 13,130 new shares with a par value of €30 per share and a share premium of €1,084.73 per share, which were subscribed by PAM. As a result, PAM has acquired 0.57% of the capital of Allfunds Bank, S.A.U. through this operation.

Awards and certifications during 2020

- The Goodacre Systems in the City Award for Best Fund Platform, an award that demonstrates our drive to constantly develop and deliver our services to our end users.

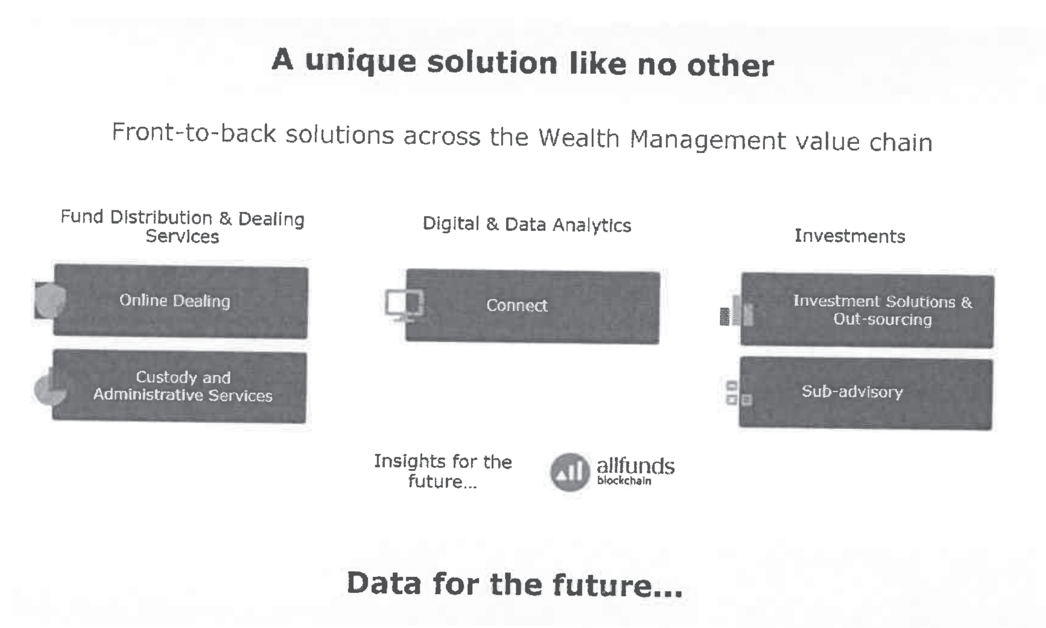
- The Schroders Award for Best Institutional Platform. The award recognises the best intermediary platform and new ways to connect with investors.

- The FundTech 2020 Awards recognise innovation, leadership and excellence in our industry.

  Allfunds has been awarded 'Best Technology Platform'.

In August 2020, Allfunds started implementing an Environmental Management System at its Madrid site in accordance with the international standard ISO 14001:2015, with certification planned for the first half of 2021.

Illustration 1.- Allfunds' business model: simple and agile



We offer clients, distributors and fund managers the most appropriate and up-to-date services, tailored to their specific needs.

- **Fund universe**, updated daily.
- **Fund search** based on specific criteria (e.g., SRI) and comparison tool.
- **Portfolio modelling** and management tool.
- **Library of fund reports**.
- **Client reports**.
- **Management information and market data**.

- **Corporate events** library
- Efficient **operating system**
    - Multiple daily confirmation flows.
    - Client reports.
    - Daily cash account statements.
    - Foreign currency settlement.
    - Daily rebate calculations and accruals (monthly and quarterly payments).
    - Segregated and referenced securities accounts for TA/FA clients.

Allfunds was established in 2000 and today offers the world's largest fund distribution network and access to the world's largest group of investment funds and exchange-traded funds (ETFs).

Allfunds centres are located in 15 countries around the world:

Spain, Italy, United Kingdom, Brazil, Colombia, Chile, Luxembourg, France, Poland, Switzerland, Sweden, United Arab Emirates, Singapore and Hong Kong and the United States.

Illustration 2.- Allfunds' global presence.

With the collaboration of the world's leading financial institutions, spanning a variety of business lines such as banks, asset managers, insurers, brokers and pension funds, Allfunds' mission is to transform the WealthTech world. We want to create value for our clients, help them develop their ideas and support them with a unique combination of scale, expertise and digital mindset.

A desire that responds to a vision: to make Allfunds the market-leading WealthTech company dedicated to customer experience, innovation and digital solutions.

To achieve these goals, Allfunds aims not only to further develop a unique service in the investment fund industry, but also to achieve this through long-term relationships of trust with its clients.

To this end, we work to continuously improve the solutions we offer our clients with vocation, quality, innovation, information security and the creation of shared value for our stakeholders. Likewise, through our corporate social responsibility policy, we adopt specific commitments to achieve this objective.

Allfunds' consolidated net turnover in 2020 (sales and services rendered) was €1,590,197 thousand.

Organisation and Structure

The organisational structure of Allfunds is diagrammed as follows:

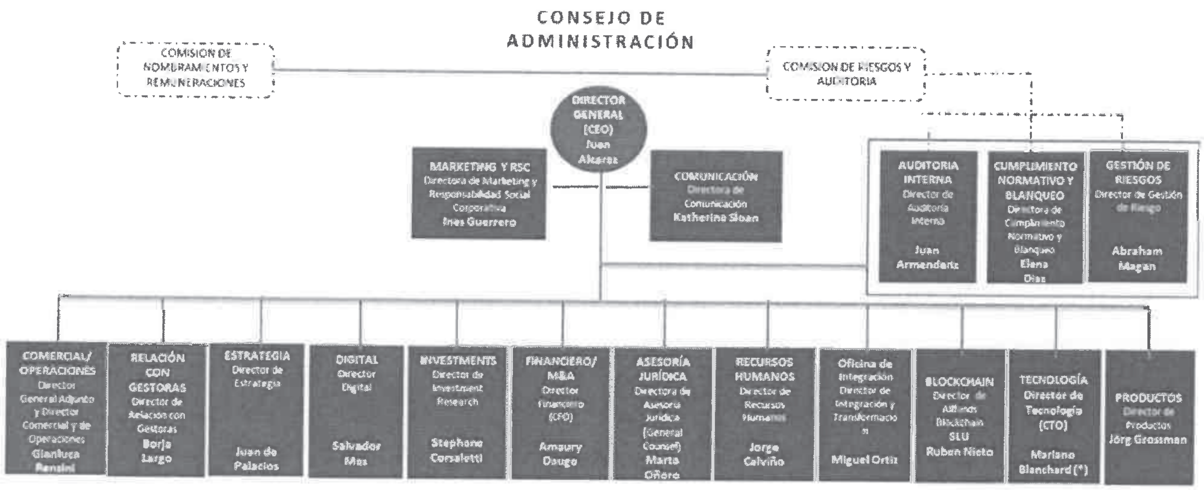


Illustration 3.- Organisation chart of the Business Group.

(*) – Incorporation in January 2021

The governance structure of the group is diagrammed as follows:

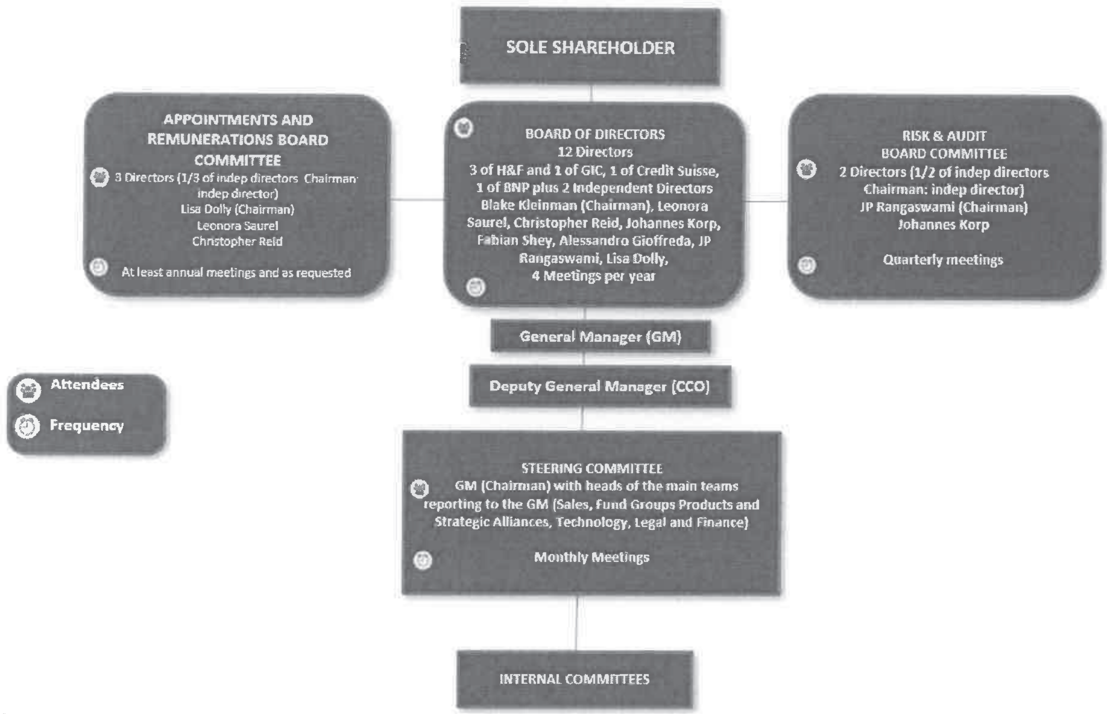


Illustration 4.- Allfunds Corporate Governance Structure.

Allfunds Bank S.A.U. is the head of a financial group whose sole shareholder is the holding company Liberty Partners, S.L.U., a company controlled by the private equity firms Hellman & Friedman and GIC.

The composition of the Allfunds Board of Directors has changed during 2020. It is made up of 8 members, who do not hold executive positions in the company, of which 6 represent the different shareholders and the other 2 are independent directors in order to seek a balanced management in decision-making in the highest governance body. Each director is entitled to one vote in decision-making.

Allfunds' activities are organised according to process maps as follows:

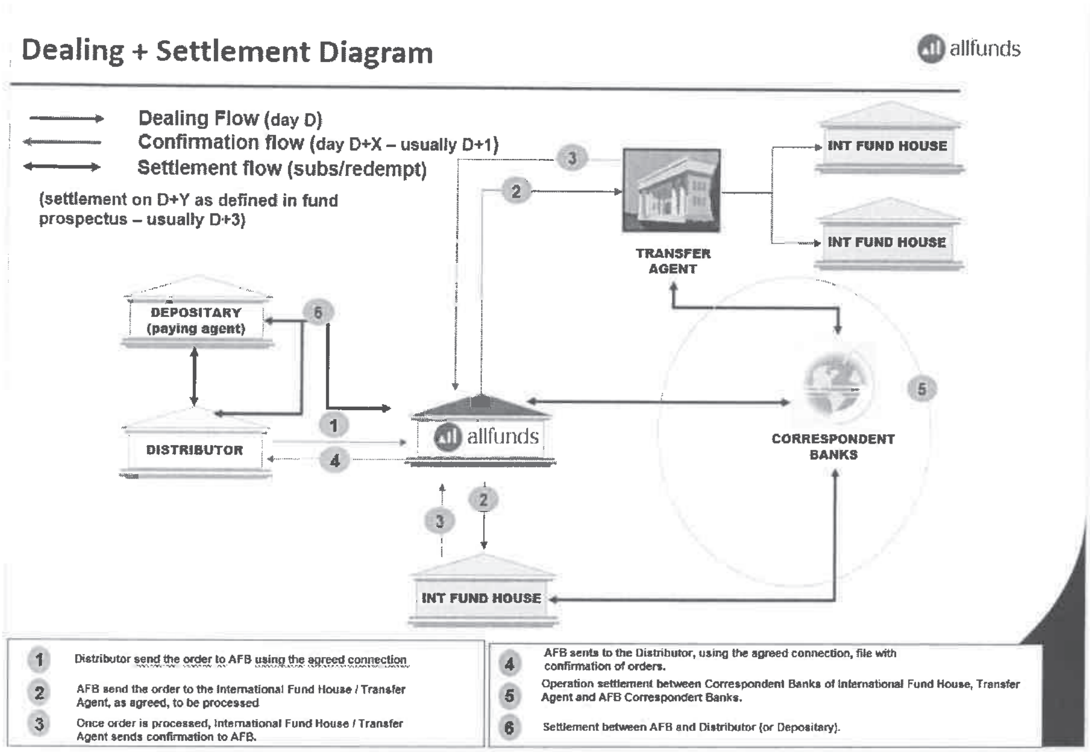


Illustration 5.- Process map.

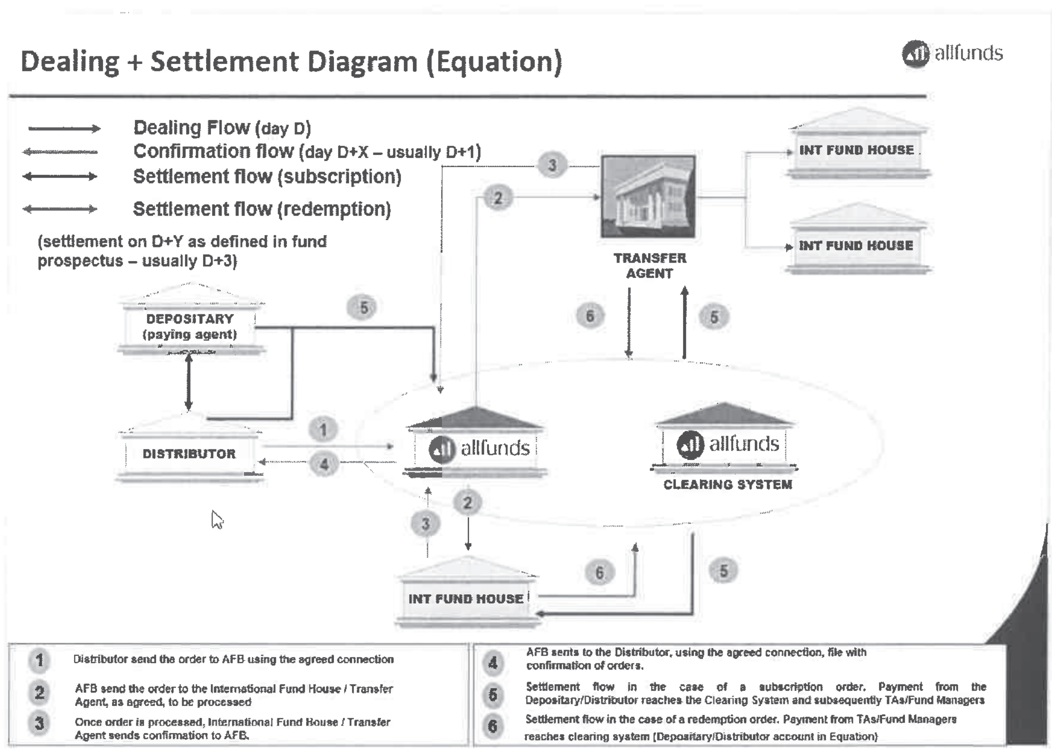


Illustration 6.- Process map.

Objectives and strategies

The strategic lines and objectives of Allfunds during 2020 are:

- Integration of the recently acquired businesses of Credit Suisse and BNP into the bank's platform, as well as growth in the markets in which we are established.
- Monitoring and optimising costs.
- Harmonising fund house agreements.

Key factors and trends that may affect the future performance of Allfunds

The appearance of the COVID-19 Coronavirus in China in January 2020 and its recent global spread to a large number of countries has led to the viral outbreak being classified as a pandemic by the World Health Organisation since 11 March.

Given the complexity of the markets due to their globalisation and the absence, for the time being, of an effective medical treatment for the virus, the consequences for the Allfunds Group's operations are uncertain and will depend largely on the evolution and extent of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic agents affected.

In this regard, there has been a drop in the Allfunds Group's expected activity in its assets under management and in the fees and commissions associated with them, corresponding to the first months of 2020. However, an improvement in confidence and financial market developments meant that intermediated funds increased by 34.4% in the last nine months of 2020 (excluding intermediated assets arising from the inorganic acquisitions in Sweden and Switzerland at the end of 2019 and the beginning of 2020; and from the transaction completed with the BNP Group in October 2020), mainly due to an appreciation in the valuation of brokered assets of €69.8 billion, new client inflows and higher activity from existing clients amounting to €61.3 billion.

Policies

Allfunds has the clear purpose of integrating sustainability, ethical, social and sustainable development strategies into its corporate governance in a global and transversal manner. For this reason, the company has a code of conduct based on Allfunds' values, which inspires the policies, procedures and behaviour of all those who work at Allfunds or on its behalf.

The **Allfunds General Code of Conduct** aims to ensure professional, ethical and responsible behaviour by the Allfunds Group and all its employees, managers and members of its management body in the conduct of their activities, as a basic element of its corporate culture, which underpins the training and personal and professional development of its employees, managers and members of its management body. This code refers to its ethical principles and guidelines for conduct that must guide Allfunds' actions, as well as the duty to comply with the external and internal regulations in force at any given time:

- Client relationship values. At all times acting in the best interests of the client, with due honesty, impartiality and professionalism, guaranteeing fair treatment of the client. Applying principles of trust and transparency and promoting integrity and respectful conduct.

- Employee relations values. Equal opportunities and non-discrimination; respect for people; teamwork, management style; work-life balance; occupational risk prevention; environmental protection; collective rights.

- General guidelines for conduct. Compliance with regulations and ethical behaviour; non-competition; responsibility and professionalism and appropriate risk management; free competition; digital disconnection.

- Guidelines of conduct for specific situations. To avoid conflicts of interest, applying due control of information and confidentiality, as well as measures to prevent money laundering and the financing of terrorism and corruption, among other issues.

Finally, the Allfunds whistle-blowing channel forms an essential part of this code as one of the processes established to ensure the effective application of the applicable regulations and the guidelines of the code. This channel is also a means of helping all employees to report any non-compliance they observe or become aware of.

The main Allfunds Compliance policies are:

- **Regulatory Compliance Policy.** Regulatory compliance by Allfunds is a task for all employees of the Group. Regulatory compliance must therefore be part of the organisation's culture.

- **Conflict of Interest Management Policy and Incentive Annex.** This sets out the criteria and prevention and management measures to assess and mitigate or prevent actual and potential conflicts between the interests of Allfunds and its clients or the private interests of its employees and managers and the interests of clients.

- **Anti-Corruption and Gifts and Invitations Policy**. This sets out the criteria to be followed by employees, managers and members of its management body in any of their professional relationships with Allfunds, to ensure compliance with anti-corruption regulations and to promote ethical criteria and values, especially in the area of gifts, invitations, commissions, remuneration, income, advantages, discounts or benefits.

- **Criminal Risk Prevention and Compliance Policy**. It seeks to prevent and avoid the criminal and reputational risk that may arise from the commission of any unlawful, criminal or any other act contrary to the ethical values of the Entity. The policy demonstrates the firm commitment of Allfunds and its Board of Directors to combat such acts. Based on this policy, a Criminal Compliance Model or Corporate Defence model has been created.

- **Manual for the Prevention of Money Laundering and Terrorist Financing**. This defines the measures implemented in the organisation to manage and prevent the risk of money laundering and terrorist financing.

- **Privacy Policy**. This establishes a single framework for defining privacy and the protection of personal data, in which it undertakes to protect and process all personal data, always guaranteeing compliance with the different regulations and laws applicable in this area.

- **Asset Protection Policy.** It establishes the appropriate controls aimed at guaranteeing the safeguarding of client property rights when safeguarding their assets.

- **Best Order Execution and Management Policy.** This defines the measures adopted for the correct management of client orders and those required to obtain the best possible result in the execution of orders, depending on the financial instrument in question.

- **Code of Conduct for the Securities Market.** This contains the rules of conduct with which all persons working at Allfunds must comply in the securities market.

In addition, other noteworthy policies of the Allfunds compliance function are the Outsourcing Policy, the Product Governance Policy and the Policy on Training and Ongoing Assessment of Staff Reporting on Products and Services, which, together with other procedures, develop the implementation of current regulations in the Entity.

All these policies have been approved by the Board of Directors and are reviewed and updated periodically (normally annually). The Compliance department is responsible for supervising the organisation's performance in accordance with the policies and reports the results of its controls to the Board of Directors through the Audit and Risk Committee.

Allfunds also has a **Corporate Social Responsibility Policy**, the latest version of which was approved on july 2020 and is available to all Allfunds stakeholders on its website.

This Policy is inspired by the regulations applicable in each of the countries in which Allfunds operates, as well as the best practices contained in international conventions and protocols, codes of conduct and internationally applicable guidelines on social responsibility such as ISO 26000:2010 and the United Nations Global Compact Principles.

Within this framework of social responsibility, Allfunds sets out its general principles of action, its position and commitments in the following five areas:

- Ethics and good governance.
- Respect for human rights.
- Active listening to stakeholders.
- Vocation and creation of value.
- Environmental protection.
- Social commitment.

Compliance with the corporate social responsibility policy is ensured through internal good governance processes led by the Board of Directors and the management team. In particular, this corporate social responsibility policy is supervised both by the Marketing & CSR promotion area and by the Risk and Audit Committee.

The Allfunds Solidarity Fund is governed by the **Solidarity Fund Investment Policy**. It is based on the principle of good faith, which will be rigorously applied in all global aid projects that are carried out with voluntary donations from employees and the company itself.

During 2020, the organisation created an **Environmental and Climate Change Management Policy**, dated June 2020, which sets out environmental actions and commitments in the following areas:

- Preventive approach, favouring the environment when Allfunds is involved in projects where there may be a threat of serious or irreversible damage to the environment or human health.
- Risk management. Opt for a sustainability perspective based on environmental risk management and implement ongoing environmental management activities to identify, measure, assess, mitigate, control and monitor direct and indirect environmental risks and impacts resulting from the activity.

- Compliance with requirements and due diligence. Ensure compliance with legal requirements in environmental matters in the countries in which it operates, as well as other requirements that may be voluntarily subscribed to.

- Fight against climate change. Contribute to the mitigation of climate change and the sustainable use of resources by promoting energy efficiency and combining or replacing the use of non-renewable resources with renewable resources in key areas such as the use of materials and energy.

- Environmental protection and pollution prevention.

- Consistency. Establishing environmental criteria in the selection of suppliers and within purchasing and service contracting decisions, and the promotion of environmentally responsible actions in Allfunds' sphere of influence.

- Culture. Assign roles and responsibilities and implement training and education programmes for all staff on environmental issues, as well as seeking to positively influence the environmental behaviour of our stakeholders.

- Transparency. Transparently measure, record and report on key environmental indicators

This policy is global in scope and affects all people and activities carried out by the organisation and all branches and subsidiaries in the various countries in which Allfunds operates. It is also applicable to companies carrying out activities on behalf of Allfunds and extends to the various stakeholders.

The organisation also has a number of policies that demonstrate its commitment to specific areas such as the protection of fundamental rights and the development and advancement of its employees. Internal people management policies include.

- **Remuneration Policy**. Its objective is to create a culture of high performance focused on continuous improvement, achievement of objectives and customer service, where employees are rewarded and recognised for their achievements, efforts, performance, involvement and commitment, together with the appropriate management of risks, measured through competencies (knowledge, skills and attitudes) and setting targets, which allow for the appropriate attraction, management and retention of talent.

- **Training and Development Policy**. Sets out how to manage learning and development in a coherent and fair manner. Includes talent and knowledge management.

- **Recruitment Policy.** This has been developed during 2020 with the aim of widening the pool of qualified candidates from which to build a workforce that is representative of the community in a transparent manner and ensuring the equality and professional treatment of male and female candidates.

- **Equality and Diversity Statement of Intent**. This sets out Allfunds' commitments to respecting the principle of equal opportunities for women and men, as well as non-discrimination on the basis of any basis other than gender. It is planned to be reviewed and adapted to create a Diversity and Inclusion Policy during 2021.

Policy performance

Allfunds has an internal control system in place to monitor the policies described in the previous section. During 2020, thanks to the level of implementation and the control system of the company's policies, the results of the corporate policies described in this document confirm that no significant social, environmental, ethical or governance risks have emerged.

A number of risks in this area have been identified and have been addressed during 2020 and will continue to be addressed:

- Potential non-compliance with the Bank of Spain's supervisory expectations regarding the risks arising from climate change and environmental degradation. To mitigate this risk, these expectations have been communicated to the affected departments and an analysis of the financial risks associated with climate change and environmental degradation of Allfunds has begun.

- Not being able to respond to all Due Diligence questions from some customers regarding ESG, for which each of the relevant issues have been reviewed, actions have been carried out during 2020 and the rest have been planned within the Allfunds CSR Plan. The actions to be highlighted include the development of the environmental and climate change management policy, the implementation of the ISO 14001 standard, adherence to the Global Compact and the principles of responsible investment, among others.

- Possible non-compliance with ESG regulations, for which the Compliance department conducted an analysis of the regulations relating to Environmental, Social and Governance criteria during 2020 and has defined the necessary controls, including them in the methodology of its monitoring programme.

In addition, beyond the establishment and monitoring of appropriate standards of conduct, compliance with policies and regulatory compliance defended by the compliance system, Allfunds develops internal control mechanisms that respond both to the regulations in force for financial institutions and to the company's interest in achieving the greatest excellence in its management. Allfunds' internal control system is based on three lines of defence as follows:

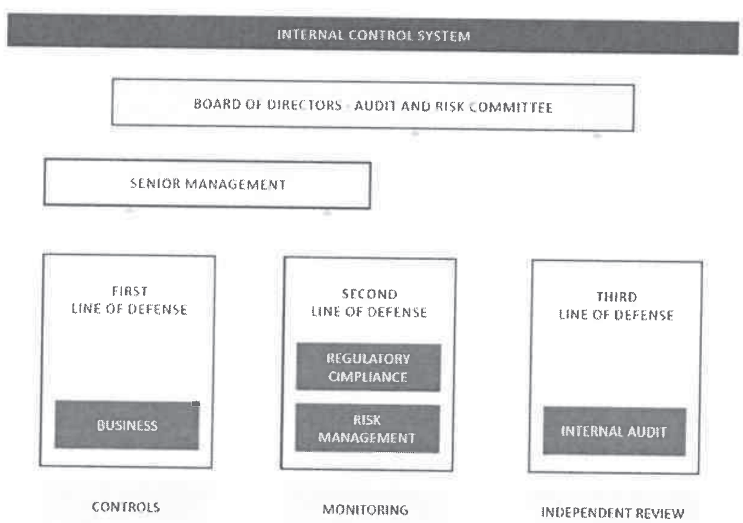


Illustration 7.- Representation of the internal control system for compliance with obligations.

Internal Auditing

Allfunds has an Internal Audit Unit located in Madrid and Luxembourg covering all offices and activities of the Allfunds Group. The responsibility of the Internal Audit team is to provide the Board of Directors and Senior Management with a reliable and independent assessment of the effectiveness of controls designed to mitigate the significant risks affecting the business, the proper functioning of governance, risk management and the controls in place to mitigate the risks to which the Group is exposed.

The Global Head of Internal Audit reports to the Chairman of the Risk and Audit Committee and the Chief Executive Officer of the Allfunds Group and is independent from other business units and functions. The Global Head of Internal Audit, as well as all members of the department, act within the parameters of the General Code of Conduct and other Allfunds policies and ethical standards.

During the 2020 financial year, Internal Audit conducted a total of 15 reviews covering the most important activities of the Allfunds Group. From a CSR perspective, the most relevant were the following:

- Audit of the annual Capital and Liquidity reports and the Prudential Relevance Report, in which compliance with the minimum levels of capital and liquidity with which the Allfunds Group must comply is checked.

- Audit of the technological security measures implemented to support remote working. Thanks to the technology used by Allfunds, many employees have been able to achieve a work-life balance.

For each of the reviews carried out, Internal Audit issues audit observations that include an action plan, an action plan manager and an implementation schedule. Internal Audit reviews the closure of all observations.

In addition, during 2020, an employee from the Internal Audit department participated in the meetings for the development and implementation of the Allfunds Equality Plan.

Finally, the Internal Audit Unit has passed the Institute of Internal Auditors' Quality Assessment, which certifies compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors Global.

Internal control of financial reporting

The Allfunds Board of Directors is the body responsible for financial and non-financial reporting and for the existence of an adequate system of internal control over financial reporting. However, the Chief Executive of Allfunds supervises the design of the financial reporting control systems.

The Finance department is responsible for ensuring the quality, transparency and timeliness of individual and consolidated financial reporting, including ensuring that it is based on appropriate accounting methods.

However, the implementation of control measures over Allfunds' financial information is not only the responsibility of this department, but also of the Allfunds Management Control area and of each of the group's subsidiaries, as well as of the other areas involved in or having an impact on the quality and reliability of the financial information used as a basis for the preparation of Allfunds' financial statements.

These control systems are articulated in procedures designed to ensure the proper recording, valuation, presentation and disclosure of material transactions. The Chart of Accounts details the typology of these transactions and establishes procedures such as documenting all critical processes and activities, assessing from an accounting point of view any event with an impact on the financial statements, performing second-level controls, applying a specific internal control scheme in the processes of preparing financial information or managing access to applications and systems in accordance with a system of profiles adapted to the functions carried out in each position.

Finally, Allfunds develops processes to identify risks of error in financial information.

The Financial Information Risk Map includes these specific risks and the Finance area reviews, at least once a year, whether there have been any changes in the risks identified in the preparation of the consolidated financial statements.

Certifications

ISAE 3402 Type II standard. Allfunds is audited annually under the ISAE 3402 Type II standard to ensure the quality of outsourced managed hosting solutions. This global standard is geared towards quality assurance reporting in service provider organisations.

Risk and Compliance. Due Diligence Procedure

Risk management is one of the main pillars of Allfunds' strategy. Senior Management recognises and supports the appropriate and efficient definition, assessment, control and monitoring of the risks assumed by the organisation in the course of its activities, constantly seeking to prevent and mitigate the possible negative impacts arising from its activity, and thus reduce the uncertainty arising from possible threats within the global environment in which it operates.

As a key element of the production process, the profitability, guarantee and solvency of the operations carried out in the entity as a whole depend to a large extent on its functioning. From this perspective, the basic objectives of the Allfunds Risk Management System are to preserve the Group's solvency (by measuring the optimum levels of exposure, profile and amount of risk in each transaction, for each customer and in each activity or process, so as to ensure the correct allocation of capital in each business), as well as to meet the specific needs of customers and contribute to the creation of value for shareholders.

The ultimate responsibility for this Risk Management system lies with the Board of Directors through a permanent committee delegated to the Audit and Risk Committee, which annually reviews the Risk Appetite Framework that determines the typology of the different risks that the entity considers reasonable to accept, as well as the metrics and indicators for monitoring them. Risk management at Allfunds is based on a three lines of defence model, meaning that the entire organisation is involved in risk management and control. In particular, it is the Risk area which, for each of these metrics (solvency, liquidity, concentration, profitability, default, operational risk and other risks) proposes a target, a tolerance and a limit which the Audit and Risk Committee approves, and which would trigger corrective measures if exceeded, in accordance with the established protocol.

This Risk Management system responds to the need to identify, measure, control, mitigate and communicate in a consistent and homogeneous manner to the governing bodies the various types of risk incurred by Allfunds as an internationally active financial institution, as well as to the need to comply rigorously with the Capital requirements of the competent authorities and always in accordance with the principles of proportionality and precaution.

These governance bodies are represented both in the aforementioned Audit and Risk Committee (quarterly) and in the internal Risk and Audit Committee (monthly) whose main functions are, respectively, to ensure that the entity's risk exposure is within the tolerance established by the Board of Directors in accordance with the Risk Appetite Framework and to define, administer and supervise compliance with the organisation's risk management policies. Allfunds continues to maintain a medium-low risk profile, in line with the risk appetite defined by the Board of Directors.

Allfunds contributes to business sustainability through prudent management of the following risks, both at the level of the parent company and at the level of branches, subsidiaries and local representative offices:

Risk	Those in charge of its prevention and management
• CREDIT/COUNTERPARTY RISK	• Risk
• MARKET RISK	• Risk
• IRRBB RISK	• Risk
• OPERATIONAL RISK	• Risk
• LIQUIDITY RISK	• Risk
• CONCENTRATION RISK	• Risk
• TECHNOLOGY RISK	• IT Risk & Information Security
• THIRD-PARTY RISK (OUTSOURCING)	• IT Risk & Information Security, Compliance and Risk Management
• REPUTATIONAL RISK	• Compliance
• MONEY LAUNDERING AND TERRORIST FINANCING RISK	• Compliance (Prevention of Money Laundering)
• COMPLIANCE RISK	• Compliance (Regulatory Compliance)
• LEGAL RISK	• Legal

Table 1.- Main risks and those responsible for the risk.

NOTE: IRRB by its common English name "interest rate risk arising from the banking book" or as it is called in the CRD "interest rate risk arising from non-trading book activities"

During 2020, Allfunds continued to strengthen its global risk framework as part of its strategic process, incorporating improvements that bring it in line with best practices in the financial sector.

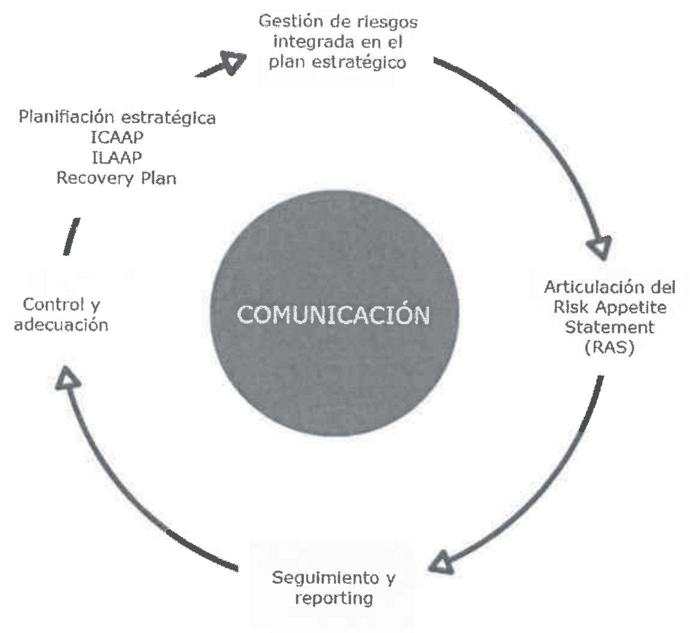


Illustration 8.- Risk management and control model.

In particular, the main milestones in 2020 in risk management and control can be summarised as follows:

- **Liquidity risk**: given the sharp increase in the volumes brokered by the company, controls on operations in process have been strengthened through early monitoring of underwriting and redemption operations, detecting relevant changes in volume to identify both the reason for them and to avoid potential operational errors, extending control also to operational risk management.

- **Credit risk**:

    - Implementation of controls in the new business units integrated in Allfunds (Sweden, Switzerland, Italy, Poland, France) for early identification and monitoring of overdrafts.

    - Enhancements to existing controls for overdraft monitoring in the Singapore accounting centre.

    - Streamlining of the customer analysis process: the control and analysis model was adapted to the type of customer, as well as to the business and operational relationship to be carried out with that customer, shortening the necessary approval periods.

- **Liquidity risk**: liquidity control was reinforced from the perspective of the second line of defence, monitoring the balance between the main financial masses of assets/liabilities, as well as the availability at all times of sufficient liquidity to meet all its financial obligations.

- **Operational risk**: optimisation of several of its key processes through GlobalSuite®, a GRC tool that enables comprehensive risk management (operational, compliance, technological).

- **Integration risk** (project execution): newly managed, especially for risks related to merger and acquisition (M&A) activities:

    - Creation of the necessary communication channels with the newly transferred teams for the correct identification, assessment and escalation to all stakeholders of the relevant risks in the acquisition of new businesses.

    - Integration of the new businesses and their corresponding processes and activities into the existing risk control framework.

A more detailed explanation of these, as well as of this risk management system in general, can be found in the Annual Report published on the corporate website as well as in the Allfunds Prudential Relevance Report.

Within the framework of its corporate responsibility, Allfunds aims to reconcile the core purposes of this risk management system with an increasing consideration of ethical, social and environmental criteria and therefore continues to strengthen its corporate sustainability and ESG criteria. In this regard, important steps are being taken to correctly manage environmental risk in order to obtain ISO 14001 certification in 2021, and to integrate the management of this risk into the control framework of the entire company. The assessment of the direct and indirect environmental impacts arising from Allfunds' activities is a complex task that requires the development of specific risk analysis methodologies; Allfunds, aware of the growing legal and social pressure on the environmental consequences of economic activities, continues to contribute to the use of viable, less polluting alternatives, helping to reduce environmental damage.

In addition, a new Environmental and Climate Change Management Policy was approved in 2020, aligned with other Allfunds policies and protocols, notably the Corporate Social Responsibility policy and the General Code of Conduct.

The aim of this policy is to incorporate the management and control of environmental risks into the business strategy and to constantly improve the identification and management of these risks in Allfunds' operations.

Compliance monitoring programme

This is based on the analysis of regulatory and conduct risks with the aim of ensuring compliance with regulations and internal policies, in accordance with the provisions of various standards and the guidelines of the European Banking Authority and the European Securities and Markets Authority. The results are regularly presented to the Board's Audit and Risk Committee.

The programme aims to ensure that the internal policies, procedures, standards, codes of conduct applicable to its business, organisation and control measures remain effective and adequate to prevent, detect, correct and minimise the risk of non-compliance that could result in sanctions and/or material, financial or reputational loss. The Compliance programme seeks to promote behaviour in accordance with regulations and ethical values, applying a comprehensive vision to prevent, identify and mitigate possible regulation breaches.

In 2020, the risks and controls of the Criminal Compliance model already in place at Allfunds were incorporated into the methodology of the regulatory compliance programme.

The programme phases are:

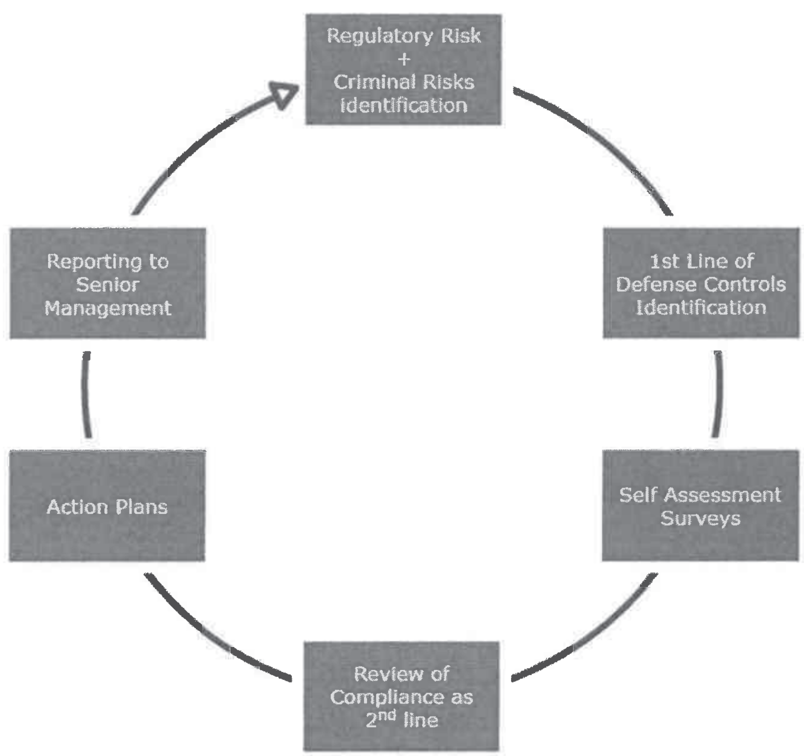


Illustration 9.- Phases of the Compliance programme.

(i) Assessment of the applicable regulations, both at global Group level and locally, for the activities carried out by Allfunds and of the specific regulatory requirements. Assessment of the possible criminal risks that Allfunds may incur.

The level of risk inherent in each regulatory requirement and criminal risk is also identified.

(ii) Assignment of mitigating controls and the control owner (first line of defence in the business and support areas), at local, entity and global level.

(iii) Execution of regular monitoring of the correct design and effectiveness of controls. As a first step, self-assessment surveys are carried out in the business and support areas.

(iv) As a second line of defence, the Compliance department reviews the evidence and checks the controls.

(v) Definition of action plans for inefficient controls and supervision of their development.

(vi) Reporting of monitoring results to Allfunds management, through the Audit and Risk Committee, and to the Board's Risk and Audit Committee.

Throughout 2019, this common compliance monitoring methodology was implemented across the Group along with a tool that enables traceability of the entire process. In 2020 the Compliance department completed the review of all controls. In addition, action plans have been defined to implement additional mitigation measures and improvements to existing ones where deemed necessary.

As an overall result of the review, the **average residual compliance risk is considered to be moderate with satisfactory controls**.

It should be noted that in 2020, controls relating to local regulations have been added and the regulations relating to Environmental, Social and Governance (ESG) criteria have been analysed and the necessary controls have been defined. Subsequently, in October 2020, the annual surveys of controls were launched, including those relating to mitigating the risks of non-compliance with these environmental, social and governance obligations.

Money Laundering and Terrorist Financing Prevention

In accordance with the provisions of Law 10/2010 on the Prevention of Money Laundering and Terrorist Financing of 28 April, updated by Royal Decree-Law 11/2018 of 31 August, transposing Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May (known as the 4th AML/CFT Directive), Allfunds has a Manual for the Prevention of Money Laundering and Terrorist Financing, which sets out the guidelines for action and due diligence measures implemented throughout the Group, managed and coordinated by the AML/CFT Unit within the Compliance department. The areas on which the model is based are:

(i) Measures at the start of commercial relations with customers, through the application of due diligence and the analysis of each customer. Also, prior to the start of business relations in each geography, a country analysis is carried out.

New customers are approved by the Customer Acceptance Committee, chaired by the General Manager and attended by the Compliance department and members of the local AML/CFT Unit and Compliant Officer, the Risk department, and the Legal and Commercial departments. The committee discusses the analyses carried out on each customer by both the AML/FT Unit and the Risk department, as well as the business reasons.

The committee also approves new countries in which to establish customer relationships.

(ii) Customer monitoring measures. Allfunds has the following tools in place for this purpose:

daily screening of customer data against international sanctions and embargo lists, regular customer due diligence analyses, daily screening of money flows, controls and alerts based on customer transactions and on-site visits and reviews to higher risk customers or in higher risk geographies.

In addition, in accordance with current regulations, an annual assessment of the Entity's risk of money laundering and terrorist financing is carried out, which analyses (1) factors related to customer, geographic, product, service and distribution channel risks, as well as the supervisory framework, and (2) the effectiveness of existing controls. In the 2020 year-end assessment exercise, the **inherent and residual money laundering risk was considered to be low, with satisfactory controls**.

Criminal Risk Prevention

In accordance with the provisions of the Spanish Criminal Code and Circular 1/2016, on the Criminal Liability of Legal Entities, of the State Attorney General's Office, companies must have robust criminal risk prevention models adapted to their activity.

As a result, and in line with its compliance culture, Allfunds has a Criminal Compliance Model implemented through the Compliance and Criminal Risk Prevention Policy and its development manuals and guides, as well as a Supervisory and Control Body methodology whose tasks correspond to the Compliance department.

The Compliance and Criminal Risk Prevention Policy informs all Allfunds' managers and employees, as well as third parties who have dealings with the institution, of a clear message of opposition to the commission of any unlawful act, criminal or otherwise, and of its commitment to combat such acts and to prevent any possible deterioration of the image and reputational value of Allfunds.

This message is reinforced through specific training plans for employees on the guidelines of conduct and the criminal risk prevention model, on an annual basis.

Among the bodies that foster an adequate control environment are (i) the Board committees, the Risk and Audit Committee and the Remuneration and Appointments Committee, (ii) the Audit and Risk Committee through which the Global Head of Compliance, as the Supervisory and Control Body, reports to management on the conclusions of the Corporate Defence model and (iii) the Customer Acceptance Committee and the AML/CFT Internal Control Body.

Lastly, as indicated above, in order to enhance the effectiveness of the entity's control environment and the prevention of criminal risks, from 2020 the methodology and tools implemented in the regulatory compliance model based on risk assessment will be applied to the Criminal Compliance control model. This reinforces the efficient application of the compliance programme adapted to the activities and services provided by the Allfunds Group with a global approach.

Preventing and managing conflicts of interest

The prevention and management of conflicts of interest at Allfunds is addressed in the General Code of Conduct and developed in the Global Conflicts of Interest Policy, as well as in the Internal Code of Conduct for Securities Markets.

This policy seeks to identify actual or potential conflicts of interest and to manage them appropriately, in particular by preventing them from adversely affecting the interests of its customers.

The goal of the global Conflicts of Interest Policy is to implement all reasonable mechanisms to detect and prevent, or manage, any conflicts of interest that may arise:

1) In the provision of investment and ancillary services to customers, (i) between Allfunds and its customers, (ii) between its officers, employees and any person directly or indirectly linked to Allfunds by control, and its customers, or (iii) between different Allfunds customers, where this may result in an impairment of a customer's interests.

2) Those occurring (iv) between Allfunds Group entities; (v) between business units; and (vi) between Allfunds and third parties.

3) Situations or relationships between employees and/or managers of Allfunds and Allfunds itself (vii) due to conflicting economic interests, or (viii) due to personal or professional relationships with third parties with interests in Allfunds (e.g. suppliers, etc.).

In order to prevent and deal with these types of circumstances, this document provides guidance on the identification of potential conflicts of interest, establishes procedures and measures for their prevention and management and determines how conflicts of interest that cannot be avoided should be communicated to customers.

The policy includes an Annex on Incentives which sets out the measures taken by Allfunds in relation to the receipt of incentives related to the provision of investment and ancillary services to its clients, in accordance with the regulations in force and ensuring that it acts at all times with honesty, impartiality and professionalism.

This policy applies to all persons associated with Allfunds, including its managers, employees and any persons directly or indirectly linked to the company by control, and the measures envisaged apply to all Allfunds customers.

With regard to the detection and management of potential conflicts in the governance of the company during 2020, there have been no notifications in this regard. The Global Conflict of Interest Policy is available on the Allfunds website.

Environmental issues

Global Environment

Detailed information on the current and foreseeable effects of the company's activities on the environment and, where applicable, health and safety, environmental assessment or certification procedures.

Environmental responsibility is an unavoidable precondition for the survival and prosperity of human beings, which is why the management of environmental aspects is an important part of the company's social responsibility. Allfunds assumes the environmental impacts caused by its activities throughout its entire life cycle, and in each and every one of the regions in which it operates. As part of its commitment to the environment, in 2020 Allfunds began implementing the ISO 14001 environmental management standard at its headquarters in Madrid, and plans are under way to implement this standard at the company's most important centres.

Allfunds identifies its environmental aspects and the impacts associated with its service provision in accordance with its environmental aspects assessment procedure. The main environmental aspects identified and their impacts are as follows:

Environmental aspects and impacts

Process/Activity	Aspect	Impact
Lighting of facilities and power supply to equipment	Electricity consumption (kwh)	Depletion of natural resources
Cleaning, human consumption and hygiene use	Water consumption (m^3)	Depletion of natural resources
Use of paper in the office	Paper consumption (sheets)	Depletion of natural resources
Printing paper in the office	Toner consumption (units)	Exhaustion of resources due to consumption of raw materials
Replacement of lights or end of useful life of lights	Generation of fluorescent lamps (units) waste	Pollution of the environment, land occupation
Use of paper in the office	Paper and cardboard waste generation (kg)	Pollution from waste management, land occupation
Paper printing in the office	Generation of toner waste (units)	Pollution from waste management, land occupation
Packaging waste, packaging	Generation of plastic and packaging waste (kg)	Pollution of the environment, land occupation

Obsolete or damaged equipment	Generation of WEEE waste (units)	Pollution of the environment, land occupation
Kitchen, canteen and pruning waste	Generation of organic waste	Pollution from waste management Clogging of landfills
Use of office equipment	Generation of alkaline batteries (kg)	Pollution of the environment, land occupation
Office activities	Noise emission into the atmosphere	Atmospheric pollution and health effects
General bathroom use in office	Discharge of urban waste water or sanitary water (m^3).	Water pollution

Table 2.- Environmental aspects and impacts 2020.

As a positive environmental impact, we have identified the generation of electricity by our own photovoltaic panels and energy supply by an external 100% renewable energy company, as well as the supply of hot water by solar panels at Allfunds' head office.

Significant environmental aspects during 2020 at the head office were the generation of cardboard and paper waste and the generation of waste electrical and electronic equipment.

As part of its environmental and social responsibility commitment, Allfunds has drawn up, approved and implemented an Environmental and Climate Change Management Policy, dated June 2020, which includes the environmental actions and commitments, as described in the section on policies.

It also includes a commitment to the environment in its General Code of Conduct and the following environmental commitments in its Corporate Social Responsibility Policy:

- Prevent pollution by making reasonable use of resources, and establishing actions to gradually minimise it.
- Contribute to the mitigation of climate change and the sustainable use of resources, combining or replacing the use of non-renewable resources with renewable resources in key areas such as the use of materials and facilities and water.
- Establish environmental criteria in the selection of suppliers and promote environmentally responsible actions in Allfunds' sphere of influence.
- Measuring, recording and transparently reporting the company's main environmental indicators.

It should also be noted that, during August 2020, it has begun to implement an Environmental Management System in accordance with the international ISO 14001 standard at its headquarters in Madrid, which is expected to be completed in 2021 and certified by an external entity.

Furthermore, in relation to its decision-making and activities, it applies a preventive approach so that it does not get involved in projects where there are indications that there is a threat of serious or irreversible damage to the environment or human health.

Allfunds assesses the occupational risks of each of its business lines and activities. The effects of these health risks are recorded annually in its annual report on preventive activities, as well as in the results provided in section 5.3 health and safety of this report.

Resources dedicated to the prevention of environmental risks

Allfunds has a Facilities and General Services department which monitors environmental aspects and proper waste management, and a Marketing & CSR department which is responsible for coordinating the company's social responsibility activities. The maintenance of the facilities, which does not have a significant impact on the environment, is subcontracted to external companies.

Total resources allocated to environmental risk prevention in 2020 amounted to €198,611.24, 17% more than in 2019 (€164,001). The breakdown of these resources dedicated to the prevention of environmental risks is as follows:

- Resources dedicated to salaries of people directly involved in the prevention of environmental risks relative to the percentage of exclusive dedication to this function: €12.000.
- Resources dedicated to the maintenance of facilities with environmental impact €172,293.00.
- Resources dedicated to waste management: €8,638.24
- Resources dedicated to the implementation of environmental management procedures: €5,680.

Allfunds has not received any environmental fines or sanctions during 2020.

The application of the precautionary principle, the amount of provisions and guarantees for environmental risks.

The environmental precautionary principle at Allfunds is articulated through its environmental aspects procedure, its environmental policy, its corporate social responsibility policy and the commitment to the environment in its General Code of Conduct.

Since Allfunds considers the environmental impacts of its business lines to be insignificant, it has no provisions or guarantees to address the possible materialisation of its environmental risks.

Pollution

In 2020, Allfunds carried out a study of all its work centres in order to calculate its carbon footprint. For some of the sites, it was not possible to calculate the emissions from electricity consumption, as this is included in the rental costs. Nevertheless, the carbon footprint calculation includes the energy consumption of most of the major Allfunds sites by number of employees.

The result of the 2020 carbon footprint calculation for all Allfunds sites is as follows:

Table 3 - Emissions in tonnes of CO_2 equivalent

Allfunds workplaces	Scope 1 (t CO_{2eq})	Scope 2 (t CO_{2eq})	Scope 1+2 (t CO_{2eq})
SPAIN	0.00	0.00	0.00
SWITZERLAND	0.00	3.18	3.18
LUXEMBOURG	0.00	38.15	38.15
SINGAPORE	0.00	6.51	6.51
CHILE	0.04	13.52	13.52
COLOMBIA	0.00	2.45	2.45
UNITED KINGDOM	0.00	27.88	27.88
TOTAL	**0.00**	**91.69**	**91.69**

NOTES:

- In the centres in Spain (Madrid and Valencia), all the electricity supplied has been of 100% renewable origin since 2020, which is why Scope 2 in 2020 is zero.
- Emissions from electricity consumption have been calculated on the basis of the latest available emission factors from each country's electricity suppliers and the IEA (International Energy Agency).

Scope 1 corresponds to direct emissions. These include:

- Fuel consumption in buildings (natural gas and diesel boilers).

  It should be noted that there are no boilers, and therefore no fuel consumption at any of the Allfunds sites.

- Leakage of fluorinated refrigerant gases in air-conditioning/cooling equipment (gas recharging carried out in such equipment). During 2020 there have been no leakages of fluorinated gases.
- Vehicle fuel consumption. Allfunds' vehicles are leased and are a company benefit. The vehicle is for own use and is therefore not included in Allfunds' carbon footprint.

Scope 2 is indirect emissions due to electricity consumption in buildings.

The organisation put in place measures during 2020 to reduce carbon emissions and impacts associated with its service provision at its headquarters:

- The electricity supplied is 100% from renewable sources.
- Twelve solar panels are used for hot water production and electricity. From January to December 2020 20,101.62 KW has been produced for solar panels.
- All lighting is DALI (DIGITAL ADRESABLE LIGHTINGH INTERFACE) and dimmable via FUDOMO's BMS building management software.
- The building's ownership has continued to work during 2020 on the process to obtain a LEED ORO-PLATINO (Leadership in Energy and Environmental Design) certification. This is a green and sustainable building programme that requires objective evidence that

specific requirements have been met in the areas of sustainability, efficiency in the use of water, energy, atmosphere, materials and resources, indoor environmental quality, locations and linkages, environmental awareness and education, and design innovation. Certification is planned for 2021.

- It has changed the chemicals used for pest control in the gardens to less polluting ones.
- It has made a switch to printers that consume much less energy than the previous ones, thus reducing monthly carbon footprint emissions by more than 50%.

Allfunds' London office building is ISO 14001 certified for environmental management, and its environmental policy includes a commitment to achieve zero net carbon emissions from its UK workplaces by 2030.

To achieve this goal, they have set a short-term goal of integrating net zero carbon emissions into the services of all the buildings they manage and the implementation of sustainable and innovative workplace practices.

Several workplaces have terraces with various types of plants for carbon dioxide absorption:

- Madrid: 1,525.6 m² garden with shrubs, ivy (hedera) and yew (taxus baccata).
- Luxembourg: 28 m² of terrace with boxwood (Buxus sempervirens) on the 6th floor and 118 m² of terrace with boxwood and shrubs on the 7th floor.
- Milan: on the 6th floor there are 820 m² of terrace with olive trees, lavender and boxwood, and on the 7th floor, 140 m² of terrace with shrubs.

During 2020, no environmental measurements or measures have been taken to prevent, reduce or remedy noise or lighting pollution because the environmental aspects assessment has determined them to be non-significant. In any case, Allfunds complies with the Municipal Ordinances of the localities in which the workplaces are located regarding noise and light pollution in Spain, and other legal provisions in the other countries.

Circular economy and waste prevention and management

Allfunds does not have any actions in place to promote the circular economy beyond recycling and reuse of the waste generated. During 2020, obsolete electrical and electronic equipment was sold to employees for a symbolic price, with the proceeds going to the Solidarity Fund.

Allfunds' activities generate waste such as paper and cardboard, plastic, organic waste, toner, alkaline batteries, fluorescent bulbs and obsolete IT equipment.

Allfunds is registered as a small waste producer and has contracts with authorised waste managers for the proper collection and management of waste paper, cardboard, toner and oil at its Madrid site. In the other centres, responsibility for the proper management of waste is transferred to the building owner.

At the Madrid centre, recycling points have been improved and new containers have been installed on all four floors, with a total of 11 containers. The treatment methods for the waste generated are:

- Recovery operations (R12 and R13) for paper and cardboard, plastic, organic waste, batteries, fluorescent bulbs, obsolete computer equipment and vegetable oil. The latter is treated at the manager's facilities for transformation into biodiesel.

- Recycling or recovery (R03) for toner.

In terms of actions to combat food waste, there is only one kitchen and one canteen in the Madrid centre. The action that began to be carried out during 2020 is to prepare food according to the demand of workers so that there is no surplus. Even so, this is not a relevant aspect, nor does it have a significant impact on the organisation, nor does it influence the assessments and decisions of stakeholders.

Sustainable use of resources

Water consumption is sourced from the general public sewerage network where Allfunds has a presence. Allfunds calculates water consumption in total and for each of its work centres where it has a meter, as, in most centres, water consumption is included in the cost of renting the buildings occupied by Allfunds.

The total water consumption in 2020 in the centres in Madrid, Valencia, Zurich and Colombia was 6,573 m^3 and the average consumption per person was 31.95 m3 (of a total of 206 employees). We cannot compare the total water consumption data with those of the previous year, because the centres are different and the occupancy in the offices has not been comparable to previous years. Comparing the water consumption data for the head office, we can see that consumption decreased by 7.8% in 2020.

	2020	2019	Variation
Total water consumption (m^3)	3,360	3,625	-7.8%

Table 4.- Water consumption 2020 Allfunds headquarters.

By 2021, the ownership of the Madrid headquarters building plans to develop a Water Efficiency Policy, as an action to achieve LEED certification for the building, to which Allfunds will adhere.

Allfunds records and monitors the paper consumption of all its work centres. The total paper consumption in 2020 was 495,500 pages, which was a considerable reduction of paper consumption in 2020 compared to 2019.

	2020	2019	Variation
Paper consumption (no. of sheets)	495,500	9,549,019	-94.81%

Table 5.- Total paper consumption 2020.

This has been thanks to Allfunds' privacy policy and digitalisation process, so paper consumption is expected to be minimised in the future.

The following environmental measures have been implemented in the Madrid centre regarding paper consumption in 2020:

- Control of printouts. In order to perform any function at the photocopier, employees must authenticate themselves, either by using their employee card or by entering their Windows user name and password. In this way, a record is generated of everything printed by each person.

- The type of paper has been changed to 25% recycled paper and all paper used for envelopes, business cards, etc. is FSC certified paper from environmentally responsible forests.

The buildings do not have boilers, so there is no fuel consumption for the thermal comfort of the employees in the workplaces.

Allfunds provides its employees with a fleet of 26 vehicles, 4 of which are hybrid vehicles.

In addition, as a measure to promote the transition to electric cars, Allfunds has 9 electric vehicle chargers at the head office.

With regard to electricity, Allfunds consumes energy from the general electricity grid and in the centre of Madrid energy is generated and consumed from twelve solar panels, thanks to which electricity consumption has been reduced, from January to December 2020, by 20,101.62 KW. In Madrid, the environmental impact of our electricity depends on the energy sources used to generate it. In this regard, it should be noted that the energy supplied to the centres in Spain in 2020 is of 100% renewable origin, certified by the National Markets and Competition Commission (CNMC).

Allfunds has calculated the electricity consumption of all its work centres where there is an individual meter and it has access to the data and this consumption is not included in the rental cost (Madrid, Valencia, Milan, Luxembourg, Zurich, London, Colombia, Chile and Singapore). Electricity consumption in 2020 was 1,137,455.55 kWh. We cannot compare the total electricity consumption data with those of the previous year, because the centres are different. If we compare the electricity consumption data for Madrid, Valencia, Luxembourg and Singapore with the data for 2019, we can see a decrease of 12.92% in this consumption.

	2020	2019	Variation
Electricity consumption (kWh)	968,456.22	1,112,107.97	-12.92%

Table 6.- Electricity consumption 2020.

Climate change

In 2020, Allfunds carried out a study of all its work centres in order to calculate its carbon footprint. This information is set out in pollution section.

Allfunds has long-term targets in place for the reduction of greenhouse gas emissions. These include:

- Installing plants on the indoor terraces in London and Zurich.
- Attempting to quantify emissions from electricity consumption in centres where data is not available, with a view to reducing consumption at a later date.
- Encouraging walking, cycling and public transport.

- Increasing the proportion of electricity consumption from 100% renewable sources, where possible.
- Purchasing more sustainable IT equipment.

Biodiversity protection

Allfunds does not undertake specific measures to preserve or restore biodiversity, as all of its workplaces are located in cities or urban areas where biodiversity is not affected and protected natural areas are not impacted.

Social and personnel issues

Employment

Total number of employees by gender, age, country and professional classification

COUNTRY	No. of employees	Age ranges (years)			Executive		Managers		Professional		Support	
	Total	<30	30-50	>50	Men	Women	Men	Women	Men	Women	Men	Women
Brazil	**1**	0	1	0	1	0	0	0	0	0	0	0
Chile	**3**	0	3	0	1	0	0	0	0	1	0	1
Colombia	**3**	1	2	0	1	0	0	0	0	2	0	0
Hong Kong	**3**	0	3	0	0	0	1	0	1	1	0	0
Italy	**137**	18	93	26	1	1	9	16	41	68	0	1
Luxembourg	**37**	1	33	3	3	0	3	2	14	14	0	1
Singapore	**14**	0	13	1	1	0	3	0	3	6	0	1
Spain	**370**	69	275	26	9	4	41	15	185	108	3	5
Sweden	**6**	0	6	0	0	0	1	0	4	1	0	0
Switzerland	**23**	2	15	6	3	0	4	4	8	3	0	1
United Arab Emirates	**3**	0	2	1	1	0	0	0	0	2	0	0
United Kingdom	**45**	9	31	5	5	0	7	2	22	7	0	2
France	**10**	2	7	1	1	0	1	1	1	6	0	0
Poland	**179**	80	99	0	1	0	3	3	73	99	0	0
General total	**834***	182	583	69	28	5	73	43	352	318	3	12

** Including Bandol Project employees*

Table 7.- Total number of employees by sex, age, country and professional classification.

Distribution of employees by sex, age, country and professional classification

COUNTRY	No. of employees	Age ranges (years)			Executive		Managers		Professional		Support	
	Total	<30	30-50	>50	Men	Women	Men	Women	Men	Women	Men	Women
Brazil	1	0.0%	100.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chile	3	0.0%	100.0%	0.0%	33.3%	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	33.3%
Colombia	3	33.3%	66.7%	0.0%	33.3%	0.0%	0.0%	0.0%	0.0%	66.7%	0.0%	0.0%
Hong Kong	3	0.0%	100.0%	0.0%	0.0%	0.0%	33.3%	0.0%	33.3%	33.3%	0.0%	0.0%
Italy	137	13.1%	67.9%	19.0%	0.7%	0.7%	6.6%	11.7%	29.9%	49.6%	0.0%	0.7%
Luxembourg	37	2.7%	89.2%	8.1%	8.1%	0.0%	8.1%	5.4%	37.8%	37.8%	0.0%	2.7%
Singapore	14	0.0%	92.9%	7.1%	7.1%	0.0%	21.4%	0.0%	21.4%	42.9%	0.0%	7.1%
Spain	370	18.6%	74.3%	7.0%	2.4%	1.1%	11.1%	4.1%	50.0%	29.2%	0.8%	1.4%
Sweden	6	0.0%	100.0%	0.0%	0.0%	0.0%	16.7%	0.0%	66.7%	16.7%	0.0%	0.0%
Switzerland	23	8.7%	65.2%	26.1%	13.0%	0.0%	17.4%	17.4%	34.8%	13.0%	0.0%	4.3%
United Arab Emirates	3	0.0%	66.7%	33.3%	33.3%	0.0%	0.0%	0.0%	0.0%	66.7%	0.0%	0.0%
United Kingdom	45	20.0%	68.9%	11.1%	11.1%	0.0%	15.6%	4.4%	48.9%	15.6%	0.0%	4.4%
France	10	20.0%	70.0%	10.0%	10.0%	0.0%	10.0%	10.0%	10.0%	60.0%	0.0%	0.0%
Poland	179	44.7%	55.3%	0.0%	0.6%	0.0%	1.7%	1.7%	40.8%	55.3%	0.0%	0.0%
General total	834	11.5%	79.8%	8.7%	18.1%	0.1%	10.4%	3.6%	26.7%	37.1%	0.1%	3.9%

Table 8.- Distribution of employees by gender, age, country and occupational classification.

Total number of permanent employment contracts, temporary contracts and part-time contracts by gender, age and occupational classification.

	Executive			Managers			Professional			Support			
Type	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total	TOTAL
Under 30 years	**0**	**0**	**0**	**3**	**0**	**3**	**101**	**74**	**175**	**2**	**2**	**4**	**182**
Permanent	**0**	**0**	**0**	**3**	**0**	**3**	**79**	**50**	**129**	**2**	**2**	**4**	**136**
Full-time	0	0	0	3	0	3	79	50	129	1	2	3	135
Part-time	0	0	0	0	0	0	0	0	0	1	0	1	1
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**22**	**24**	**46**	**0**	**0**	**0**	**46**
Full-time	0	0	0	0	0	0	22	24	46	0	0	0	46
Part-time	0	0	0	0	0	0	0	0	0	0	0	0	0
From 30 to 50 years	**15**	**4**	**19**	**59**	**37**	**96**	**232**	**226**	**458**	**0**	**10**	**10**	**583**
Permanent	**15**	**4**	**19**	**59**	**37**	**96**	**223**	**220**	**443**	**0**	**10**	**10**	**568**
Full-time	15	4	19	59	37	96	223	220	**443**	0	10	10	568
Part-time	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**9**	**6**	**15**	**0**	**0**	**0**	**15**
Full-time	0	0	0	0	0	0	9	6	15	0	0	0	15
Part-time	0	0	0	0	0	0	0	0	0	0	0	0	0
Over 50 years	**13**	**1**	**14**	**11**	**6**	**17**	**19**	**18**	**37**	**1**	**0**	**1**	**69**
Permanent	**13**	**1**	**14**	**11**	**6**	**17**	**18**	**17**	**35**	**1**	**0**	**1**	**67**
Full-time	13	1	14	11	6	17	18	17	35	1	0	1	67
Part-time	0	0	0	0	0	0	0	0	0	0	0	0	0
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**2**	**0**	**0**	**0**	**2**
Full-time	0	0	0	0	0	0	1	1	2	0	0	0	2
Part-time	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL:	**28**	**5**	**33**	**74**	**42**	**116**	**352**	**318**	**670**	**3**	**12**	**15**	**834**

Table 9.- Total number of types of employment contracts.

The total number of permanent contracts is 771, broken down into 770 full-time and 1 part-time.

And the temporary contracts are all full-time, with a total of 63.

Distribution of permanent employment contracts, temporary contracts and part-time contracts by gender, age and occupational classification.

	Executive			Managers			Professional			Support			
Type	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total	TOTAL
Under 30 years	**0.0%**	**0.0%**	**0.0%**	**0.4%**	**0.0%**	**0.4%**	**12.1%**	**8.9%**	**21.0%**	**0.2%**	**0.2%**	**0.5%**	**21.8%**
Permanent	**0.0%**	**0.0%**	**0.0%**	**0.4%**	**0.0%**	**0.4%**	**9.5%**	**6.0%**	**15.5%**	**0.2%**	**0.2%**	**0.5%**	**16.3%**
Full-time	0.0%	0.0%	0.0%	0.4%	0.0%	0.4%	9.5%	6.0%	15.5%	0.1%	0.2%	0.4%	16.2%
Part-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%
Temporary	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**2.6%**	**2.9%**	**5.5%**	**0.0%**	**0.0%**	**0.0%**	**5.5%**
Full-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	2.9%	5.5%	0.0%	0.0%	0.0%	5.5%
Part-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
From 30 to 50 years	**1.8%**	**0.5%**	**2.3%**	**7.1%**	**4.4%**	**11.5%**	**27.8%**	**27.1%**	**54.9%**	**0.0%**	**1.2%**	**1.2%**	**69.9%**
Permanent	**1.8%**	**0.5%**	**2.3%**	**7.1%**	**4.4%**	**11.5%**	**26.7%**	**26.4%**	**53.1%**	**0.0%**	**1.2%**	**1.2%**	**68.1%**
Full-time	1.8%	0.5%	2.3%	7.1%	4.4%	11.5%	26.7%	26.4%	**53.1%**	0.0%	1.2%	1.2%	68.1%
Part-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%
Temporary	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**1.1%**	**0.7%**	**1.8%**	**0.0%**	**0.0%**	**0.0%**	**1.8%**
Full-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	0.7%	1.8%	0.0%	0.0%	0.0%	1.8%
Part-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Over 50 years	**1.6%**	**0.1%**	**1.7%**	**1.3%**	**0.7%**	**2.0%**	**2.3%**	**2.2%**	**4.4%**	**0.1%**	**0.0%**	**0.1%**	**8.3%**
Permanent	**1.6%**	**0.1%**	**1.7%**	**1.3%**	**0.7%**	**2.0%**	**2.2%**	**2.0%**	**4.2%**	**0.1%**	**0.0%**	**0.1%**	**8.0%**
Full-time	1.6%	0.1%	1.7%	1.3%	0.7%	2.0%	2.2%	2.0%	4.2%	0.1%	0.0%	0.1%	8.0%
Part-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Temporary	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**	**0.1%**	**0.2%**	**0.0%**	**0.0%**	**0.0%**	**0.2%**
Full-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.0%	0.0%	0.0%	0.2%
Part-time	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL:	**3%**	**1%**	**4%**	**9%**	**5%**	**14%**	**42%**	**38%**	**80%**	**0%**	**1%**	**2%**	**100%**

Table 10.- Distribution of types of employment contracts.

92% of the contracts are permanent contracts, with 91.9% being full-time permanent contracts and 0.1% part-time, and 8% are temporary contracts, all full-time.

Number of dismissals by sex, age and occupational classification.

Type	Man	Woman	Total
Executive	**1**	**0**	**1**
Under 30 years	0	0	0
From 30 to 50 years	1	0	1
Over 50 years	0	0	0
Managers	**3**	**0**	**3**
Under 30 years	0	0	0
From 30 to 50 years	3	0	3
Over 50 years	0	0	0
Professional	**4**	**1**	**5**
Under 30 years	1	1	2
From 30 to 50 years	3	0	3
Over 50 years	0	0	0
Support	**0**	**2**	**2**
Under 30 years	0	0	0
From 30 to 50 years	0	2	2
Over 50 years	0	0	0
Total:	**8**	**3**	**11**

Table 11.- Number of dismissals by sex, age and professional classification.

Average remunerations and their evolution broken down by sex, age and professional classification or equal value.

The average remunerations provided refer only to fixed salaries, as there is no data for 2020 for the variable salaries of the workforce resulting from the merger with BP2S.

Average salaries broken down by gender for the support category are not provided as there is no significant sample (more than 5 employees) to guarantee the privacy of the data. For reasons of confidentiality and not to distort the results, we have modified the age ranges. Data are expressed in thousands of Euros.

Type	Average Remunerations 2020			Average Remunerations 2019		
Managers	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**
Under 40 years	€ 68,089	€ 66,519	€ 67,304	€ 67,565	€ 73,554	€ 70,560
Over 40 years	€ 94,486	€ 76,678	€ 84,183	€ 100,162	€ 80,285	€ 90,224
Professionals	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**
Under 40 years	€ 32,708	€ 32,086	€ 32,397	€ 38,109	€ 40,170	€ 39,140
Over 40 years	€ 54,472	€ 53,141	€ 53,807	€ 58,396	€ 59,515	€ 58,956
Total:	**€ 62,439**	**€ 57,106**	**€ 59,772**	**€ 66,058**	**€ 63,318**	**€ 64,720**

Table 12.- Average salaries and their evolution disaggregated by sex, age and professional classification or equal value.

Wage gap, the remuneration of equal or average jobs at the company.

The calculation of the pay gap has been made taking into account the average remuneration of women minus the average remuneration of men divided by the average remuneration of women.

Managers	13,87%
Professional	0,9%
Managers	17,5%
Directors	0

Table 13.- 2020 pay gap by professional category.

Average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payments to long-term savings schemes and any other payments disaggregated by gender.

The average remuneration of directors and executives in 2020 was only for men. This amount amounts to 8,115 euros/director.

Disconnection policies

Allfunds includes a section on digital disconnection within its General Code of Conduct as follows: 'Mobile devices that may be assigned to employees are intended to provide flexibility and facilitate work activity through information technology and as a complement to other work tools (IT or otherwise).

Allfunds wishes to encourage reasonable and intelligent use of these devices. Therefore, unless strictly necessary for justified business reasons or urgency, or unless the specific characteristics of the job require it, employees are not expected to respond to work requests received through such devices during rest periods.

Employees with disabilities

In 2020 Allfunds employs 13 people with special needs in two of the countries in which it operates, 5 people in Spain and 8 in Italy. The percentage of people with special needs within the average workforce (834 people) during 2020 in Allfunds is 1.55% and within Spain it is 2%.

Allfunds thus contributes to the inclusion and integration of people with disabilities in the workplace, thus complying with the General Disability Act in its Madrid centre.

Organisation of work

The working hours and shifts of the people who work at Allfunds are determined not only by current legislation and the collective bargaining agreement, but also by the needs of clients according to their activity. Wherever possible, Allfunds allows flexible working hours to promote a healthy work-life balance.

The total number of absence hours during 2020, calculated on an aggregated basis across all countries, was 46,331 hours. This includes absence hours due to common contingencies and maternity and paternity leave hours as well as hours due to occupational contingencies from an accident that occurred in 2019.

Allfunds' measures aimed at facilitating work-life balance and encouraging co-responsibility by both parents are flexible working hours and digital disconnection. In addition, it includes work-life balance in its General Code of Conduct.

Health and safety

Allfunds is committed to providing and maintaining a safe and healthy working environment for employees, visitors and all persons using our facilities. Compliance with legislation is a prerequisite, and where possible, also implementing minimum standards with a focus on further reducing any significant occupational health and safety risks.

In addition, it fulfils its responsibility to provide a safe and healthy working environment for its employees, applying the regulations in force in each country in which it operates and taking into account legislative trends and international standards, as well as other commitments.

Particularly, in Spain, in accordance with the provisions of articles 10 and 14 of Royal Decree 39/1997, Allfunds adopts an external prevention service (EPS), which assumes the specialities of occupational health and safety, industrial hygiene, ergonomics, applied psychosociology and health surveillance. Although all activities in the field of health and safety at work are included in the preventive reports that the EPS carries out annually, the most important milestones in health and safety in 2020 are as follows:

- The drafting of a Declaration of Intent on health and safety at work has begun.
- Hygiene measurements were carried out during June 2020 at Allfunds headquarters, with positive results and no deficiencies.
- Installation of defibrillators. During 2020, the company completed the installation of defibrillators in all Allfunds offices regardless of the number of employees, size and location. The aim is to provide employees with the best possible protection and means to create safe and healthy workplaces.

Allfunds monitors, measures and reports health and safety performance on a regular and ongoing basis and investigates incidents to prevent recurrence and has two employee representatives in Luxembourg and Italy.

In 2020, there were no lost-time accidents at Allfunds at any of its workplaces and no occupational illnesses.

Allfunds has no positions in the organisation that are classified as having a high risk of accidents and/or illness related to their activity.

Social relations

Allfunds scrupulously respects the right to freedom of association and trade union freedom proclaimed in the Universal Declaration of Human Rights.

The organisation currently has trade union representatives in Italy and Luxembourg, with whom it maintains a fluid and constant relationship through the Human Resources Managers in the various countries, with the aim of ensuring an open, transparent and constructive dialogue to consolidate the objectives of social peace and job stability.

In the other countries, Allfunds organises its social dialogue with employees through direct communications with the human resources department and the regulatory compliance unit, which are articulated through its communication channels and mailboxes made available to employees (regulatorycompliance@allfunds.com and via the intranet in the Whistleblowing Channel section).

64% of Allfunds employees are covered by collective bargaining agreements, as not all countries where Allfunds operates have collective bargaining agreements. The different collective bargaining agreements are detailed below:

- In Madrid, Convenio de Banca. Includes 317 employees.
- In Valencia, Convenio de Oficinas y Despachos de Valencia. Includes 50 employees.
- In Italy, Convenio Colectivo de Crédito (Collective Bargaining Credito). Includes 137 employees.
- In Luxembourg, Collective Bargaining Agreement for Bank Employees. Includes 34 employees.
- In France, Collective Bargaining Agreement for Bank Employees. Includes 10 employees.

Allfunds complies with the health and safety requirements included in its collective bargaining agreements and with the occupational risk prevention legislation applicable to it. The balance of Allfunds' occupational health and safety management, including the balance of collective bargaining agreements, is evidenced by the number of accidents and occupational illnesses and their associated accident rates.

Training and development

At Allfunds we encourage our teams to grow and develop, to showcase their individual strengths and capabilities, and to contribute to a better and more diverse environment.

We understand talent as a dimension of diversity, not just reserved for a few, and we ensure a suitable environment to grow and utilize the diversity of that talent.

Our employees have a responsibility to develop their own potential and get the most out of Allfunds' development measures.

Talent and Development

These two key pillars, Talent and Development, are the backbones that support the most important People Management (PM) processes at Allfunds.

We aim to provide:

- Inclusive approaches focused on developing each individual to leverage and expand their competencies and roles.

- Create opportunities for growth and development within the Company to leverage internal potential and knowledge.

- Develop a "Talent Pool" as a basic tool for a successful succession plan Allfunds has an annual staff training policy and plan.

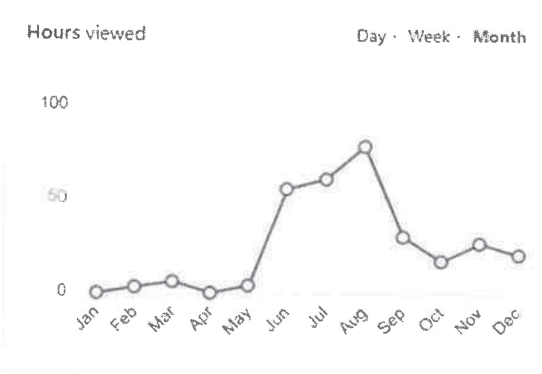
One of the tools to support development is training. In 2020, as part of our "Readiness" lever, we have focused on strengthening language skills (English in the vast majority of cases) to facilitate communication in an increasingly global environment.

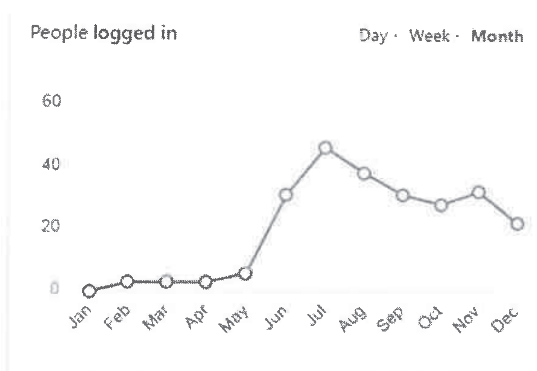
We have also consolidated continuous training associated with mandatory Compliance and IT Security training through internal and external digital platforms (W&K Financial Education).

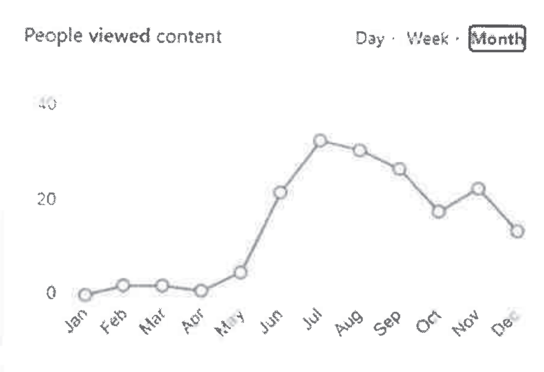
This training includes subjects related to the General Code of Conduct, internal policies and protocols, on anti-money laundering, cybersecurity, data protection and other applicable Compliance regulations, which are applicable in the countries in which Allfunds operates. In 2020 motivated by the pandemic situation, this training has been provided through live webinars which have subsequently been posted on the intranet.

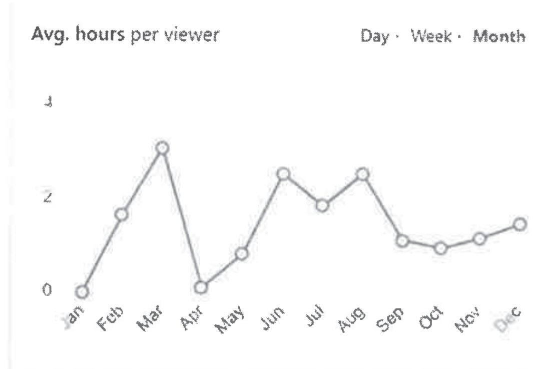
Building Skills and Competencies through a global platform such as Linked In has been key to implementing our second development lever. The preferred training among participants combines technological, analytical and personal development skills.

304	93	72	4h 12m
Hours viewed	People logged in	People viewed content	Avg. time per viewer









Microsoft Power BI	8	29%
Business Intelligence (BI)	7	25%
Personal Development	7	25%
Communication	6	21%
Microsoft Excel	4	14%
Leadership	4	14%
People Management	4	14%
Spreadsheets	3	11%
Data Analysis	3	11%
Mentoring	3	11%

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However, technology has been the main protagonist during 2020, moving from one day to another to a 100% remote work. Therefore, having tutorials and materials on our intranet for training and consultation on the work tools to be used in this new reality has been essential for success in our day-to-day work, either remotely or in person.

During 2020, we also rolled out a global Leadership program to equip all Allfunds managers with the 6 critical practices for team management. For this, we chose Franklyn Covey's online program, with three sessions of two hours each.

Given that all training this year has been through digital platforms, the information provided by the systems does not always coincide with the training hours/employee parameters, for example in the case of Linked In. However, we summarize below the most relevant information on the training implemented.

Type	Mandatory training	Languages	Leadership	Technology	Number of hours of training
Executive	141	62.55	24	36	263.55
Manager	532.5	221.43	564	130	1,447.93
Professional	2,307	1,074.37	76	630	4,087.37
Support	79.5	14.67	0	15	109.17
Total:	**3,060**	**1,373.02**	**664**	**811**	**5,908.02**

Table 14. Number of training hours in 2020.

Universal accessibility for people with disabilities

The interior spaces of the Allfunds offices are adapted for people with disabilities, in compliance with current regulations. There are accesses suitable for use by all persons and there are toilets adapted for people with disabilities in most of the centres.

The ownership of the building in Madrid centre is in the process of obtaining an accessibility certificate for the facilities, the process of which began during 2019. The ultimate goal is to ensure that the facilities are suitable for all.

Allfunds includes a section on equal opportunities and non-discrimination in its General Code of Conduct, which states that it is a basic principle of action at Allfunds to provide equal opportunities in access to work and professional promotion, ensuring at all times the absence of situations of discrimination based on gender, sexual orientation, race, religion, family origin, nationality, age, disability, language, marital or social status, political ideology, political or trade union affiliation or any other characteristic that is not objectively related to working conditions or whose consideration for these purposes is prohibited by the applicable legislation. It also has an equality and diversity policy.

Equality, non-discrimination and diversity management

Allfunds has an Equality Plan, which was approved in December 2020 and runs until December 2024. Among the measures identified in this plan during 2020, a Protocol for the Prevention of and Action against Harassment at Work, Sexual Harassment and Gender-based Harassment has been drawn up and approved.

To negotiate and draw up the Equality Plan, a Negotiating Committee was set up to discuss the different strategies and measures to be included in the Plan, as well as monitoring indicators that will be reviewed periodically to ensure effective equality between women and men in the Company.

Although the plan is designed and approved within the framework of Law 3/2007 on effective equality between women and men, the Company is working on a diversity and equality policy that will enable it to extend these and other measures to all its employees and offices by 2021.

Likewise, within the framework of the negotiation of the Equality Plan, a Protocol for Prevention and Action against harassment in the workplace, sexual and gender-based harassment was approved in December 2020, which promotes and guarantees a working environment in which all people are treated with respect and dignity. This protocol will apply to all employees in Allfunds' different offices and locations.

Allfunds' commitment to equality and non-discrimination is also expressly stated in the CSR policy and in the General Code of Conduct, which includes a commitment to zero tolerance for any kind of abuse, intimidation, lack of respect and consideration or any kind of physical or verbal aggression.

Respect for human rights

To go a step further in human rights due diligence and the prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and redress potential human rights abuses, Allfunds has adhered to the ten principles of the United Nations Global Compact for the year 2020. These principles cover the areas of human rights, labour standards, environment, and anti-corruption. The six principles related to human rights are as follows:

- Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.
- Businesses should make sure that they are not complicit in human rights abuses.
- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Businesses should uphold the elimination of child labour.
- Businesses should support the abolition of discrimination in respect of employment and occupation.

During October 2020, Allfunds has also drawn up and approved a Protocol for Prevention and Action against Workplace, Sexual or Gender-based Harassment, which establishes a series of measures and actions in situations that could constitute harassment, respecting in all cases the privacy of the persons involved as well as confidentiality, objectivity, and neutrality throughout the process.

In addition, Allfunds has the following tools for the respect of human rights:

- A General Code of Conduct, which includes a section on respect for the internationally recognised rights of unionisation, association and collective bargaining, as well as the activities carried out by workers' representative organisations, in accordance with the functions and competences legally attributed to them, with whom a relationship based on mutual respect will be maintained in the interests of promoting open, transparent and constructive dialogue to consolidate the objectives of social peace and labour stability.
- A Compliance system, led by AML's Internal Control Body and the Risk Committee in which Allfunds Management participates, which meet quarterly. In addition, the Compliance department reports periodically to the Board's Risk and Audit Committee. Furthermore, the Compliance Monitoring Programme, in application of the Corporate Defence model, collects and supervises the control measures defined in the organisation to prevent risks of human rights violations.
- Corporate Social Responsibility Policy, which includes the commitment to contribute to the effective practice of fundamental labour rights in each country in which Allfunds employs people. These rights include the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and equal opportunities and access to promotion and career advancement, training and any social benefits provided by the company.
- Supplier Code of Conduct, which aims to align its decision-making process based on its leadership, ethical and socially responsible values, in accordance with the seven principles of social responsibility included in the ISO 26000

standard: accountability, transparency, ethical behaviour, respect for stakeholders' interests, respect for the rule of law, respect for international standards of behaviour and respect for human rights.

The Regulatory Compliance Unit coordinates training for Allfunds employees on conduct (alignment with the ethical standards and principles of conduct that Allfunds employees must observe) & Corporate Defence (knowledge of the Allfunds corporate defence model, the list of potential criminal offences that could affect the company's activity, the existence of appropriate channels for reporting unethical conduct or illegal behaviour), Prevention of Money Laundering and Financing of Terrorism (knowledge of the detection and prevention measures in place), Privacy (knowledge of the necessary measures in the processing of data and information) and Regulations applicable to the securities market.

Allfunds provides its staff with channels for consulting and/or reporting cases in which a breach of the General Code of Conduct is detected or suspected (by e-mail regulatorycompliance@allfunds.com and through the Whistleblowing Channel on the Allfunds intranet in the Whistleblowing Channel section, both managed by the Regulatory Compliance Unit).

Reports of harassment are also received through the Whistleblowing Channel on the Allfunds Corporate Intranet, which can be anonymous and are in any case handled with due confidentiality and without any reprisals against the complainant if he/she has identified him/herself. The Regulatory Compliance Unit is responsible for handling the complaints received.

In addition, Allfunds has a generic communication channel for third parties in the contact section of the Allfunds website.

During 2020, there were no reports of human rights abuses at Allfunds and therefore no measures to mitigate, manage and redress potential abuses were necessary.

Fighting corruption and bribery

Allfunds has a compliance system based on codes of conduct and internal policies. In addition, there is a compliance monitoring programme that includes the analysis of criminal risks according to the Corporate Defence model and the analysis of regulatory risks applicable to the activities carried out by Allfunds. In addition, there is a whistleblowing channel available to all employees via the intranet.

To prevent corruption and bribery, Allfunds has established the following protocols:

- Allfunds General Code of Conduct, which includes a section on gifts, commissions, or financial facilities, stating that it is prohibited to give or accept any type of income, commissions, gifts, or invitations not authorised by the procedures established by Allfunds, or to take advantage of the position held therein for one's own benefit.
- Anti-Corruption and Gifts and Invitations Policy, which clearly establishes the criteria and principles of action to be followed by employees in any of their professional relations with Allfunds, to ensure compliance with the Anti-Corruption Regulations and, specifically, regarding gifts, invitations, commissions, remuneration, income, advantages, or benefits, which is mandatory and additional to the General Code of Conduct.
- Code of Conduct in the securities market and Conflict of Interest Management Policy, which establishes the guidelines for avoiding and managing potential conflicts.

To combat money laundering, Allfunds has a Manual for the prevention of money laundering and the financing of terrorism, which covers the concepts, guidelines, and directives that employees must observe in the performance of their activities, as well as the control measures implemented.

Information about the company

Company commitments to its stakeholders and sustainable development

Allfunds' commitments to sustainable development are set out in its CSR policy, its CSR Plan, and its Environmental and Climate Change policy. To reinforce these commitments, Allfunds has joined the United Nations Global Compact in 2020 as a Signatory Partner.

Allfunds is thus committed to ten universal principles in the areas of human rights, labour standards, environment, and anti-corruption. These principles are aligned with the achievement of the 17 Sustainable Development Goals, which is why Allfunds also focuses its strategic and corporate social responsibility actions on contributing to them.

One of Allfunds' commitments to sustainable development highlights the impact of its activity on local development, as during 2020 Allfunds' supply chain consisted of more than 789 suppliers, and more than 90% of them were local.

Allfunds' stakeholders, their communication channels and the type of dialogue established is as follows:

STAKEHOLDER GROUPS	COMMUNICATION CHANNELS											
Customers	E-MAIL	TELEPHONE NO.	FACE-TO-FACE MEETINGS	VIDEO CONFERENCE	SOCIAL NETWORKS	WEBSITE	FAX	MAILINGS	EVENTS AND CONFERENCES	ADVERTISING	INTRANET	COLLABORATIVE TOOLS (TEAMS, SKYPE, WHATSHAPP, ETC.)
Employees	X	X	X	X	X	X	X		X	X	X	X
Providers	X	X	X	X	X	X		X				
Regulators	X	X	X	X	X	X		X				
Board of Directors	X	X	X	X		X						X
Press	X	X	X		X				X			
Shareholders	X	X	X			X		X				
Investment Fund Managers	X	X	X	X	X	X		X	X	X		
Associations and Foundations	X	X	X	X	X	X		X	X	X		

Table 15. Stakeholders and communication channels.

In relation to communication with stakeholders, Allfunds has a communication protocol in place that requires all media requests to be coordinated through the Communications Department, and all press releases to be sent to the Communications Department for review and approval.

Socially Responsible Investing

Allfunds made its commitment to Socially Responsible Investment during 2020 by adhering to the United Nations Principles for Responsible Investment (PRI), thereby committing to consider environmental, social and governance (ESG) aspects in the company's investment services.

The objective is to incorporate ESG criteria into fund analysis, which contributes to improving long-term risk-adjusted returns while generating a positive environmental, social and governance impact.

With the acquisition of a team of fund analysts from Fundinfo in 2019, Allfunds has added three investment consultants to its Zurich office in 2020 with more than ten years of experience in analysing sustainability criteria for funds. The analysts assess the sustainability of funds based on these four aspects:

1) Sustainability of asset managers.
2) Sustainability of the investment process.
3) Active management (voting and participation).
4) Transparency and information.

This work has resulted in Allfunds already having close to 100 sustainable fund recommendations across all asset classes and is available to several Allfunds' research clients (mostly banks).

In addition, the investment solutions team also offers access to the 'Digital Selector', a developed fund selection tool, which contains ESG-related data with which investors can select investment products in accordance with their sustainability criteria.

Similarly, in 2020 Allfunds has partnered with Clarity AI, a company dedicated to providing end-to-end technology solutions to understand and optimise the social and environmental impact of investments. Through this partnership, Allfunds' clients will be able to access Clarity AI's portfolio and equity-based information through the Connect platform and benefit from the most comprehensive analysis of ESG criteria, sustainability, and impact, which will be seamlessly integrated into their existing processes.

Allfunds also aims to become the leading B2B sub-advisory platform in Europe with numerous mandate funds by January 2021. All mandates must comply with the following minimum ESG requirements:

- ESG risks (environmental, social and governance) must be considered as part of the investment process.
- Exclusion of companies deriving revenues from the sale of controversial arms.
- Exclusion of companies deriving revenues from the sale of thermal coal.
- Exclusion of companies deriving revenues from tobacco production.
- Exclusion of companies that fail to comply with the principles of the UN Global Compact.

This mandate fund offering will also include several specific ESG and impact strategies that should apply additional exclusion criteria (e.g., adult entertainment, conventional weapons, gambling, etc.) and a more holistic ESG investment approach.

Allfunds Solidarity Fund

Allfunds has the Allfunds Solidarity Fund, which is an aid channel whose functional objective is to contribute to social development and carry out social work for the benefit of citizens. It involves a firm commitment to the improvement of the local communities in which Allfunds operates, as well as in many other places in need through the generation of funds that donate in accordance with guidelines and regulations. Donations can come from various sources: directly from Allfunds, from Allfunds employees, from sponsors of charitable events and from individuals (clients and people working in Investment Fund Managers).

We only consider projects submitted by entities that fall under Law 49/2002 on the tax regime for non-profit organisations and tax incentives for sponsorship, are legally constituted, and pursue general interest objectives. Allfunds has an Allfunds Solidarity Fund policy, which sets out the following guidelines and criteria when selecting a project or donating:

- There is a Solidarity Fund Committee to ensure an objective and consensual choice of project selection.
- The selection of global projects considers security criteria, analysing each project in depth.
- Operations that do not serve a solidarity or aid purpose are avoided.
- The Solidarity Fund Committee submits an annual report detailing the projects that have been financed that year together with the amounts donated.

The donations made by Allfunds during 2020 were:

Table 16.- Donations made during 2020	
Foundations	Donations (€)
iHelp	201,210
Banco Alimentare Milano	62,625
Esteban. G. Vigil	16,066
Khanimambo	10,000
SED	3,045
A LA PAR	2,700
Prodis	2,500
Sauce	1,581
Harambee	1,330
Fundación Madrina	1,095
Save The Children	1,089
Llamarada de Fuego	1,000
TOTAL	**€ 304,241**

In addition, through the Allfunds Solidarity Fund, Allfunds contributes to social development and social work for the benefit of citizens. Through these social projects and the donations made, we contribute to the following SDGs:

Collaboration with the Khanimambo Foundation, helping children in the most disadvantaged areas of Mozambique to have a dignified childhood that allows them to build a future for themselves.

Collaboration with the Esteban G. Vigil Foundation, in a project for the reconstruction of a wood-burning cooker in the Asha Bhavan home for the elderly and disabled in Gudalur (India).

Allfunds COVID-19 Solidarity Fund Challenge. Food was provided to more than 600 Spanish families and 12,000 children in Italy affected by the pandemic.

In collaboration with the iHelp foundation, through Carrefour supermarkets, and with the help of a large team of volunteers, a weekly purchase has been provided to each of the families, for one or two months depending on the situation of each family, so that they have access to basic necessities.

Food collection campaign with the Granito a Granito Foundation, which supplies food and covers the basic needs of more than 180 homeless people in the Community of Madrid.

White Worms Campaign. The 150 children at the Maria Mediadora orphanage in Chezi, Malawi, had their first taste of spaghetti or white worms, as they call them, last year, and for them it was a real feast and a party. Allfunds launched this campaign, in collaboration with the Esteban G. Vigil Foundation, to collect 'White Worms' so that they can enjoy them more often.

Christmas Solidarity Market. Donation of products by workers to raise money for the Solidarity Fund.

Campaign to raise funds for the CHEP project (Child Health Project) of the NGDO Harambee. This project aims to finance health insurance for 10 years for each of the children in the Lumuro area, in the suburbs of Nairobi, Kenya, where there is an extremely high infant mortality rate.

Each insurance costs €50, and includes 3 check-ups a year to identify anaemia, get de-wormed, medicines and vitamins, and health checks.

Thanks to the Allfunds donation, health insurance has been provided for 32 children.

Cantando por Guatemala Campaign. In collaboration with the NGO SED (Solidarity, Education and Development) and through an online solidarity concert, money was raised for the reconstruction of schools in areas of Guatemala that suffered major flooding.

Back to school campaign. In collaboration with the Fundación Madrina and the iHelo Foundation, school supplies were given to a total of 256 children from families affected by the pandemic.

Donations to various Foundations committed to people with intellectual disabilities to help them in their personal development and inclusion in the workplace. A la Par Foundation and Prodis Foundation.

Creation of a computer room at the Fundación Down. 38 computers have been donated to the Foundation's centre in Tres Olivos.

Allfunds, during 2020, made the following sponsorships worth €346,371:

- Spain: Premios Expansión-Allfunds
- Spain: Teatro Real de Madrid
- Spain: OCEAN – CaixaBank
- Spain: Premios Telva Solidarios
- Spain: CTO Summit
- Singapore: Hubbis
- Dubai: Fund Finder Middle East
- Luxembourg: Farad Finance Forum
- Brazil: BTG's Global Managers Conference
- UK: Goodacre – COLWMA
- UK: Goodacre - System in the city
- UK: PIMFA
- UK: TISA

Allfunds belongs to the following associations:

- APD, Asociación Para El Progreso de la Dirección.
- EFAMA, EUROPEAN FUND AND ASSET MANAGEMENT ASSOCIATION
- AEB, Asociación Española de la banca.
- ITALIAN CHAMBER OF COMMERCE AND INDUSTRY
- RED ESPAÑOLA DEL PACTO MUNDIAL
- INVERCO, Asociación de Instituciones de Inversión Colectiva y Fondos de Pensión.
- ALFI, Association of the Luxembourg Fund Industry.

Subcontracting and suppliers

Allfunds has a procedure for the approval and evaluation of suppliers, which establishes the guidelines and principles to be considered acceptable in the process of selecting new suppliers for the supply of any type of products or services, including in this process the alignment of the supplier with the values and ethical principles of good governance and corporate social responsibility of Allfunds.

This procedure has been revised and approved in May 2020 and has included a section on environmental practices, with environmental commitments that the supplier must comply with, including evaluation and selection filters in accordance with environmental criteria. It also responds to compliance with the UK Modern Slavery Act 2015 and is mandatory for any supplier wishing to be part of the Allfunds supply chain.

Within this procedure there is a supplier approval questionnaire, which is necessary to determine whether to accept the provision of a service and to ensure the supplier's commitment and compliance with applicable legislation and regulations in terms of:

- Respect for human rights.
- Labour practices.
- Slavery and human trafficking (Modern Slavery Act 2015).
- Anti-bribery and anti-corruption.
- Prevention of money laundering and the financing of terrorism.
- Health and safety.
- Environmental practices.

In addition, the supplier selection procedure includes the express and documented acceptance of the Supplier Code of Conduct, and a document must be signed as acknowledgement of receipt of the code of conduct. This code of conduct has also been reviewed during 2020. The commitments to action and conduct included in the Supplier Code of Conduct are as follows:

- All laws and regulations of the country where the activities are carried out shall be complied with.
- Human rights will be respected, and their importance and universality recognised, which must be applied indivisibly in all countries, cultures, and situations in which the company operates.
  Respect and promote the rights set out in the Universal Declaration of Human Rights within its supply chain.
- Not contribute to modern slavery under any circumstances.
- Suppliers will not engage in or benefit from forced or compulsory labour and must comply with International Labour Organisation Conventions in relation to forced labour.
- The right of employees to associate freely shall be respected.
- As a minimum, wages and work hours shall comply with applicable laws, rules, and regulations in the country in question, including minimum wages, overtime, and maximum hours of work.
- Child labour shall not be used and shall specifically comply with ILO standards.
- Suppliers shall not discriminate, or support discrimination based on race, social or national origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, trade union membership, political opinion, age, or any other status that may cause discrimination.
- Suppliers shall treat all workers with dignity and respect.
- Suppliers shall respect their workers' right to a minimum wage and ensure that wages always meet, at a minimum, legal or industry standards and are sufficient to cover workers' basic needs and allow for certain discretionary spending.
- Suppliers shall respect legislation prohibiting human trafficking and comply with all applicable local regulations in the country or countries in which they operate, including but not limited to the Modern Slavery Act 2015.

- Suppliers shall not, under any circumstances, engage in any form of corrupt practice (such as theft, fraud, conspiracy to defraud, racketeering, participation in a criminal organisation or money laundering activities).
- All employees shall be provided with good occupational health and safety conditions.
- Activities will be conducted in an environmentally friendly manner and in compliance with all relevant legislation of the country concerned.

During 2020, Allfunds has not carried out any monitoring systems or audits of suppliers, because no risk of non-compliance with the Supplier Code of Conduct has been deemed to exist. There have also been no negative environmental impacts in the supply chain.

Consumers

Considering the definition of a consumer as a person who consumes goods and products in a market society, Allfunds has no specific measures for the health and safety of consumers, as it is a service company that in no case directly or indirectly affects the health and safety of its customers, who cannot have the status of consumers.

Allfunds has a procedure for handling customer complaints and claims, the aim of which is to establish the entity's practices for handling complaints from customers and users of Allfunds' financial services and to comply with the requirements established by current legislation, specifically those contemplated by the regulations on payment services and those transposing alternative customer dispute resolution legislation into Spanish law.

Allfunds has channels for the communication of complaints and claims by customers (atencionalcliente@allfunds.com) and a register of customer complaints and claims with details of their type, description, dates of receipt and reply, financial impact if applicable, response to the customer and status, including response and resolution deadlines.

Allfunds received a total of one customer complaint and one complaint during 2020. The complaint relates to an FX transaction and the grievance to an issue of delays in the communication of corporate events. All complaints and grievances were appropriately addressed, followed up and are properly closed as of the date of preparation of this non-financial reporting statement.

Tax information

Allfunds' profit after tax in 2020 amounted to €71,798 thousand, broken down by country as follows:

Jurisdiction	Profit after tax (thousands of Euros)
Spain	40,394
Italy	32,565
Luxembourg	11,783
United Kingdom	8,105
Singapore	-2,151
Switzerland	28,159
Brazil	-78
Hong Kong	-977
Sweden	-1,377
France	-21,464
Poland	48
Total	**95,006**
Consolidation adjustments	-23,108
Allfunds Group Consolidated	**71,798**

Table 17.- Profit after taxes by country.

Profit taxes paid during 2020 amount to €41,676,716.

In 2019, the Centre for the Development of Industrial Technology (CDTI in Spanish) of the Ministry of Economy, Industry and Competitiveness awarded a grant of €196,571.41 to Allfunds Bank SAU for the Blockchain Platform R&D project.

The grant was not paid until 16 December 2020, and the amount finally approved underwent a downward modification since, once the documentary justification requested by the CDTI was completed, it was readjusted, leaving a grant amount of €188,549.19.

Table of Contents of the Non-Financial Information Law 11/2018

Contents of Law 11/2019 EINF		Standard used	Report page number
Business Model			
Description of the group's business model	• Description of the business model. • Geographical presence. • Objectives and strategies. • Main factors and trends affecting future development.	GRI 102-2, GRI 102-4, GRI 102-6, GRI 102-7, GRI 102-15	Pages 3-10 Page 7 Page 11 Page 11
Information about environmental issues			
Policies	Management approach.	GRI103-2, GRI 103-3	Pages 11-16
Main risks	Main risks and impacts arising from the group's activities and and their management.	GRI 102-11, GRI 102-15	Pages 16-24
General	Effects of the company's activities on the environment, health, and safety.	GRI 102-15, GRI 102-29, GRI 102-31	Pages 25-32
	Environmental assessment or certification procedures.	GRI 102-11, GRI 102-29, GRI 102-30	Page 26
	Resources dedicated to the prevention of environmental risks.	GRI 102-29	Page 27
	Application of the precautionary principle.	GRI 102-11	Page 27
	Provisions and guarantees for environmental risks.	GRI 307-1	Page 27
Pollution	Measures to prevent pollution.	GRI 103-2, GRI 302-4, GRI 302-5, GRI 305-5,	Pages 27-29
Circular Economy and waste prevention and waste management	Waste prevention and management measures.	GRI 103-2, GRI 301-1, GRI 301-2, GRI 301-3, GRI 303-3, GRI 306-1, GRI 306-2,GRI 306-3	Pages 29-30
Sustainable use of resources	Water consumption.	GRI 303-1	Page 30
	Consumption of raw materials.	GRI 103-2, GRI 301-1, GRI 301-3	Pages 30-31
	Energy: Consumption, direct and indirect; Measures taken to improve energy efficiency, Use of renewable energies.	GRI 103-2, GRI 302-1, GRI 302-4, GRI 302-5	Page 31
Climate Change	Greenhouse Gas Emissions (GHG).	GRI 305-1, GRI 305-2, GRI 305-3	Pages 27-29
	Measures to adapt to Climate Change.	GRI 102-15, GRI 103-2, GRI 305-5	Pages 31-32
	GHG emission reduction targets.	GRI 103-2	Pages 27-29
Protection of biodiversity	Measures taken to preserve or restore biodiversity.	Not applicable to the Group	Page 32
	Impacts caused by the activity.	Not applicable to the Group	Page 32
Information about social issues and personnel			
Policies	Management approach.	GRI103-2, GRI 103-3	Pages 11-16
Main risks	Main risks and impacts arising from the group's activities and their management.	GRI 102-15, GRI 102-30	Pages 16-24
Employment	Total number and distribution of employees by sex, age, country, and professional classification.	GRI 102-7, GRI 102-8, GRI 401-1, GRI 405-1	Pages 33-34
	Total number and distribution of types of employment contract.		Pages 35-36
	Annual average of permanent, temporary, and part-time contracts by sex, age, and professional classification.		Pages 35-36
	Number of dismissals by sex, age, and professional classification.		Page 37
	Average salaries by sex, age, and professional classification or equal value.		Page 38
	Wage gap.		Page 39

	Compensation for equal or average jobs in the company.	GRI 102-36, GRI 201-3, GRI 405-2	Page 39
	Average remuneration of directors and managers, broken down by sex.		Page 39
	Work disconnection measures.	GRI 103-2	Page 39
	Employees with disabilities.	GRI 405-1	Page 39
Organisation of work	Organisation of working time.	GRI 102-8, GRI 103-2	Page 40
	Number of absenteeism hours.	GRI 403-2	Page 40
	Measures to facilitate work-life balance.	GRI 103-2, GRI 401-3	Page 40
Health and safety	Health and safety conditions at work.	GRI 103-2	Page 40
	Accident rates disaggregated by sex.	GRI 403-2	Page 40
	Occupational diseases.	GRI 403-2	Page 40
Social relations	Organisation of social dialogue.	GRI 102-43, GRI 403-1	Page 41
	Percentage of employees covered by collective agreement.	GRI 102-41	Page 41
	Balance of collective agreements in the field of health and safety at work.	GRI 403-1, GRI 403-4	Page 41
Training	Training policies.	GRI 103-2, GRI 404-2	Pages 41-44
	Total hours of training by professional categories.	GRI 404-1	Page 44
Accessibility	Universal accessibility for people with disabilities.		Page 44
Equality	Measures for equality for men and women.		Page 45
	Equality plans.	GRI 103-2, GRI 406-1	Page 45
	Measures to promote employment.		Page 45
	Protocols against sexual and sex-based harassment.		Page 45
	Universal accessibility for people with disabilities.		Page 45
	Policy against discrimination and diversity management.		Page 45
Information on respect for human rights			
Policies	Management approach.	GRI 103-2, GRI 103-3	Pages 11-16
Main risks	Main risks and impacts arising from the group's activities and and their management.	GRI 102-15, GRI 102-30	Pages 16-24
Human Rights	Application of due diligence procedures.		
	Measures for the prevention and management of possible abuses committed.	GRI 102-17, 103-2, GRI 419-1	
	Complaints for cases of human rights violations.		Pages 46-47
	Promotion and compliance with the provisions of the ILO.		Pages 46-47
Information regarding the fight against corruption and bribery			
Policies	Management approach.	GRI 103-2, GRI 103-3, GRI 205-2	Pages 11-16
Main risks	Main risks and impacts arising from the group's activities and and their management.	GRI 102-15, GRI 102-30,	Pages 16-24
Corruption and bribery	Measures to prevent corruption and bribery.	GRI 103-2	Pages 48
	Measures to combat money laundering.		
	Contributions to foundations and non-profit organisations.	GRI 103-2, GRI 201-1	Pages 49-53
Information about the company			
Policies	Management approach.	GRI 103-2, GRI 103-3	Pages 11-16
Main risks	Main risks and impacts derived from the group's activities, as well as their management.	GRI 102-15, GRI 102-30	Pages 16-24
Company commitments to sustainable development	Impact of the company's activity on employment and local development.	GRI 203-1, GRI 203-2, GRI 413-1	Page 49
	Impact of the company's activity on local populations and the territory.		Pages 49-53
	Relations with local communities.	GRI 102-43, GRI 413-1	Page 49
	Association or sponsorship actions.	GRI 102-13, GRI 203-1, GRI 201-1	Page 54
Subcontracting and suppliers	Inclusion of ESG issues in the purchasing policy.		Pages 54-56
	Considering social and environmental responsibility in relations with suppliers and subcontractors.	GRI 102-9, GRI 103-3, GRI 414-1	Pages 54-56
	Supervision and audit systems and their results.		Page 56

Consumers	Measures for the health and safety of consumers.	GRI 103-2, GRI 416-1, GRI 416-2, GRI 417-1	Page 56
	Management system for claims and complaints received.	GRI 102-17, GRI 103-2, GRI 418-1	Page 56
Tax information	Profit obtained per country.		Pages 56-57
	Taxes on profit paid.	GRI 201-1	Pages 56-57
	Public subsidies received.	GRI 201-4	Pages 56-57

VERIFICATION REPORT

REQUIRED UNDER

LAW 11/2018

Amending the Commercial Code, the consolidated text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regards to non-financial information and diversity.

Company: Allfunds Group

Date: 3 March 2021

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Gabinete de Asesoría Empresarial

Company	Allfunds BANK, S.A.U., and all its subsidiary financial institutions, branches and representative offices, which together with the Bank constitute the Allfunds Group (hereinafter, "Allfunds").
Report submitted for verification	Consolidated Non-Financial Information Statement identified as 2020 for the Allfunds Group.
Report edition	2020, first version.

On-site verification dates	*3 and 4 March 2021*

Date of final edition of this Report	*10 March 2021*

Verifiers	Ms Rut Ballesteros Gil - Social and Compliance Auditor.

Confidentiality
All the information, data and documents to which **CAVALA Gabinete de Asesoría Empresarial, S.L.** has had access during the verification process are totally confidential and have been used exclusively for the purposes of verification.

CONTENTS

1 Scope

The purpose of this report is to describe the system followed in verifying the information included in the non-financial information statement of Allfunds BANK, S.A.U., and all its subsidiary financial institutions, branches and representative offices, which, together with the Bank, constitute the Allfunds Group (hereinafter, "Allfunds"), in accordance with the requirements of Law 11/2018 applicable to the organisation, containing the results obtained and the recommendations detected for future consideration.

The verification carried out has been based on the indications established in the applicable law itself in its various articles, as well as on the principles of quality and content of non-financial reporting laid down by Law 11/2018, whether national frameworks, European Union frameworks (Eco-Management and Audit Scheme (EMAS) adapted to our legal system through Royal Decree 239/2013 of 5 April), or international frameworks (United Nations Global Compact, the United Nations Sustainable Development Goals, the Paris Agreement on Climate Change, the Guiding Principles on Business and Human Rights that implement the United Nations framework to "protect, respect and remedy", the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the International Organization for Standardization's ISO 26000, the International Social Responsibility SA8000, the International Labour Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the GRI Sustainability Reporting Standards.

The methodology followed is governed by the internal procedures of CAVALA Gabinete de Asesoría Empresarial, S.L. (hereinafter, CAVALA), based on conventional and international conformity assessment, verification and sampling techniques that provide sufficient reliability as to the veracity of the information and its relevance as a basis for the professional judgement of the verification team. Some of the standards and guidelines taken into account include ISO (Conformity assessment. General principles and requirements for validation and verification bodies. ISO/IEC 17029:2019), the Spanish Institute of Chartered Accountants (Instituto de Censores Jurados de Cuentas de España) (Action Guideline 47 On verification of Non-financial Information Statements), and the International Auditing and Assurance Standards Board - IAASB (ISAE 3000).

The purpose of the verification is to check:

- ✓ The veracity of the information presented, the traceability of the data and the reliability of the contents.
- ✓ The level of quality and representativeness of the data and information, and the sources on which they are based.
- ✓ The adaptation to the content required by Law 11/2018 through the necessary issues to be included in a defined system of indicators and to a sufficient degree of materiality to ...

2 Declaration of Independence

The contents and opinions expressed in this validation report are the sole responsibility of CAVALA.

The CAVALA staff members who have carried out this verification process have acted with total independence, and there are no links that could have influenced their work or the conclusions obtained.

The verification team assigned by CAVALA has the necessary experience and competences to verify the report according to the indicated standards and has checked the necessary evidence to guarantee the adequacy of the report.

3 Summary of the activities carried out

The verification process has been completed as of the date of publication of this report, and the activities carried out are summarised below:

1. Documentary verification of the non-financial information statement (NFIS) and planning of remote verification.
2. Remote verification of the evidence according to a conformity assessment sampling system in which the evidence viewed is shared by teams.
3. Interviews and requests for clarification, where appropriate.
4. Editing of verification report.
5. Drafting of the verifier's opinion.

3.1 Management Units and Departments interviewed

Mr Iñigo Díez Bartolomé – Head of Finance

Ms Inés Guerrero Maldonado - Global Marketing & CSR Director.

Ms Ofelia Nieto Rodriguez – Talent & Development Manager – Corporate.

Ms Paula Criado – HR Generalist.

Ms Elena Díaz Latorre - Head of Compliance.

Ms Pilar Rodriguez de Rivera – Senior Compliance Officer & DPO.

Mr Abraham Magan Delgado – Global Head of Risk.

Ms Marina Rodriguez Maroto – Global Facilities.

Mr Miguel Angel Martínez Barral - Controller.

Ms Demelsa García Rodríguez – Senior Marketing & CSR.

3.2 Additional documentation analysed

N/A.

4 Analysis of the stakeholder participation process.

The ALLFUNDS GROUP reports on pages 51 of the NFIS 2020 on its communication with its stakeholders. The stakeholders identified are customers, employees, suppliers, regulators, the Board of Directors, the press, shareholders, investment fund managers, and associations and foundations. However, no express information is given on the involvement of these stakeholders in the preparation of the non-financial report.

OM: Create a system of relations with stakeholders and carry out a materiality analysis in matters of social responsibility with them.

5. Verification content. Indicators.

The information subject to verification in accordance with Law 11/2018 is given below.

GROUP'S BUSINESS MODEL	
Business environment	The business environment of the ALLFUNDS GROUP is reported on pages 3 to 8 of its NFIS 2020. Economic data and data on work centres and activity have been verified. Verified: Number of countries where the company is present (15) and number of fund managers (1,960).
Organisation and Structure	The organisation and structure of the ALLFUNDS GROUP and its Corporate Governance is reported on pages 8 and 9 of NFIS 2020. The information has been verified with the current organisation chart published on the Intranet and Extranet at the end of 2020.
Markets in which it operates	The market where the ALLFUNDS GROUP operates is detailed on pages 3 and 4 of the ALLFUNDS GROUP's NFIS 2020. Data have been verified for the 55 different countries in which it operates and the 15 countries where it is present. 760 customers at the end of 2020.
Objectives and strategies	The objectives and strategies of the ALLFUNDS GROUP's NFIS 2020 are reported on page 11. The objectives have been verified through an interview with the company's strategic plan collaborator (Head of Finance).
Main factors and trends that may affect its future development	The main factors and trends that may affect the future development of the ALLFUNDS GROUP are reported on page 11 of the ALLFUNDS GROUP's NFIS 2020. The objectives were verified through an interview with the company's strategic plan collaborator (Head of Finance). The supervision mission conducted by the Audit Area is specified on page 16. February 2020 audit assessed. Evidence was assessed that the Internal Audit Unit has passed the Institute of Internal Auditors Quality Assessment, which accredits compliance with International Standards for the Professional Conducting of Internal Audits and the Code of Ethics of the Global Institute of Internal Auditors dated 7.07.2020.
POLICIES	
Environmental	The ALLFUNDS GROUP's commitment to environmental protection is reported on page 13 and 14 of the NFIS 2020. Although this commitment is linked to section 2.2.7 Environmental Protection

	of the General Code of Conduct (August 2019 version), and to the Group's Corporate Social Responsibility Policy and the Climate Change Management and Environment Policy. The CSR Policy dated July 2020 and the Climate Change Management and Environment Policy in its version 3 dated June 2020 have been verified. These policies are published on the website.
Human rights	The ALLFUNDS GROUP's commitment to respect for human rights is reported on page 44 of the NFIS 2020, which is linked to the Corporate Social Responsibility Policy and its General Code of Conduct. The CSR Policy dated July 2020, which is published on the website, and the Code of Conduct June 2020 have been verified. OM: Create a human rights policy for the ALLFUNDS GROUP. On page 45 of the ALLFUNDS GROUP's NFIS 2020 it is reported that there have been no complaints of human rights violations. ALLFUNDS GROUP's signing up to the Global Compact.
Fight against corruption and bribery. Code of Ethics	The company's mechanisms for fighting corruption and bribery are reported on page 46 of the ALLFUNDS GROUP's NFIS 2020. The existence of a compliance system, its codes of conduct and policies have been verified. Anti-corruption policy and gifts and entertainment, in its version 2 approved by the Board of Directors in May 2018.
Staff management	The policy provision for remuneration, training and development, equality and diversity is reported on page 13 of the ALLFUNDS GROUP's NFIS 2020. The existence of the remuneration policy approved by the Board of Directors on 28/11/19 has been verified. And the statement of commitment to equality and diversity.
DUE DILIGENCE PROCEDURES. Risk Management. Short, medium and long-term impacts and risks identified in relation to the group's activities. Measures taken.	
Environmental	On page 25 of the NFIS 2020 it is reported that the ALLFUNDS GROUP has a procedure for the identification and evaluation of environmental aspects. The existence of this procedure has been verified. 2019.
Human rights	The ALLFUNDS GROUP's human rights due diligence actions are described on page 44. PF: Signing up to the United Nations Global Compact stands out as being particularly positive.
Fight against corruption and bribery. Code of Ethics	The company's mechanisms for fighting corruption and bribery are reported on page 12 and the chapter on Risks and Compliance of the ALLFUNDS GROUP's NFIS 2020. The existence of a compliance system, its codes of conduct and policies have been verified. Guide to the supervision and monitoring of compliance and criminal risk prevention regulations, version 1, approved by the Board of Directors in March 2018. Manual of regulatory compliance and prevention of criminal risks special report, version 1, approved by the Board of Directors in March 2018. Manual of regulatory compliance and prevention of criminal risks general report, version 1, approved by the Board of Directors in March 2018. Policy on Regulatory Compliance and Prevention of Criminal Risks, version 1, approved by the Board of Directors in March 2018. The systematic management of risks on page 17, the company's three lines of defence model, has been verified. Evidence: Prudential Relevance Report 2020.
Staff management. Equality Plan Measures	The company's situation with respect to the principle of equal treatment and opportunities for women and men is reported on page 43 of the ALLFUNDS GROUP's NFIS 2020 reports. The existence of an equality situation diagnosis, an equality plan and a statement of intent as regards equality and diversity (equality and diversity policy drafted with approval expected in 2021) has been verified.
ENVIRONMENTAL INDICATORS. Comparable, material, relevant and reliable.	
Current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety.	In chapter 4 on environmental issues (pages 25 and 26) of the NFIS 2020, ALLFUNDS GROUP reports on the environmental implications of the activity (consumption of natural resources, waste generation, land occupation, etc.). The evaluation of environmental aspects carried out in 2020 has been verified. The effects on people's health and safety at work are reported on page 33 of the ALLFUNDS GROUP's NFIS 2020. Chapter 5.3 has been reviewed. Pending verification of the existence of the

	annual report of the Unilave prevention service.
Environmental assessment or certification procedures	On pages 29 of the ALLFUNDS GROUP's NFIS 2020, reference is made to the certifications (ISO 14001) held by the London workplace of the ALLFUNDS GROUP in this city. On pages 25 and 26 information is provided on the procedure for evaluating the environmental aspects of the ALLFUNDS GROUP. This procedure has been verified. PF: ISO 14001 certification process begun at Allfunds headquarters.
Resources dedicated to the prevention of environmental risks	The total economic and organisational (human) resources dedicated to the prevention of environmental risks is reported on page 27 of the ALLFUNDS GROUP's NFIS 2020. The total amounts reported in euros (€198,611.24) have been verified.
Application of the precautionary principle	The application of the precautionary principle, which is articulated through its procedure on environmental aspects, its Climate Change Management and Environment Policy, its Corporate Social Responsibility Policy, and the commitment to the environment in its General Code of Conduct, is reported on page 23 of the ALLFUNDS GROUP's NFIS 2020. The existence of the three documents has been verified.
Number of provisions and guarantees for environmental risks	OBS: On page 23 of the ALLFUNDS GROUP's NFIS 2020 it is reported and explained why the company has no provisions or guarantees for environmental risks.
Pollution: ATMOSPHERE Measures to prevent, reduce or redress carbon emissions that seriously affect the environment.	The organisation indicates on page 28 of the NFIS 2020 that ALLFUNDS GROUP has calculated its carbon footprint, and further describes the measures taken in 2020 to prevent, reduce or remedy carbon emissions affecting the environment. The carbon footprint calculation and the measure to change printers and replace chemical products have been verified. OM: Certify and register the carbon footprint in the carbon footprint registry, offset and carbon dioxide absorption projects. Ministry of Ecological Transition and Demographic Challenge. PF: ISO 14001 certification process begun. PF: LEED GOLD-PLATINUM certification process begun.
Pollution: NOISE Measures to prevent, reduce or remedy emissions.	OBS: The organisation indicates on page 29 of the NFIS 2020 that ALLFUNDS GROUP does not implement measures to prevent, reduce or remedy emissions, since after evaluation, the generation of noise pollution is not a significant environmental aspect.
Pollution: LIGHT Measures to prevent, reduce or remedy emissions.	OBS: The organisation indicates on page 29 of the NFIS 2020 that ALLFUNDS GROUP does not implement measures to prevent, reduce or remedy emissions, since after evaluation, the generation of light pollution is not a significant environmental aspect.
Circular economy and waste prevention and management: - Prevention, recycling and reuse measures, other forms of recovery and waste disposal. - Actions to combat food waste.	Pages 29 and 30 of the ALLFUNDS GROUP's NFIS 2020 reports on the company's prevention, recycling and reuse measures. PF: LEED GOLD-PLATINUM certification process has begun. The company's measures to combat waste are reported on page 30 of the ALLFUNDS GROUP's NFIS 2020. However, it expresses a materiality opinion by stating that this "is not a relevant event or one that has a significant impact on the organisation, nor does it influence the assessments and decisions of stakeholders."
Sustainable use of resources: WATER Water consumption and water supply in accordance with local constraints.	Water consumption and water supplies, as well as the ALLFUNDS GROUP's direct water use prevention and efficiency measures, are reported on page 30 of the NFIS 2020. The calculation comparing the consumption bills for Madrid, Valencia, Zurich and Colombia has been verified. As has the reduction in consumption at the Madrid centre in 2020 with respect to 2019.
Sustainable use of resources: RAW MATERIALS Consumption of raw materials and measures taken to improve the efficiency of their use.	The consumption of raw materials by the ALLFUNDS GROUP is reported on page 25 of the NFIS 2020. - Paper. Paper consumption figure has been verified. Clean tables policy and digitalisation process. PF: Company digitalisation process and its positive social and environmental impact. - Hybrid vehicles. The number of vehicles in the total vehicle fleet has been verified (28). There were 6 hybrid vehicles, 2 international and 4 national, at 31 December 2020. OM: Provide indicators on company vehicle flee environmental quality improvement.
Sustainable use of resources:	On page 31 of the ALLFUNDS GROUP's NFIS 2020 information is provided on energy consumption worldwide with limitations and restrictions on access to data in workplaces it occupies on a rental

ENERGY Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies.	basis that do not have an individual consumption meter. Total and comparative consumption calculations have been verified (Madrid, Valencia, Singapore and Luxembourg). OM: Avoid repetition of the information provided, e.g., information on solar energy production and 100% renewable energy is provided at least three times in the same chapter.
Climate change:	See comments on Pollution verification: ATMOSPHERE.
Protection of biodiversity: Measures taken to preserve or restore biodiversity; impacts caused by activities or operations in protected areas.	OBS: On page 26 of the ALLFUNDS GROUP's NFIS 2020 it is reported that no measures are being taken to preserve or restore biodiversity or impacts caused by activities or operations in protected areas, as no impacts are produced and the buildings occupy urban spaces.
STAFF-RELATED INDICATORS Comparable, material, relevant and reliable.	
Employment: 1. Total number and distribution of employees by gender, age, country and professional classification. 2. Total number and distribution of types of employment contract, annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification. 3. Number of dismissals by gender, age and professional classification. 4. Average salaries and their evolution disaggregated by gender, age and professional classification. 5. Wage gap. 6. Remuneration for equal or average jobs at company. 7. The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings schemes and any	The ALLFUNDS GROUP's NFIS 2020 gives details of: - Total number and distribution of workers by country, age, gender and occupational classification (pages 33-34). Data on employees in Japan, Colombia and the United Arab Emirates under 30 years of age have been verified. The number of women reported in Singapore with the professional category of director has also been verified. The total number of men compared with HR's super DB has been verified. 834 employees, correct calculation and item of information. - The types of contracts envisaged are permanent and temporary, part-time and full-time. The total number of types of employment contract, annual average of permanent contracts, temporary contracts and part-time contracts in absolute value and percentage by age, gender and professional classification are reported (pages 35 and 36). The number and distribution of full-time permanent contracts of men and women over 50 years of age compared with HR's super DB have been verified. In compliance. - The number and distribution by gender, age, and professional classification of dismissals is reported (page 37). The number of dismissals and their distribution among women in the three classifications, and men in the reported age ranges (-<30; 30-50;>50), have been verified. Data reviewed compared with HR's superDB, with conforming result. - The average payment for men and women is reported on page 31. The average payment per age is reported on page 38. The average payment per job classification is reported on page 38. The average payment for men and women under 40 years of age has been verified. OBS: The modification in the age ranges used for reporting average payment is justified on grounds of "confidentiality". The modified ranges are different from the age ranges recommended by GRI and those used throughout the ALLFUNDS GROUP's NFIS 2020. Moreover, it is explained that no average wages broken down by gender in the support category are provided as there is no significant sample (over 5 people) to ensure data privacy. Page 38 provides information on the evolution of average remuneration by gender, age and professional classification due to the difficulty of obtaining data from previous years. OBS: The modification in the age ranges used to report the evolution of average payment is justified on grounds of "confidentiality". The modified ranges are different from the age ranges recommended by GRI and those used throughout the ALLFUNDS GROUP's NFIS 2020. - The wage gap by professional category is reported on page 39. The global company gap stands at 20%. The data has been verified. - OBS: The absence of information about the average remuneration of directors and executives, including variable remuneration, and payment to long-term savings schemes on page 39 is explained by arguing that the sample is not big enough to avoid tracing of the wages of the group that comprise it (5 people). OM: Provide information on members of the

other payment broken down by gender. 8. Disconnection policies. 9. Employees with disabilities.	board of directors without breaking down by gender. - On page 39, ALLFUNDS GROUP reports on the availability of a disconnection from work policy as set out in its General Code of Conduct. The disconnection from work policy in section 3.5 of the General Code of Conduct has been verified. - Employees with disabilities is reported on page 39. The ALLFUNDS GROUP's total employment inclusion rate in all the countries where it operates is 1.55%, whereas in Spain it is 2% for the only company obliged to report on this information. Data reviewed compared with HR's superDB, with conforming result.
Organisation of work: 1. Organisation of working time. 2. Number of absence hours. 3. Measures to facilitate the enjoyment of work-life balance and to promote the co-responsibility of both parents.	The organisation of ALLFUNDS GROUP's working time and ... is reported on page 40 of the NFIS 2020. Working hours have been verified. The number of absence hours for 2020 is reported on page 40 of the NFIS 2020 and came to a total of 46,331 (the figure was 26,497.50 hours for 2019). The data has been verified with internal HR information. OBS: Report on negative trends to apply the balance principle. Evidence: rise in absence hours and its explanation, namely, the acquisitions made in 2020 and the health alert situation. Measures to facilitate the enjoyment of work-life balance, as well as measures to promote the co-responsibility of both parents, are reported on page 40 of the NFIS 2020.
Health and safety: 1. Occupational Safety and Health conditions (OSH). 2. Occupational accidents, frequency and severity, disaggregated by gender. 3. Occupational diseases disaggregated by gender.	The ALLFUNDS GROUP reports on its occupational health and safety conditions on page 40 of its NFIS 2020. The concert number 2014-I0-29368 has been verified for Univale's technical and health surveillance modalities signed on 1 January 2014. The annual SPA reports, coded number 15192537TH20, have been verified. The ALLFUNDS GROUP's NFIS 2020 reports on occupational accidents on page 40, breaking down their frequency and severity rates by gender. The figures have been verified with Univale's progress report of 15/01/20. OM: Include frequency and severity indices for the sector to compare and contextualise in terms of sustainability according to GRI with the same indices of the ALLFUNDS Group. OM: Create an occupational risk prevention policy that reflects the commitment of senior management to the safety and well-being of employees, included in the General Code of Conduct (2.2.6.).
Social relations: 1. Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff; 2. Percentage of employees covered by collective bargaining agreements by country; 3. Assessment of collective agreements, particularly in the field of health and safety at work.	The social dialogue model established between the ALLFUNDS GROUP and its staff is reported on page 41 of the NFIS 2020 reports. It is reported on page 41 of the ALLFUNDS GROUP's NFIS 2020 that 64.02% of workers are covered by collective agreements. This item of information has been verified. Information is provided on page 40 on relevant health and safety actions for the year as a balance of the actions carried out in this area. For example, hygienic measurements of temperature and humidity throughout June 2020 at the Allfunds headquarters, with positive results and no deficiencies. Report code 15192537TH20 has been verified.
Training: 1. Policies implemented 2. Hours of training by professional category.	The existence of a training policy at the company is reported on page 41 of the NFIS 2020 reports. The existence of training policies has been verified. Training hours by professional category are reported on page 42 of the ALLFUNDS GROUP's NFIS 2020. The data on language training hours for the category of technicians has been verified. OBS: Other training is provided that cannot be calculated on account of the lack of information systems to return accurate data.

Universal accessibility for people with disabilities.	On page 42 of the ALLFUNDS GROUP's NFIS 2020 it is stated that "the property of the building in the centre of Madrid is in the process of getting an accessibility certificate for the facilities, a process that has been underway since 2019" adapting work stations to meet accessibility measures.
Equality: 1. Measures taken to promote equal treatment and opportunities between women and men. 2. Equality plans. 3. Measures taken to promote employment. 4. Protocols against sexual and gender-based harassment.	On page 43 of the ALLFUNDS GROUP's NFIS 2020 is reported the company's situation regarding respect for the principle of equal treatment and opportunities between women and men, and the possession of an equality plan. The existence of an Equality Plan, approved in December 2020, has been verified. Measures taken to promote equal treatment and opportunities for women and men is reported on page 43. Evidence: Approval of the protocol against sexual and gender-based harassment dated 21/12/2020. Measures taken to promote employment is reported in block 5 (Employment).
Non-discrimination and diversity management 1. Integration and universal accessibility for people with disabilities 2. Diversity management policies 3. Non-discrimination policies	The existence of a statement of intent as regards equality and diversity is reported on page 15 of the ALLFUNDS GROUP's NFIS 2020. The drafting of a Diversity and Integration Policy is planned in 2021. Moreover, there are commitments to diversity and non-discrimination in the Social Responsibility Policy and in the Code of Conduct. Both documents have been verified.
HUMAN RIGHTS INDICATORS. Comparable, material, relevant and reliable.	
Human rights due diligence procedures: - Prevention of the risk of human rights violations. - Measures to mitigate, manage and redress possible abuses.	The existence of the system for the prevention of the risks of human rights violations, as well as the measures to mitigate, manage and redress possible abuses, are reported in the chapter on Respect for Human Rights in the ALLFUNDS GROUP's NFIS 2020. The functionality of the communication channel has been verified. OBS: The failure to take measures to mitigate, manage and redress possible human rights abuses is reported and justified on page 45 as there have been no incidents in this regard. On page 45 of the ALLFUNDS GROUP's NFIS 2020 it is reported that the number of cases or complaints of human rights violations was zero in 2018.
Management of complaints about human rights violations.	The channel of communication of complaints, and that no complaints or violations of human rights have been received during 2020, are reported on page 45 of the ALLFUNDS GROUP's NFIS 2020.
Promotion and implementation of the provisions of the International Labour Organization's fundamental conventions relating to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour.	Reported on in the block on Respect for Human Rights. The signing up to the Global Compact, the General Code of Conduct, the Corporate Social Responsibility Policy and the Protocol to Prevent and Act against Harassment and Bullying at Work, Sexual and Gender-based Harassment have all been verified. PF: Signing up to the United Nations Global Compact stands out as being particularly positive
INDICATORS RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY Comparable, material, relevant and reliable.	
Measures taken to prevent	In the chapter on Risks and Compliance. The Due Diligence Procedure on the ALLFUNDS GROUP's

corruption and bribery.	NFIS 2020 reports on the system to prevent corruption and bribery as part of a broader compliance and crime prevention system. The existence and operation of the company's crime prevention system has been verified.
Measures to combat money laundering.	Measures to combat money laundering are included in the chapter on Anti-Money Laundering and Combating the Financing of Terrorism (page 22). Their existence and operation have been verified.
Contributions to foundations and non-profit organisations.	The amounts of the donations made are reported on page 49 of the NFIS 2020. The amounts donated to the A LA PAR Foundation and Prodis have been verified.
INDICATORS RELATING TO COMPANY. Comparable, material, relevant and reliable,	
The company's commitments to sustainable development.	It is reported on page 47 of the NFIS 2020 that the company's commitments to sustainable development are found in the corporate social responsibility policy, its social responsibility plan and its Climate Change Management and Environment Policy. The CSR Policy dated March 2018 and the Corporate Social Responsibility Policy dated July 2020, both of which are published on the website, have been verified. It is stated that the company is a Signatory Member of the Global Compact. Membership has been verified. And a contribution made to the UN 2030 Agenda and its SDGs. OM: A formal material document must be drafted on the ALLFUNDS GROUP's contribution to the SDGs.
Impact of company's activity on employment and local development.	Local development projects within the Solidarity Fund of the company ALLFUNDS GROUP are reported on pages 48 and 49 report. The 2020 Solidarity Fund file has been verified with control sheet. OM: Analyse the return of donations made though the Solidarity Fund. Section 5.1. The employment impact of the ALLFUNDS GROUP is reported in employment (page 33) of the NFIS 2020 reports. Section 8.4 on Tax Information (page 54) of the NFIS 2020 provides information on the payment of taxes by the ALLFUNDS GROUP.
Impact of company's activity on local populations and the territory.	Local development projects within the Solidarity Fund of the company ALLFUNDS GROUP are reported on pages 49 and 50. The 2020 Solidarity Fund file has been verified. OM: Analyse the return of donations made though the Solidarity Fund.
Relationships with local community actors and modalities of dialogue.	The partnerships in which the organisation is involved are reported on page 52 of the ALLFUNDS GROUP's NFIS 2020. The collaboration agreement with ADECCO has been verified.
Associations and sponsorships.	The business group's partnerships and sponsorships are reported on page 51 and 52 of the ALLFUNDS GROUP's NFIS reports. The association with the ITALIAN CHAMBER OF COMMERCE AND INDUSTRY and the Association for Management Progress (APD) and the total amount allocated to this sponsorship action have been verified.
Subcontracting and suppliers - Procurement policy including social, gender equality and environmental issues. - Supervision and audit systems and their results.	OBS: On page 52 and 53 of the ALLFUNDS GROUP's NFIS 2020 it is indicated that the arrangement of purchasing and supplier management procedures was modified in May 2020. It has been verified that this procedure applies only to new procedures and not systematically in all cases. The procedure is being applied albeit not systematically and without being systematised in all those suppliers subject to it. There is no information on procedure implementation ratios. The Supplier Code of Conduct (page 52) was revised in 2020 and will be approved in 2021. Evidence of the revision and planning for approval at the next CSR Committee meeting scheduled for June 2021 has been assessed. OBS: On page 56 of the ALLFUNDS GROUP's NFIS 2020 it is reported that no supplier monitoring or audits have been carried out in 2020 as there is no estimated risk of non-compliance with the supplier code of conduct. OM: Create a supplier management structure to ensure social and environmental risk assessment of the supply chain, as well as identify priorities for implementing the SUPPLIER SELECTION PROCEDURE FOR ALLFUNDS GROUP. Establish CSR quality or level indicators for the supply chain.
Consumers: - Measures for the health and safety of consumers. - Complaint systems, complaints received and their resolution.	OBS: On page 54 of the ALLFUNDS GROUP's NFIS 2020 it is reported and explained why measures for consumer health and safety are not available. On page 54 of the ALLFUNDS GROUP's NFIS 2020 information is provided on the complaint system, complaints received and their resolution. The procedure and operation of the channel

	has been verified.
Tax information: - Benefits obtained country by country. - Taxes on benefits paid. - Public subsidies received.	The ALLFUNDS GROUP's NFIS 2020 reports on page 54 on the consolidated profits obtained €71,798 and on the profits paid during 2020 amounting to -€41,676,715.97 compared with the reconciliation sheet audited by Deloitte; public subsidies amounted to €188,549.18. OBS. The three figures provided have been verified against the financial statements that Deloitte is auditing during the NFIS 2020 verification.
Any other significant information.	No more significant information has been included.

6. Conclusions

The main results obtained are presented below:

Comments

- *This is the second non-financial report issued by the Allfunds Group under Law 11/2018.*
- *The calculations and presentation format of the information does not always follow the GRI methodology throughout. Evidence: Report on negative trends to apply the balance principle, such as, for example, the absence hours and their explanation, namely, the acquisitions made in 2020 and the health alert situation.*
- *For reasons of confidentiality the age ranges that are used to report on average remunerations of professional and managerial categories have been altered. Moreover, it is explained that no average wages broken down by gender are provided either in the support or executives categories as there is no significant sample (over 5 people) to ensure data privacy.*
- *While the NFIS 2020 of the Allfunds Group was being verified, the annual accounts were being audited by Deloitte, S.L.*
- *There are hours of training given by the company that have not been recorded on account of the lack of information systems to return accurate data.*
- *The failure to take measures to mitigate, manage and redress possible human rights abuses is reported and explained by the fact that there have been no incidents in this regard.*
- *No provisions or guarantees have been established for environmental risks because they are not considered to be material risks.*
- *No measures have been established to prevent, reduce or remedy noise emissions and light pollution, because on assessment, the generation of noise and/or light pollution proved to be neither material nor significant. Likewise, no measures have been established to preserve or restore biodiversity and impacts caused by activities or operations in protected areas, as there are no impacts in this regard. The Allfunds Group occupies urban spaces.*
- *It has been verified that the procedure to select suppliers applies only to new procedures and not systematically in all cases.*
- *No monitoring activities and control audits of subcontractors and suppliers were carried out during the reporting period as no risk of non-compliance with the ALLFUNDS GROUP Supplier Code of Conduct was detected.*

Options for Improvement

- *Create a system of relations with stakeholders and carry out a materiality analysis in matters of social responsibility with them.*

- *Create a specific respect for human rights policy for the ALLFUNDS GROUP.*

- *Certify and register the carbon footprint in the official Ministry of Ecological Transition and Demographic Challenge carbon footprint, offset and carbon dioxide absorption project registry.*

- *Provide indicators on the improvement to environmental quality achieved by and expected from the company vehicle fleet.*

- *Include frequency and severity indices for the sector to compare and contextualise in terms of sustainability according to GRI with the same health and safety indices of the ALLFUNDS Group with respect to its sector.*

- *Create an occupational risk prevention policy that reflects the commitment of senior management to the safety and well-being of employees, included in the General Code of Conduct (2.2.6.).*

- *A formal material document must be drafted on the ALLFUNDS GROUP contribution to the SDGs.*

- *Analyse the return of donations made though the Solidarity Fund.*

- *Create a supplier management structure to ensure social and environmental risk assessment of the supply chain, as well as identify priorities for implementing the SUPPLIER SELECTION PROCEDURE FOR ALLFUNDS GROUP. Establish CSR quality or level indicators for the supply chain.*

Strengths:

- *Signing up to the United Nations Global Compact stands out as being particularly positive.*

- *ISO 14001 certification process begun at ALLFUNDS headquarters in 2020.*

- *LEED GOLD-PLATINUM certification process begun in 2019, and in progress in 2020.*

- *Company digitalisation process and its positive social and environmental impact.*

- *Setting-up of the company's Social Responsibility Committee.*

- *Design of the Social Responsibility Strategic Plan and its six lines of action - Good Governance, Talent, Digitalisation, Sustainable and Responsible Investment, Solidarity and Environment Care-.*

- *Developments in Risk and Compliance Control and Management.*

7. Opinion on the Verification

Gabinete de Asesoría Empresarial

Cavala Gabinete de Asesoría Empresarial S.L.,

declares that as stipulated by

Law 11/ 2018

Non-financial information has been verified by the independent verifier Cavala Gabinete de Asesoría Empresarial, S.L., with respect to the structure, content and sources of information of

ALLFUNDS GROUP

And that as a result of this verification process **Cavala Gabinete de Asesoría Empresarial S.L.**, states that:

- The content of the company's non-financial report **COMPLIES** with the requirements established in Law 11/2018 on this matter.

- Following the sample verification carried out, no issues have been identified that indicate that the information included in the report for the year from 1 January 2020 to 31 December 2020 contains material misstatements.

- The company has properly explained the non-inclusion of information, or the non-implementation of various non-financial policies or initiatives as follows:

Measures to mitigate, manage and redress possible human rights abuses as there have been no incidents, nor material risks, in this regard.

Monitoring activities and control audits of suppliers in 2020 as it is considered there are no material risks of non-compliance with the Supplier Code of Conduct.

No provisions or guarantees for environmental risks because they are not considered to be material risks.

Measures to prevent, reduce or remedy noise emissions and light pollution, because on assessment, the generation of noise and/or light pollution is neither material nor significant. Likewise, no measures have been established to preserve or restore biodiversity and impacts caused by activities or operations in protected areas, as there are no impacts in this regard. The Allfunds Group occupies urban spaces.

Issued 22 March 2021

Signed: Ms Rut Ballesteros Gil
Head Validator
Cavala Gabinete de Asesoría Empresarial SL