

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

Consolidated Financial Statements  
and Directors' Report for the year  
ended 31 December 2021, 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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## 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

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#### 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 2021, 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 2021, 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.

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#### 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.

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

As indicated in Note 21 to the accompanying consolidated financial statements, in 2021 the Group recognised fee and commission income amounting to EUR 2,469,236 thousand under “*Fee and Commission Income*” in relation to the accrued fees and commissions generated in connection with the marketing of investment funds in the year. As indicated in Note 2-I) 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 92% of the total income earned by the Group in 2021. In light of the representativeness of the aforementioned income, we consider this to be a key matter in our audit.

#### Procedures applied in the audit

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 the relevant IT 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 IT system experts.

In addition, our work included, among others, the following substantive procedures: i) obtainment of confirmations from third parties, on a selective basis, to validate the amount of fee and commission income, and ii) simulation of the daily fee and commission calculation, for all the fee and commission income generated in 2021, for which purpose we involved our internal IT system experts.

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.

## Impairment test on goodwill

### Description

Note 10 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 10 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 407,749 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 performance of substantive procedures in relation to the measurement of goodwill. 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 the report of the independent expert who assisted it, on the basis of 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 or dividends by assessing the consistency of these projections with the financial budgets approved by the Bank's Board of Directors, as well as with historical information on the Group; and (v) evaluating the reasonableness of the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows or dividends.

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.

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### **Other Information: Consolidated Directors' Report**

The other information comprises only the consolidated directors' report for 2021, 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 2021 and its content and presentation were in conformity with the applicable regulations.

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### **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.

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### **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 7 and 8 of this document, forms part of our auditor's report.

### **Report on Other Legal and Regulatory Requirements**

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### **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 21 March 2022.

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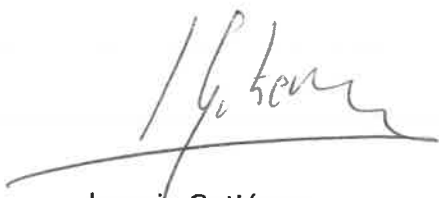
### **Engagement Period**

The Bank's sole shareholder, per the minutes of resolutions dated 22 April 2021, appointed us as auditors for a period of one year from the year ended 31 December 2020.

Previously, we were designated pursuant to a resolution of the Bank's sole shareholder 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

A handwritten signature in black ink, appearing to read 'Ignacio Gutiérrez', written over a horizontal line.

Ignacio Gutiérrez

Registered in ROAC under no. 21412

21 March 2022

## **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.

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### **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 of the current period 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  
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Allfunds Bank Group**

Consolidated Financial Statements  
and Directors' Report for the year  
ended 31 December 2021

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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 2021 AND 2020**  
(Thousands of Euros)

ASSETS	Notes	31-12-2021	31-12-2020 (*)	LIABILITIES AND EQUITY	Notes	31-12-2021	31-12-2020 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	1,999,963	1,843,118	<b>LIABILITIES</b>			
FINANCIAL ASSETS HELD FOR TRADING:				FINANCIAL LIABILITIES HELD FOR TRADING:		396	213
Derivatives		377	507	Trading Derivatives		396	213
<i>Memorandum items: Lent or delivered as guarantee with disposal or pledge rights</i>		377	507				
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			
Equity Instruments		664	393	<i>Memorandum item: Subordinated liabilities</i>			
<i>Memorandum items: Lent or delivered as guarantee with disposal or pledge rights</i>		664	393				
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS				FINANCIAL LIABILITIES AT AMORTIZED COST:	14	2,044,478	1,812,664
<i>Memorandum items: Lent or delivered as guarantee with disposal or pledge rights</i>				Deposits-		1,630,879	1,448,387
FINANCIAL ASSETS AT FAIR VALUE THROUGH				Credit institutions		705,614	266,760
ACCUMULATED OTHER COMPREHENSIVE INCOME:				Customers		925,265	1,191,627
<i>Memorandum items: Lent or delivered as guarantee with disposal or pledge rights</i>				Other financial liabilities		413,599	364,277
FINANCIAL ASSETS AT AMORTIZED COST:				<i>Memorandum item: Subordinated liabilities</i>			
Loans and advances-				HEDGING DERIVATIVES			
To Central Banks		248,194	233,490	FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK			
To Credit institutions		14,675	12,465				
To Customers		61,715	43,426	LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS			
<i>Memorandum items: Lent or delivered as guarantee with disposal or pledge rights</i>		171,804	177,599	PROVISIONS	11	1,890	
HEDGING DERIVATIVES				Pension and other post-employment defined benefit obligations		1,690	
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST RATE RISK				Other long-term employee benefits			
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES				Pending legal issues and tax litigation			
Joint ventures				Commitments and guarantees given		200	
Associates				Other provisions			
ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS				TAX LIABILITIES:	12	81,296	122,258
TANGIBLE ASSETS:				Current		52,104	15,145
Property, plant and equipment - For own use	9	28,006	29,301	Deferred		29,192	107,113
<i>Memorandum items: other assets leased out under finance lease</i>		28,006	29,301	SHARE CAPITAL REPAYABLE ON DEMAND			
INTANGIBLE ASSETS:				OTHER LIABILITIES	13	664,699	404,153
Goodwill	10	955,968	996,330	LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE			
Other intangible assets		407,749	401,693	<b>TOTAL LIABILITIES</b>		<b>2,792,759</b>	<b>2,339,288</b>
TAX ASSETS:				<b>EQUITY:</b>			
Current	12	148,372	64,132	SHAREHOLDERS FUNDS:	15	1,298,106	1,269,678
Deferred		22,956	9,020	Capital-		68,774	68,774
OTHER ASSETS:				Paid up capital		68,774	68,774
Rest	13	723,765	442,175	Unpaid capital			
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		723,765	442,175	<i>Memorandum item: Uncalled capital</i>			
				Share premium			
				Retained earnings	15	913,267	913,267
				Profit or loss attributable to owners of the parent	16	269,965	227,631
				Less: Interim dividends	5	201,100	71,806
<b>TOTAL ASSETS</b>		<b>4,105,309</b>	<b>3,609,446</b>	ACCUMULATED OTHER COMPREHENSIVE INCOME		(155,000)	(11,800)
MEMORANDUM ITEMS				Items not subject to reclassification to income statement		14,444	480
Loan commitments given				Actuarial profits or (-) losses on defined benefit pension plans		(18)	
Financial guarantees given				Items that may be reclassified to profit or loss- Foreign currency translation		14,462	480
Other commitments given	17	71,327	66,085	<b>TOTAL EQUITY</b>		<b>1,312,550</b>	<b>1,270,158</b>
				<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,105,309</b>	<b>3,609,446</b>

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

The accompanying Notes 1 to 29 and Appendices I, II and III are an integral part of the consolidated balance sheet as at 31 December 2021

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 2021 AND 2020**  
(Thousands of Euros)

	Notes	Income/(Expenses)	
		2021	2020 (*)
<b>INTEREST INCOME</b>			
<i>Financial assets at fair value through changes in other comprehensive income</i>	19	3,870	3,476
<i>Financial assets at amortized cost</i>		-	-
<i>Remaining interest income</i>		3,870	3,476
(INTEREST EXPENSES)		-	-
(EXPENSES ON SHARE CAPITAL REPAYABLE ON DEMAND)	20	(9,717)	(6,024)
<b>NET INTEREST INCOME</b>		<b>(5,847)</b>	<b>(2,548)</b>
<b>DIVIDEND INCOME</b>		<b>2</b>	<b>-</b>
RESULT OF ENTITIES VALUED BY THE METHOD OF PARTICIPATION		-	-
FEE AND COMMISSION INCOME		-	-
(FEE AND COMMISSION EXPENSES)	21	2,666,089	1,586,721
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	22	(2,163,108)	(1,280,063)
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET		-	-
GAINS OR LOSSES ON FINANCIAL ASSETS NOT HELD FOR TRADING DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		(17)	295
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		-	-
OTHER OPERATING INCOME		2,077	180
(OTHER OPERATING EXPENSES)	24	9,861	11,713
INCOME FROM INSURANCE AND REINSURANCE CONTRACTS	24	(1,999)	(4,524)
(EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS)		-	-
<b>GROSS INCOME</b>		<b>507,058</b>	<b>311,774</b>
(ADMINISTRATION COSTS)		-	-
<i>(Personnel expenses)</i>	23	(231,105)	(154,457)
<i>(Other administrative expenses)</i>		(108,552)	(73,230)
(DEPRECIATION)		(122,553)	(81,227)
(PROVISIONS OR REVERSAL OF PROVISIONS)	9 and 10	(74,306)	(42,280)
(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)		(1,443)	-
<i>(Financial assets at amortized cost)</i>	8	(6,043)	(800)
<b>NET OPERATING INCOME</b>		<b>(6,043)</b>	<b>(800)</b>
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES)		<b>194,161</b>	<b>114,237</b>
(IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS)		-	-
GAINS/(LOSSES) ON DERECOGNITION OF NON FINANCIAL ASSETS, NET	9 and 10	(730)	(750)
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		-	-
<b>OPERATING PROFIT BEFORE TAX</b>		<b>193,431</b>	<b>113,487</b>
(TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION)	12	7,669	(41,681)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>201,100</b>	<b>71,806</b>
PROFIT FROM DISCONTINUED OPERATIONS (net)		-	-
<b>PROFIT</b>		<b>201,100</b>	<b>71,806</b>
Attributable to minority interest [non-controlling interests]		-	-
Attributable to owners of the parent		-	-
Basic earnings per share	5	201,100	71,806
Diluted earnings per share	5	0.088	0.039
		0.088	0.039

(\*) Presented for comparison purposes only (see Note 1.g).  
The accompanying Notes 1 to 29 and Appendices I, II and III are an integral part of the consolidated income statement for 2021.

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 2021 AND 2020**  
(Thousands of Euros)

	Income/(Expenses)	
	2021	2020 (*)
<b>PROFIT RECOGNIZED IN INCOME STATEMENT</b>	<b>201,100</b>	<b>71,806</b>
<b>OTHER RECOGNIZED INCOME (EXPENSES)</b>	<b>13,964</b>	<b>41</b>
<b>Items not subject to reclassification to income statement:</b>		
Actuarial gains and losses from defined benefit pension plans	-	-
Non-current assets and disposal groups of elements held for sale	(18)	-
Changes in fair value of the equity instruments valued at fair value with changes in other comprehensive income	(26)	-
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	8	-
<b>Items subject to reclassification to income statement:</b>	<b>13,982</b>	<b>41</b>
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	14,248	59
Valuation gains or losses from currency translation taken to equity	14,248	59
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	(266)	(18)
<b>TOTAL RECOGNIZED INCOME AND EXPENSE:</b>	<b>215,064</b>	<b>71,847</b>
Attributable to the parent company	-	-
Attributable to minority interest [non-controlling interests]	<b>215,064</b>	<b>71,847</b>

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

The accompanying Notes 1 to 29 and Appendices I, II and III are an integral part of the consolidated statement of recognized income and expense for 2021.

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 2021 AND 2020**  
(Thousands of Euros)

**2021**

	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
<b>OPENING BALANCE (BEFORE REEXPRESSION)</b>	<b>68,774</b>	<b>913,267</b>	<b>227,631</b>	<b>71,798</b>	<b>(11,800)</b>	<b>480</b>	-	<b>1,270,150</b>
Adjustments due to errors (Note 1.g)	-	-	-	8	-	-	-	8
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
<b>OPENING BALANCE AT 1 JANUARY 2021</b>	<b>68,774</b>	<b>913,267</b>	<b>227,631</b>	<b>71,806</b>	<b>(11,800)</b>	<b>480</b>	-	<b>1,270,158</b>
<b>Total income/expense recognized</b>	-	-	-	<b>201,100</b>	-	<b>13,964</b>	-	<b>215,064</b>
<b>Other changes in equity:</b>	-	-	-	<b>(71,806)</b>	<b>(143,200)</b>	-	-	<b>(172,672)</b>
Issuance of ordinary shares (Note 15)	-	-	<b>42,334</b>	-	-	-	-	-
Dividends (or associates remunerations) (Note 4)	-	-	-	<b>(11,800)</b>	<b>(143,200)</b>	-	-	-
Transfers between equity entries	-	-	<b>(30,000)</b>	<b>(60,006)</b>	-	-	-	<b>(185,000)</b>
Other increases or decreases in equity	-	-	<b>60,006</b>	<b>12,328</b>	-	-	-	<b>12,328</b>
<b>ENDING BALANCE AT 31 DECEMBER 2021</b>	<b>68,774</b>	<b>913,267</b>	<b>269,965</b>	<b>201,100</b>	<b>(155,000)</b>	<b>14,444</b>	-	<b>1,312,550</b>

**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
<b>OPENING BALANCE (BEFORE REEXPRESSION)</b>	<b>48,028</b>	<b>169,013</b>	<b>229,968</b>	<b>68,480</b>	<b>(48,373)</b>	<b>439</b>	-	<b>467,555</b>
Adjustments due to errors	-	-	(464)	(19,190)	-	-	-	(19,654)
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
<b>OPENING BALANCE AT 1 JANUARY 2020</b>	<b>48,028</b>	<b>169,013</b>	<b>229,504</b>	<b>49,290</b>	<b>(48,373)</b>	<b>439</b>	-	<b>447,901</b>
<b>Total income/expense recognized</b>	-	-	-	<b>71,806</b>	-	<b>41</b>	-	<b>71,847</b>
<b>Other changes in equity:</b>	<b>20,746</b>	<b>744,254</b>	<b>(1,873)</b>	<b>(49,290)</b>	<b>36,573</b>	-	-	<b>750,410</b>
Issuance of ordinary shares (Note 15)	20,746	744,254	-	-	-	-	-	765,000
Dividends (or associates remunerations) (Note 4)	-	-	-	<b>(51,163)</b>	<b>36,573</b>	-	-	<b>(14,590)</b>
Transfers between equity entries	-	-	<b>(1,873)</b>	<b>1,873</b>	-	-	-	-
<b>ENDING BALANCE AT 31 DECEMBER 2020</b>	<b>68,774</b>	<b>913,267</b>	<b>227,631</b>	<b>71,806</b>	<b>(11,800)</b>	<b>480</b>	-	<b>1,270,158</b>

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

The accompanying Notes 1 to 29 and Appendices I, II and III are an integral part of the consolidated statement of changes in total equity for 2021.

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 2021 AND 2020**  
(Thousands of Euros)

	2021	2020 (*)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year	<b>201,100</b>	<b>71,806</b>
<b>Adjustments to obtain the cash flows from operating activities-</b>		
Depreciation and Amortization	74,306	42,280
Other adjustments	(1,532)	43,051
<b>Profit adjusted</b>	<b>273,874</b>	<b>157,137</b>
<b>Net increase/decrease in operating assets:</b>		
Financial assets held for trading	130	102
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	(271)	-
Financial assets at amortized cost	(20,747)	78,747
Other operating assets	(272,339)	(146,876)
	<b>(293,227)</b>	<b>(68,027)</b>
<b>Net increase/decrease in operating liabilities:</b>		
Financial liabilities held for trading	183	(535)
Financial liabilities at amortized cost	231,786	621,607
Other operating liabilities	268,242	160,744
	<b>500,211</b>	<b>781,816</b>
<b>Collection/Payments for income tax</b>	<b>(116,912)</b>	<b>(22,280)</b>
<b>Total cash flow from operating activities</b>	<b>363,946</b>	<b>848,646</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
<b>Payments-</b>		
Tangible assets	(795)	(1,925)
Intangible assets	(23,383)	(15,532)
Investments in joint ventures and associates	-	(452)
<b>Other payments related to investment activities</b>	-	(29,273)
<b>Collections-</b>	-	-
<b>Total cash flow from investing activities</b>	<b>(24,178)</b>	<b>(47,182)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
<b>Investment-</b>		
Dividends	(185,000)	(14,590)
<b>Collections-</b>		
Issuance of own equity instruments	-	-
Other financing activities	-	14,636
<b>Total cash flow from financing activities</b>	<b>(185,000)</b>	<b>46</b>
<b>EFFECT EXCHANGE RATE CHANGES</b>	<b>2,077</b>	<b>180</b>
<b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS</b>	<b>156,845</b>	<b>801,690</b>
Cash and cash equivalents at beginning of year	1,843,118	1,041,428
Cash and cash equivalents at end of the period	1,999,963	1,843,118
<b>MEMORANDUM ITEMS</b>		
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:</b>		
Cash	11	24
Cash equivalents at central banks	1,306,516	1,232,995
Other financial assets	693,436	610,099
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>1,999,963</b>	<b>1,843,118</b>

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

The accompanying Notes 1 to 29 and Appendices I, II and III are an integral part of the consolidated statement of cash flows for 2021.

*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 2021

#### **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.

The principal shareholders of Allfunds Group Plc. (the sole shareholder of Liberty Partners, S.L.U.) at 31 December 2020 (LHC3 Plc, BNP Paribas Securities Services and Credit Suisse A.G. ("the Selling Shareholders")) agreed to make a private sale of 163,650,850 shares to various institutional investors in various jurisdictions as part of the initial public offering (IPO) performed by Allfunds Group Plc on Euronext Amsterdam on 23 April 2021. Those shares were listed and started trading on Euronext on 23 April 2021 at an initial price of EUR 11.50, and the settlement date was 27 April 2021. In this IPO, LHC3 Plc offered 101,923,008 shares, BNP Paribas Securities Services 36,821,441 shares and Credit Suisse AG 24,906,401 shares. Once the over-allotment option had been exercised, the number of offer shares increased to 188,198,478 (an additional 24,547,628 shares), representing 29.9% of the share capital of Allfunds Group Plc. At 31 December 2021, the significant shareholders (holding more than 5% of the share capital) were LHC3 Plc., BNP Paribas Securities Services and Credit Suisse A.G.



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 from the sole shareholder, Liberty Partners, S.L.U., at 31 December 2021, is due to the tax consolidation and it amounts to EUR 1,987 thousand.

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

The Allfunds Group's consolidated financial statements for 2021 were formally prepared by the Bank's directors at the Board of Directors Meeting held on 18 March 2022, 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 2021 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 2020 were authorised for issue by the Bank's directors at the Board meeting held on 19 March 2021 approved by the Sole Shareholder held on 24 March 2021 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 2021, 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 4,047,856 thousand on the balance sheet and a net profit of EUR 163,612 thousand (see Note 3).

The accounting principles and policies and measurement bases principally applied in preparing the consolidated financial statements for 2021 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 2021 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 2021*

The following amendments to the IFRSs or the related interpretations ("IFRICs") became effective on 1 January 2021:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Amendments - IBOR reform

On 27 August 2020, the IASB issued Interest Rate Benchmark Reform—Phase 2, which entails the amendment of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that financial statements reflect the economic effects of this reform in the best possible way. These amendments focus on accounting for financial instruments once a new risk-free interest rate benchmark has been introduced.

The amendments to these standards provide specific guidance on how an entity should account for financial assets and liabilities where the basis for determining their contractual cash flows changes as a result of interest rate benchmark reform.

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.

The amendments introduce the practical expedient of accounting for changes in the cash flows of a financial instrument that are the direct consequence of the interest rate benchmark reform, and if they take place in a context of "economic equivalence", by recalculating the effective interest rate of the instrument. The entry into force of these amendments on 1 January 2021 did not have a significant impact on the Group's consolidated financial statements as at 31 December 2021.

- Amendments to IFRS 4, Insurance Contracts

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 became effective on 1 January 2021, although they did not have an impact on the Group as the Group will not be taking this option.

- Amendments to IFRS 16, Leases: covid-19-related rent concession practical expedient

The IASB has extended the time period for applying the practical expedient whereby lessees do not have to account for rent concessions as a lease modification if they are a direct consequence of covid-19. This practical expedient did not have any impact on the Group because the Group has not benefitted from any covid-19-related rent concessions. The application of the practical expedient continues to be optional and it applies to rent concessions that result in a reduction in lease payments originally due on or before 30 June 2022.

*Standards and interpretations issued but not yet in force*

At the date of preparation of these consolidated financial statements new International Financial Reporting Standards, amendments and interpretations had been issued that were not yet mandatorily applicable at 31 December 2021. Although, in some cases, the IASB permits the application of the amendments before they become effective, the Group did not apply them early.

- IFRS 17, Insurance Contracts

IFRS 17 establishes the principles that an entity shall apply to account for insurance contracts. IFRS 17 supersedes IFRS 4 and introduces significant changes in the way insurance contracts are accounted for in order to increase uniformity and comparability among entities.

Unlike IFRS 4, IFRS 17 established certain minimum requirements for aggregating insurance contracts for the purposes of their recognition and measurement, with units of account being determined by considering three levels: portfolios (insurance contracts subject to similar risks and managed together), cohorts and identification of onerous contracts.

As a result of the effectiveness of IFRS 17, insurance contracts are measured on the basis of a model that will use assumptions that are updated at each reporting date. The general approach requires an entity to measure its insurance contracts at the total of:

- the fulfilment cash flows, which comprise estimates of future cash flows discounted to reflect the time value of money, the financial risks related to the future cash flows and a risk adjustment for non-financial risk; and
- the contractual service margin, which represents the expected unearned profit on insurance contracts, which the entity will recognise in profit or loss as it provides insurance contract services in the future, rather than recognising it on the date on which it is initially estimated.

The amounts recognised in 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 recognised over the period the entity provides insurance coverage.

IFRS 17 will be effective for annual reporting periods beginning on or after 1 January 2023 (with comparative information for a minimum of one year), although it has not yet been endorsed by the European Commission.

- Amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021 the IASB issued amendments to these IASs with a view to improving the quality of the disclosures relating to the accounting policies applied by entities in order to provide useful and material information in the financial statements. The amendments to IAS 1 require entities to disclose accounting policies that are material, rather than significant, and provide guidance for applying the concept of materiality in disclosures in financial statements. The amendments to IAS 8 introduce clarifications for distinguishing between an accounting estimate and an accounting policy. The amendments will become effective on 1 January 2023, although they are not expected to have a significant impact on the consolidated financial statements of the Liberty Group.

- Amendments to IAS 12, Income Taxes

The IASB has issued amendments to IAS 12 to clarify how entities must account for deferred taxes arising from transactions such as leases or decommissioning obligations. The amendments clarify that entities must recognise deferred taxes in the case of leases and provisions for decommissioning obligation costs. The purpose of the amendments is to reduce diversity in the presentation of disclosures on deferred taxes in transactions of this nature. The amendments will become effective on 1 January 2023 and may be applied early, although they are not expected to have a significant impact on the consolidated financial statements of the Liberty Group.

- Minor amendments to a series of IFRSs

The IASB has issued a series of minor amendments and improvements to several IFRSs in order to clarify the wording or correct minor consequences, oversights or conflicts between the requirements of the standards. The standards affected are: IFRS 3, Business Combinations, IAS 16, Property, Plant and Equipment, IAS 37, Provisions, IFRS 9, Financial Instruments, IFRS 16, Leases, IFRS 1, First-time Adoption of International Financial Reporting Standards and IAS 41, Agriculture. These amendments will become effective on 1 January 2022, although they are not expected to have a significant impact on the consolidated financial statements of the Liberty Group.

Specifically, the amendments to IFRS 3 also add new requirements for the liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21. In this regard, the acquirer must apply IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. As regards the tax obligations within the scope of IFRIC 21, the acquirer must apply this standard in order to determine whether the obligating event giving rise to the tax liability had occurred by the acquisition date. These amendments will become effective on 1 January 2022.

#### **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 2021 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:

##### A) Estimates made in applying accounting policies

1. Classification of financial instruments based on the business model and compliance with the SPPI criterion (Note 8).
2. Useful life of tangible and intangible assets with a finite life: The directors use judgement in estimating the useful life of these assets and determining the most appropriate method of depreciation and amortisation. Any change in the estimated useful life or expected economic benefits of the assets could have an impact on the financial statements (see Notes 9 and 10).
3. Evidence of impairment of intangible assets with a finite useful life arising from business combinations. The Group's senior management analyses whether there is evidence of impairment of these assets. If the Group's management concludes that there is evidence of impairment, it performs the impairment test in the same way as it does for goodwill (see Note 10).
4. Deferred tax assets arising from tax losses: Such assets are recognised only if it is considered probable that the consolidated entities will have sufficient future taxable profits against which the assets can be utilised. The directors therefore make significant judgements in determining the amount of any deferred tax assets arising from tax losses that can be recognised in the balance sheet, basing their assessment on the time within which they expect the assets to be utilised, the future tax benefits, and the tax strategies adopted by the Group (see Note 12).
5. Provisions, contingent liabilities and contingent assets: The Group records provisions in accordance with IAS 37. The estimated amount of these provisions is subject to the interpretation of events that have occurred, estimates of future events and estimates of the economic impact of these events on the Group (see Note 2.j).
6. Stock Plan of LHC Manco Limited (indirect shareholder of Allfunds Bank, S.A.U.) offered to senior managers of the Allfunds Bank Group. Certain senior managers of the Allfunds Bank Group have had the option of acquiring shares in LHC Manco Limited under certain conditions at market value. The estimation of the market value of such shares is a significant judgment made by the directors (see Note 26.b).
7. Impairment testing of non-financial assets: Impairment tests are performed annually or when the directors consider that there is evidence of impairment (see Notes 9 and 10).
8. Estimates of accrued and deferred income and accrued and prepaid expenses relating to the Group's activity at the end of each year (see Note 13).

##### B) Main inputs for the estimates

1. Business combinations The Group records business combinations using the acquisition method. The cost of an acquired company is allocated to the assets acquired and liabilities assumed, measured at their fair value at the acquisition date. Any excess of the purchase price over the assets acquired and liabilities assumed is recorded as goodwill. Determining the fair value of the assets acquired

and liabilities assumed requires estimation and the use of valuation methodologies when the market values are not observable. At 31 December 2020, a provisional intangible asset allocation (PPA) was made for the acquisition of a BNP Group business. In 2021, however, the Group obtained additional information relating mainly to the attrition rate and so proceeded to adjust said intangible assets accordingly (see Notes 1.e and 1.g).

2. Provision for expected losses on financial assets at amortised cost: The Group estimated the provision based on industry information and its own experience, grouping the assets into segments with similar default behaviour. Given that these assets mature in the short term and that the Group has used the simplified approach under IFRS 9, the credit impairment losses and the estimated forward-looking information have no material impact, yet the analysis of the correlation between historical default rates and the expected loss is a significant estimate. Historical experience of impairment losses may therefore not be representative of future losses.

Although these estimates are based on the best information available at 31 December 2021, future events may require that they be modified in future periods. Where necessary, this would be done in accordance with IAS 8, that is to say, prospectively, with the effects of the change in the estimate being recognised in the consolidated income statements for the future periods in question.

#### **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 2021 and 2020 were as follows:

#### **Allfunds Group restructuring**

In 2021, the Bank's management carried out a corporate restructuring which consisted on transforming certain investee companies into branches of the Bank. To this end, the Bank first created branches in Luxembourg, Switzerland and Sweden. It then carried out a merger by absorption of Allfunds Bank International, S.A. (together with its branch in Switzerland) and Allfunds Sweden AB (as absorbed

entities) by Allfunds Bank, S.A.U. (as absorbing entity). The Bank then transferred, with immediate effect, the assets and liabilities acquired in these mergers to the branches established in Luxembourg, Switzerland and Sweden.

The mergers and branch creation undertaken by Allfunds Bank S.A.U. in 2021 are part of a process of concentration and simplification of the group of companies to which the participating companies (Allfunds Bank, S.A.U. as absorbing entity and Allfunds Sweden AB and Allfunds Bank International S.A. as absorbed entities, the latter also operating through a branch in Switzerland) belong. The main aim of this process is to rationalise the Group's corporate structure, so as to improve the companies' management and administration and optimise costs by integrating them in a single company, adapting the size, production and organisation to increase efficiency, unifying the administration of the participating companies, reducing management and overhead costs, and simplifying business and tax management to the maximum, with the consequent cost savings.

The mergers are to be seen in the context of the restructuring of the group's activity, as a result of which Allfunds Bank, S.A.U. will operate in Sweden, Luxembourg and Switzerland through its new branches in those countries. Thus, from the effective date of these cross-border mergers (17 December 2021), all the assets and liabilities of the absorbed companies (which were extinguished on the merger effective date by dissolution without liquidation) were transferred en bloc to Allfunds Bank, S.A.U., which acquired them by universal succession and immediately assigned them to its new branches in Sweden and Luxembourg (all the assets and liabilities of the Switzerland branch of Allfunds International Bank, S.A. thus being assigned to the new Switzerland branch of Allfunds Bank, S.A.U.). These transactions were effective for accounting purposes from 1 January 2021.

The aforementioned cross-border mergers were carried out under Council Directive 2009/133/EC of 19 October 2009 on the common system of taxation applicable to mergers between companies of different Member States, once the necessary steps had been taken to meet the requirements laid down in the laws and regulations of the jurisdictions concerned.

### **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 had 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.

As detailed at the beginning of this note, in 2021 the Bank carried out a cross-border merger whereby Allfunds Bank S.A.U. (as the absorbing company) absorbed its Swedish subsidiary, Allfunds Sweeden A.B. (as the absorbing company) absorbed its subsidiary in Sweden, Allfunds Sweeden A.B., entailing (i) the dissolution without liquidation of the Swedish company and (ii) the transfer en bloc of all its assets and liabilities to the absorbing company and (iii) the immediate attribution of the assets and liabilities of the absorbed company to the new branch in Sweden with accounting effect on 1 January 2021. Consequently, as of 1 January 2021, all assets and liabilities of Allfunds Sweeden as well as the intangible assets arising from the business combination through the acquisition of Allfunds Sweeden



have been recorded in the balance sheet of the Bank.

*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)
<b>Emerg ed goodwill from business combination</b>	<b>19,414</b>
Customer relationships (Note 11)	1,587
Deferred tax liabilities (Note 12)	(328)
<b>Goodwill (Note 10)</b>	<b>18,155</b>

2021

	Useful life	Thousands of Euros			
		Initial Balance at 1 January 2021	Amortization	Exchange rate effect	Final Balance at 31 December 2021
Customer relationships	14.95	1,463	106	66	1,423
Deferred tax liabilities	14.95	(301)	(22)	(14)	(293)

2020

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

**Credit Suisse distribution business**

*Description of the transaction*

June 25, 2019, Allfunds Bank S.A.U., and its subsidiary Allfunds International, Schweiz AG (now a Branch of Allfunds Bank, S.A.U. following the restructuring process carried out by the Group) (see at the beginning of this Note), together with its shareholders Allfunds Group Plc (sole shareholder of Liberty Partners, S.L.U, the latter being 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.

To carry out this transaction, and as a result of the settlement of the purchase price for the acquisition of the shares of Credit Suisse InvestLab AG and Credit Suisse InvestLab 2 AG by Allfunds International Schweiz from Credit Suisse AG through the transfer of the additional ownership interest in Allfunds Group Plc, Allfunds Group Plc (sole shareholder of Liberty Partners, S.L.U.) granted two loans of EUR 190 million each to Allfunds International, Schweiz AG, i.e., the amount at which the shares of Credit Suisse InvestLab AG (Phase One) and Credit Suisse InvestLab 2 AG (Phase Two) transferred had been valued.

These loans were contributed by Allfunds Group Plc as a non-monetary capital increase 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. Lastly, Allfunds Bank, S.A.U. made two contributions to the reserves of Allfunds International Schweiz AG, at which time the original loans were extinguished.

The grandparent contributions made by Allfunds Bank, S.A.U. to the reserves of Allfunds International Schweiz AG did not involve capital increases 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).

In addition, on 17 June 2019 Allfunds International Schweiz AG entered into an agreement, for EUR 14,783 thousand before tax (EUR 13,726 thousand after tax), 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 Bank Group for the acquisition of Allfunds InvestLab AG.

As detailed at the beginning of this note, in 2021 the Bank carried out a cross-border merger whereby Allfunds Bank S.A.U. (as the absorbing company) absorbed its Luxembourg subsidiary, Allfunds Bank International, S.A.U. (together with its branch in Switzerland where the business acquired from Credit Suisse was integrated) involving (i) the dissolution without liquidation of the Luxembourg company and (ii) the transfer in bloc of all its assets and liabilities to the absorbing company and (iii) the immediate attribution of the assets and liabilities of the Luxembourg company to the absorbing company. attribution of the assets and liabilities of the absorbed company to the new Luxembourg Branch and (iv) the immediate attribution of the assets and liabilities of the Swiss branch of the absorbed Luxembourg company to a new branch in Switzerland with accounting effects on January 1, 2021. Consequently, as of January 1, 2021, all assets and liabilities of the Swiss branch of Allfunds Bank International, S.A.U. as well as the intangible assets arising from the business combination due to the acquisition of the distribution business of Credit Suisse – investlab (which were initial registered at consolidated level in Allfunds Group financial statements) have been recorded in the Bank's balance.

#### *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 (both first and second phase), taking into consideration the report prepared by an independent expert, and disclosing the following assets at the acquisition date:

	Thousands of Euros		
	Phase One (06/09/19)	Phase Two (26/03/20)	Total
Consideration transferred to Credit Suisse AG	190,000	190,000	380,000
Cost of negotiation on an exclusive basis	14,783	-	14,783
Less- Fair value of the net assets acquired	(27,755)	(93)	(27,848)
<b>Goodwill arising in the business combination</b>	<b>177,028</b>	<b>189,907</b>	<b>366,935</b>
Cooperation agreement (Note 10) (*)	148,635	13,629	162,264
Relationships with customers (Note 10)	3,717	-	3,717
Deferred tax assets (Note 12)	25,647	39,268	64,915
Deferred tax liabilities (Note 12)	(30,249)	(2,698)	(32,947)
Other assets (**)	5,475	-	5,475
Payment of tax liability	5,247	-	5,247
<b>Goodwill (Note 10)</b>	<b>18,556</b>	<b>139,708</b>	<b>158,264</b>

(\*) Fair value of the relationship between Allfunds Bank, S.A.U. and Credit Suisse whereby Allfunds Bank is the distributor of funds of Credit Suisse on an exclusive basis in certain geographical areas, as well as providing certain services associated with the distribution of funds also on an exclusive basis.

(\*\*) Amount collected at 31 December 2020.

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

2021

	Useful Life	Thousands of Euros			
		Beginning Balance at 1 January 2021	Amortisation	Exchange rate differences	Ending Balance at 31 December 2021
Cooperation agreement (Note 10)	12	145,048	(13,512)	7,270	138,806
Relationships with customers (Note 10)	13.4	3,351	(277)	178	3,252
Deferred tax liability (Note 12)	13	(29,229)	2,717	(1,519)	(28,031)

2020

Phase One: acquisition date: 6 September 2019

	Useful Life	Thousands of Euros		
		Beginning Balance at 1 January 2020	Amortisation	Ending Balance at 31 December 2020
Cooperation agreement (Note 10)	12	144,701	(12,411)	132,290
Relationships with customers (Note 10)	13.4	3,629	(278)	3,351
Deferred tax liability (Note 12)	13	(29,399)	2,684	(26,715)

Phase Two: acquisition date: 26 March 2020

	Useful Life	Thousands of Euros		
		Beginning Balance at 26 March 2020	Amortisation Charge	Ending Balance at 31 December 2020
Cooperation agreement (Note 10)	12	13,629	(871)	12,758
Deferred tax liability (Note 11)	13	(2,698)	184	(2,514)

**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.

**Merger of Allfunds International Schweiz AG into Allfunds Bank International, S.A.**

On 7 October 2020, Allfunds Bank, S.A.U., as the sole shareholder of Allfunds Bank International S.A., approved the merger agreement whereby Allfunds Bank International, S.A. (absorbing company) absorbed Allfunds International Schweiz AG (absorbed company wholly owned by the absorbing company) with the concomitant dissolution without liquidation of the absorbed company and the transfer of its assets and liabilities by universal succession to the absorbing company, which was subrogated to all the rights and obligations of the absorbed company. The merger, which was registered in the Luxembourg Trade and Company Register on 20 October 2020, was effective from 1 January 2020, the date from which the transactions of the absorbed company are considered to have been performed for accounting purposes by the absorbing company.

On that same date the Board of Directors of Allfunds Bank International S.A. approved the transfer of all the assets and liabilities of Allfunds International Schweiz AG to Allfunds International, S.A., Luxembourg, Zürich Branch. This branch had been registered in the Zürich Commercial Register on 12 May 2020.

**Merger between Allfunds Bank, S.A.U. and Allfunds Bank International, S.A.U.**

On 22 December 2021, the merger by absorption between Allfunds Bank, S.A.U. (as absorbing entity) and Allfunds Bank International, S.A.U. (as absorbed entity) took effect, with the result that the absorbed company was extinguished and its assets were transferred by universal succession, without liquidation, to the absorbing company, which was subrogated to all the rights and obligations of the absorbed company (see the "Restucturing" section of this note). The merger was effective for accounting purposes from 1 January 2021, from which date any actions performed by the absorbed company are considered to have been performed by the absorbing company.

At the same time, the Bank assigned the assets and liabilities previously acquired from Allfunds Bank International S.A. to the branches of Allfunds Bank S.A.U. in Luxembourg, and the assets and liabilities

previously in the Swiss branch of Allfunds Bank International S.A. to the branch of Allfunds Bank S.A.U. in Switzerland.

#### **Allfunds Blockchain, S.L.U.**

On 4 September 2020, Allfunds Bank, S.A.U. established Allfunds Blockchain, S.L.U. as a limited liability company and subsidiary. The principal purpose of Allfunds Blockchain, S.L.U. is the carrying out of computer programming and technological development activities, including all kinds of new technologies such as blockchain, and the use of products resulting from these activities. The share capital is divided into three thousand shares with a nominal value of 1 euro per share, fully subscribed and paid up, the sole shareholder being Allfunds Bank, S.A.U.

On 5 July 2021, Allfunds Bank, S.A.U. the sole shareholder of Allfunds Blockchain, S.L.U., agreed to increase the company's capital by 509,154.00 euros by issuing 509,154 shares with a nominal value of 1.00 euro per share, with an issue premium of 4,256,163.00 euros. In this capital increase, the sole shareholder contributed assets (branch of activity related to the development of Blockchain technology) valued at 1,765,317.00 euros (equivalent to 209,154 shares: nominal value of 1.00 euro and an issue premium of 7.44 euros per participation), and the rest for cash contributions (equivalent to 300,000 shares: nominal value of 1.00 euro and an issue premium of 9.00 euros per participation). Both the participations and the issue premium were fully subscribed and paid by Allfunds Bank, S.A.U. as of 31 December 2021.

#### **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 (see Note 15). As a result, B2PS has 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 (see Note 15). 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 (see Note 15). 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 (see Note 2.j):

- 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 2021 and 2020, the Group has recognized an expense associated to the TSA costs for 42,064 and 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).

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 (see Note 2.j).

As a consequence, as at 31 December 2021 and 2020, the Group has recognized an expense associated to the Sub Distribution Agreement for 6,300 and 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 2,700 and 5,426 thousands of euros, which is included in the heading "Other Assest- Rest" of the attached consolidated balance sheet (see Note 13).

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 31 December 2020, BP2S and PAM hold a joint ownership interest of up to 22.5%.

i) Acquisition of Banca Corrispondente business

*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, 2021, 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. At 31 December 2020 the Group had made a provisional purchase price allocation, but in 2021 it obtained additional information (mainly relating to the historical attrition rate) and proceeded to retroactively adjust the initial allocation of intangible assets (as of 31 December 2020), pursuant to paragraph 49 of IFRS 3, as the period of one year from the transaction date had not expired. This adjustment entailed changes to the recorded amortisation expense, with an impact of 8 thousand euros on the result at 31 December 2020 (see Note 1.g).

The following table provides a breakdown of the initial allocation at 2 October 2020 and the allocation made with the new information and recorded retroactively at 31 December 2020:

	Thousand of Euros	
	Initial allocation	Allocation with new information available
Consideration transferred to BNP Paribas Securities Services ("BP2S")	414,000	414,000
Less - Cash transferred from BP2S to Allfunds Bank, S.A.U.	(29,684)	(29,684)
Less - Fair value of the net assets acquired	(7,617)	(7,617)
<b>Emerged goodwill from business combination</b>	<b>376,699</b>	<b>376,699</b>
Exclusivity agreement (*) (Note 10)	101,404	104,056
Relationship with clients (Note 10)	91,168	109,231
Technological Platform (Note 10)	22,730	22,730
Deferred tax liabilities (Note 12)	(71,050)	(77,888)
<b>Goodwill (Note 10)</b>	<b>232,447</b>	<b>218,570</b>

(\*) Fair value of the relationship between Allfunds Bank, S.A.U., and Banca Nazionale del Lavoro ("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:

2021

	Useful life	Thousands of euros		
		Initial balance at 31 December 2020	Amortization	Ending Balance at 31 December 2021
Exclusivity agreement (Note 10)	14.67	102,292	(7,095)	95,197
Relationship with clients (Note 10)	13.57	107,229	(8,051)	99,178
Technological platform (Note 10)	5	21,600	(4,546)	17,054
Deferred tax liabilities (Note 12)		(76,272)	76,272	-

2020

	Useful life	Thousands of euros		
		Initial balance at 2 October 2020	Amortization	Ending Balance at 31 December 2020
Exclusivity agreement (Note 10)	14.67	104,056	(1,764)	102,292
Relationship with clients (Note 10)	13.57	109,231	(2,002)	107,229
Technological platform (Note 10)	5	22,730	(1,130)	21,600
Deferred tax liabilities (Note 12)		(77,888)	1,616	(76,272)

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

*Assets acquired and liabilities assumed on the date of acquisition*

The accounting for the Fund Dealing Services business assets and liabilities recognised at the acquisition date gave rise to the recognition of certain obligations associated with the employees



transferred amounting to EUR 452 thousand. However, after the completion of the transaction, FDS transferred EUR 452 thousand to Allfunds Bank, S.A.U., since the value of the net assets acquired was lower than the amount established by the parties in the agreement.

### **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.

### **Allfunds Hong Kong Limited**

On 4 February 2020, Allfunds Hong Kong Limited carried out a capital increase in the amount of 10,000 thousand Hong Kong dollars (1,166 thousand euros). Consequently, at 31 December 2020, the share capital of Allfunds Hong Kong Limited amounted to 17,000 thousand Hong Kong dollars (1,972 thousand euros), represented by 1,000 shares with a nominal value of 17 thousand Hong Kong dollars (1,972 euros) per share, fully subscribed and paid up.

On 4 March and 23 July 2021, Allfunds Hong Kong Limited carried out two capital increases, in the amount of 20,000 thousand Hong Kong dollars (2,188 thousand euros) and 10,000 thousand Hong Kong dollars (1,071 thousand euros), by increasing the nominal value of the shares. Consequently, at 31 December 2021 the share capital of Allfunds Hong Kong Limited was 47,000 thousand Hong Kong dollars (5,231 thousand euros), represented by 1,000 shares with a par value of 47 thousand Hong Kong dollars (5,231 euros) per share, fully subscribed and paid up.

### **Finamatrix Group**

On 12 July 2021, Fintech Partners, S.L.U. (whose sole shareholder is Allfunds Bank, S.A.U.) and Nextportfolio, S.L.U. (whose sole shareholder is Fintech Partners, S.L.U.), as absorbed companies, and Allfunds Digital (whose sole shareholder is Fintech Partners, S.L.U.), as absorbing company, agreed on the reverse merger set out in the applicable Common Draft Terms of Merger on 3 June 2021. The merger came into effect on 16 September 2021 and was effective for accounting purposes from 1 January 2021.

As a result of the merger by absorption between Allfunds Digital, S.L.U. as absorbing company and Fintech Partners, S.L.U. and Nextportfolio, S.L.U. as absorbed companies, the absorbed companies were extinguished and all the assets of the absorbed companies were transferred en bloc to the absorbing company, which acquired all the rights and obligations that made up the assets of the absorbed companies by universal succession. There was no capital increase in the absorbing company nor any supplementary cash consideration because the participating companies are directly and indirectly fully owned by the common sole member, Allfunds Bank, S.A.U. As a result of the merger, the participations of Fintech Partners, S.L.U. and Nextportfolio, S.L.U., both owned by the common sole member, which was not a party to the merger, were cancelled and the common sole member received, in exchange, all the participations of the absorbing company.

This domestic merger is subject to the tax regime specified in Chapter VII Title VII of the Corporate Income Tax Act (*Ley 27/2014 de 27 de noviembre del Impuesto sobre Sociedades*, LIS) and all the necessary steps have been taken to comply with the tax obligations under that act.

This merger is part of the process of concentration and simplification of the group of companies to which the participating companies belong, aimed essentially at rationalising the group's corporate structure, so as to improve the companies' management and administration and optimise costs by integrating them in a single company, adapting the size, production and organisation to increase efficiency, unifying the administration of the participating companies, reducing management and overhead costs, and simplifying business and tax management to the maximum, with the consequent cost savings.

**f) Agency agreements**

Neither at the end of 2021 or 2020 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, 2021, those corresponding to December 31, 2020, 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, 2020 included for comparative purposes in the accompanying consolidated financial statements differ from those included in the consolidated annual accounts as of December 31, 2020 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.

In 2021, the Bank obtained additional information about the acquired business (mainly relating to the historical attrition rate) and proceeded to retroactively adjust the initial allocation (made at 31 December 2020), as the adjustment was within the period of one year from the transaction date and was in accordance with the provisions of IFRS 3.

Because the business combination was perfected on 2 October 2020, the adjustment to the initial allocation affects the restatement of the consolidated balance sheet and consolidated income statement at 31 December 2020.

The impact recognized in the consolidated balance sheet as at 31 December 2020, was as follows:

- An increase in total assets of EUR 6,850 thousand mainly arising from a net reduction in goodwill of EUR 13,877 thousand, a net increase in intangible assets of EUR 20,727 thousand.

- A net increase in tax liabilities for EUR 6,842 thousand.
- A increase in equity of EUR 8 thousand due to the impact on profit for 2020.

The impact of this restatement recorded in the consolidated income statement for 2020 was as follows:

- A reduction in the amortization expense of EUR 12 thousand and consequently an increase in the result from operating activities and in the profit or (-) loss before tax from continuing operations by that amount.
- A decrease in the tax expense in the amount of 4 thousand euros.

Consequently, in application of IFRS 3, the Group has recognized adjustments to the provisional amount with an impact on 2020 profit and reserves amounting to 8 thousand euros to complete the initial accounting.

Below is a summary comparison of the consolidated balance sheet as of December 31, 2020 and the profit and loss account for the year 2020 prepared by the Administrators, with the impact of the retroactive application of the process for assigning the price of purchase:

	Thousands of euros		LIABILITIES AND EQUITY	Thousands of euros	
	31-12-2020 (1)	Retroactive application		31-12-2020 (2)	Retroactive application
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY</b>		
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	1,843,118	-	<b>LIABILITIES</b>		
FINANCIAL ASSETS HELD FOR TRADING: Derivatives	507	-	FINANCIAL LIABILITIES HELD FOR TRADING:	213	213
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS:	393	-	FINANCIAL LIABILITIES AT AMORTIZED COST:	1,812,664	1,812,664
FINANCIAL ASSETS AT AMORTIZED COST:	233,490	-	TAX LIABILITIES: <i>Liabilities for current taxes</i>	115,416	122,258
TANGIBLE ASSETS:	29,301	-	<i>Liabilities for deferred taxes</i>	15,145	15,145
INTANGIBLE ASSETS: <i>Goodwill</i>	989,480	6,850	OTHER LIABILITIES	100,271	107,113
<i>Other intangible assets</i>	415,570	(13,877)	TOTAL LIABILITIES	404,153	404,153
TAX ASSETS: <i>Assets for current taxes</i>	573,910	20,727	EQUITY	2,332,446	2,339,288
<i>Assets for deferred taxes</i>	64,132	-	SHARE HOLDERS' EQUITY		
OTHER ASSETS	9,020	-	Capital	1,269,670	1,269,678
	55,112	-	Share Premium	68,774	68,774
	442,175	-	Retained Earnings	913,267	913,267
			Profit attributable to the owners of the parent company	227,631	227,631
			Interim dividends	71,798	71,806
			Accumulated other comprehensive income	(11,800)	(11,800)
			TOTAL EQUITY	480	480
<b>TOTAL ASSETS</b>	<b>3,602,596</b>	<b>6,850</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,270,150</b>	<b>1,270,158</b>
				<b>3,602,596</b>	<b>3,609,446</b>

- (1) Consolidated balance sheet authorised for issue by the Board of Directors on 19 March 2021 and approved by the sole shareholder  
(2) Adjusted consolidated balance sheet included in these consolidated financial statements for comparison purposes.

	Thousands of Euros		
	31-12-2020 (1)	Retroactive application	31-12-2020 (2)
INTEREST INCOME	3,476	-	3,476
(INTEREST EXPENSES)	(6,024)	-	(6,024)
(EXPENSES ON SHARE CAPITAL REPAYABLE ON DEMAND)	-	-	-
<b>NET INTEREST INCOME</b>	<b>(2,548)</b>	-	<b>(2,548)</b>
DIVIDEND INCOME	-	-	-
FEE AND COMMISSION INCOME	1,586,721	-	1,586,721
(FEE AND COMMISSION EXPENSES)	(1,280,063)	-	(1,280,063)
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	-	295
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	180	-	180
OTHER OPERATING INCOME	11,713	-	11,713
(OTHER OPERATING EXPENSES)	(4,524)	-	(4,524)
INCOME FROM INSURANCE AND REINSURANCE CONTRACTS	-	-	-
(EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS)	-	-	-
<b>GROSS INCOME</b>	<b>311,774</b>	-	<b>311,774</b>
(ADMINISTRATION COSTS)	(154,457)	-	(154,457)
<i>(Personnel expenses)</i>	(73,230)	-	(73,230)
<i>(Other administrative expenses)</i>	(81,227)	-	(81,227)
(DEPRECIATION)	(42,292)	12	(42,280)
(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)	(800)	-	(800)
<i>(Financial assets at amortized cost)</i>	(800)	-	(800)
<b>NET OPERATING INCOME</b>	<b>114,225</b>	12	<b>114,237</b>
(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	(750)	-	(750)
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	-	-	-
<b>OPERATING PROFIT BEFORE TAX</b>	<b>113,475</b>	12	<b>113,487</b>
(TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION)	(41,677)	(4)	(41,681)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>71,798</b>	8	<b>71,806</b>
PROFIT FROM DISCONTINUED OPERATIONS (net)	-	-	-
<b>PROFIT</b>	<b>71,798</b>	8	<b>71,806</b>
Attributable to minority interest [non-controlling interests]	-	-	-
Attributable to owners of the parent	71,798	8	71,806
Basic earnings per share	0.039	-	0.039
Diluted earnings per share	0.039	-	0.039

(1) Profit and loss account prepared by the Board of Directors on March 19, 2021 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.

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 Group.

On 20 May 2019, the European Parliament and the Council of the European Union approved Regulation (EU) 2019/876 or CRR, amending the CRR in the following areas: the net stable funding ratio (NSFR), requirements for own funds and eligible liabilities, credit risk, counterparty credit risk (CRR), 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.

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.

The strategic objectives set by the Group's management for the management of its capital are as follows:

- Comply with applicable minimum capital requirements at all times, at both separate and consolidated level.
- Seek maximum efficiency in capital management, treating capital consumption as a fundamental variable, alongside other risk and return variables, in the analyses associated with the Group's investment decision-making.

To achieve these objectives, the Group has a set of capital management policies and processes, the outlines of which are as follows:

- The Group monitors, controls and analyses compliance with capital regulations.
- In the Group's strategic and commercial planning, the impact of the strategic and commercial plans on eligible capital and the consumption-return-risk ratio is a key factor in the Group's decision-making.

For all the above reasons, the Group considers that the capital levels and capital requirements established by the aforementioned regulations are key to the Group's management, affecting investment decisions and transaction feasibility analysis, among other things.

Minimum capital requirements are calculated based on the Group's exposure to credit, counterparty and dilution risk (based on the assets, commitments and other off-balance-sheet items that entail exposure to those risks), position risk, exchange rate risk, commodities risk, credit valuation adjustment (CVA) risk, trading book risk and operational risk. The Group is also required to comply with risk concentration limits, leverage ratio limits, obligations relating to internal corporate governance, internal capital adequacy assessment and interest rate risk measurement, and market disclosure obligations. To ensure compliance, the Group manages these risks in a comprehensive manner, in accordance with the aforementioned policies.

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 0.2840% and 0.1148% at 31 December 2021 and 2020 respectively.
- 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 2021 or 2020.

The main figures relating to the capital ratios applicable to the Group pursuant to Regulation (EU) 575/2013, at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Common Equity Tier 1 (I)	339,672	320,686
Additional Tier 1 capital (II)	-	-
Total Tier 1 capital (III=I+II)	339,672	320,686
Tier 2 capital (IV)	-	-
Total eligible capital (V=III+IV)	339,672	320,686
<b>Exposure for capital adequacy purposes</b>	<b>1,806,711</b>	<b>1,318,365</b>
<b>Common Equity Tier 1 ratio</b>	<b>18.80%</b>	<b>24.32%</b>
<b>Total capital ratio</b>	<b>18.80%</b>	<b>24.32%</b>

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

At 31 December 2021 and 2020 and during those years, the Group's computable own resources exceeded the minimum required by current regulations, such as by the Bank of Spain.

#### **j) Deposit Guarantee Fund and Single Resolution Fund**

##### *i. Deposit Guarantee Fund*

The Bank participates in the Deposit Guarantee Fund.

In 2021 and 2020, 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 881 thousand in 2021 (2020: EUR 546 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 18 March 2022. 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 19, 2021, which includes the complaints and claims produced during 2020, 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.

The Group is exposed to the financial market volatility caused by the COVID-19 pandemic, which affects the market value of the funds administered via its platform (AuA), which may have a material adverse impact on the Group's financial condition and results of operations. Market volatility during the first quarter of 2020, in the early stages of the pandemic, led to a decrease in the value of the Group's AuA. Subsequently, the markets improved and the Group was able to increase its AuA by acquiring new business with existing customers and adding new customers to its portfolio. The decline in value of the Group's AuA has been fully recovered since the previous year.

The Group's directors continue to update their assessment of liquidity risks, operational risks, budget vs actual, and going concern risk based on the best available information. Their assessment of these risks has not changed significantly compared to the previous year.

Thanks to the market recovery and the success of the vaccination programmes during 2021, the overall financial outlook for 2022 is positive. However, the possible future direct and indirect impact of the pandemic on the global economy and our businesses, results of operations and financial condition remains highly uncertain and depends on future events that cannot be predicted, including the spread of new COVID-19 variants, the timing and availability of effective medical treatments and vaccines, and future action by governments (including stimulus legislation) or other parties in response to the pandemic. The pandemic could give rise to prolonged adverse economic conditions at the global or national level or have a more lasting impact on economic conditions than currently anticipated.

#### **m) Events after the reporting period**

At its meeting on 23 February 2022, the Board of Directors of the Bank agreed to pay a dividend of 8,600 thousand euros out of the profit for financial year 2021, which was fully paid at the reporting date. The pro forma financial statements prepared by the Bank's directors pursuant to Article 277 of the Consolidated Text of the Capital Companies Act (*Ley de Sociedades de Capital*), showing that sufficient funds are available to pay interim dividends, are as follows:

	Thousands of euros
	31-12-2021
Profit after tax	163,612
To be deducted:	
Dividend paid	(155,000)
Legal reserve	-
<b>Distributable profit</b>	<b>8,612</b>
Interim dividend to be distributed	8,600
Gross dividend per share (euros)	3,75

Additionally, on 23 February 2022, the Bank's sole member agreed to pay a dividend of 23,300 thousand euros out of freely available reserves, which was fully paid at the reporting date.

Since December 31, 2021 and up to the date of issuance of these annual accounts, there have been no significant subsequent events in addition to the above.

## **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 or 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 Group 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 Group 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 as at fair value through profit or loss include financial liabilities designated as such from initial recognition, the fair value of which may be determined reliably, and which meet the same conditions as those described above for the financial assets at fair value through profit or loss.
- 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: this category of financial instruments includes all financial liabilities except those that meet the characteristics mentioned in the other categories.

*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 Group for the financial instruments included under "Financial assets held for trading" and "Financial liabilities held for trading" in the consolidated balance sheet 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" which correspond 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 2021 and 2020, 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 2021 and 2020 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**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

The lessee is required to recognise a right-of-use asset representing its right to use the leased asset under "Tangible Assets - Property, Plant and Equipment" in the consolidated balance sheet (see Note 9), and a lease liability representing its obligation to make lease payments under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" in the consolidated balance sheet (see Note 14). For the purposes of the consolidated statement of profit or loss, the depreciation of the right-of-use asset must be recognised under "Depreciation and Amortisation Charge - Tangible Assets (see Note 9), and the finance cost associated with the lease liability under "Interest Expenses - Other Interest" (see Note 20).

In the case of short-term leases and leases for which the underlying asset is of low value, the lessee may opt to recognise the expenses resulting from operating leases in the consolidated statement of profit or loss in the year in which they are incurred rather than recognising the assets and liabilities described above.

A payment made on entering into or acquiring a leasehold that is accounted for as an operating lease represents prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

### **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 (BNP), Investlab (Credit Suisse), Allfunds Sweden AB and Fintech Partners, S.L. (see Notes 1.e and 10).

### *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).

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. CGUs are the smallest identifiable groups of assets that generate cash inflows for the Group that are largely independent of the cash inflows from the Group's other assets or groups of assets. 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 and/or dividends to perpetuity, and an interest rate to discount the cash flows and/or dividends 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 recognizes 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 (see Note 11). 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 3,095 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. 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 2021 and 2020.

#### Obligations

At 31 December 2021, the Group had entered into the following agreements with BNP and Credit Suisse in the context of the business acquisitions made (see Note 2-e):

- Transactional Services Agreement (TSA) with BNP following the business combination effected on 2 October 2020 with a duration of three years and a total cost of EUR 82.6 million (see Note 1-e).

At 31 December 2021 and 2020, the Group recognised expenses amounting to EUR 42,064 thousand and EUR 10,516 thousand, respectively, the amount is included under "Administrative expenses - Other administrative expenses" in the accompanying consolidated income statement. (See Note 23).

- Agreement that regulates the cooperation between PAM and Allfunds Bank for the migration from PAM to Allfunds Bank, S.A.U. (Sub Distribution Framework Agreement) entered into in the context of the business combination with BNP. The Agreement has a duration of ten years and provides for payments of EUR 9 million for the first two years (EUR 6 million in 2020 and EUR 3 million in 2021) and of EUR 100 thousand in subsequent years (see Note 1-e).

Therefore, at 31 December 2021 and 2020 the Group recognised expenses associated with the Sub Distribution Framework Agreement costs amounting to EUR 6,300 thousand and EUR 1,800 thousand, respectively, and these amounts are recognised under "Administrative Expenses - Other Administrative Expenses" in the accompanying consolidated statement of profit or loss, and a collection right relating to the advance payment made amounting to EUR 2,700 thousand and EUR 5,426 thousand, respectively, and these amounts are recognised under "Other Assets - Other" in the accompanying consolidated balance sheet (see Notes 13 and 23).

- Cooperation agreement between the Bank and Credit Suisse AG. This agreement included, inter alia, the provision of the following services:
  - Cooperation services to enable the Group to increase the amount of the assets brokered by it through Credit Suisse's relationships with management companies and distributors. The cost of these services amounts to EUR 11 million in the first three years.
  - Participation in the international conferences held by Credit Suisse (up to a maximum of eight) when the two parties mutually agree to do so.

As established in the agreement, following the IPO of Allfunds Group Plc on 23 April 2021, the provision of the services detailed above came to an end, the other clauses of the cooperation agreement remained in force and the two parties completed the economic settlement of services provided until that date. Consequently, Credit Suisse received EUR 17,945 thousand from Allfunds Bank for the services provided from September 2019 to April 2021.

#### ***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 2021 and 2020, 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			
	31-12-2021		31-12-2020	
	Assets	Liabilities	Assets	Liabilities
<b>Balances in US Dollars:</b>				
Cash, and cash balances with Central Banks and other demand deposits	309,939	-	166,163	-
Financial assets at amortized cost	61,835	-	56,455	-
Other assets	116,552	-	66,176	-
Financial liabilities at amortized cost	-	334,269	-	213,893
Other liabilities	-	98,272	-	54,902
	488,326	432,541	288,794	268,795
<b>Balances in Sterling Pounds:</b>				
Cash, and cash balances with Central Banks and other demand deposits	112,891	-	101,378	-
Financial assets at amortized cost	21,442	-	21,501	-
Tax assets	91	-	-	-
Tangible assets	3,970	-	4,701	-
Other assets	7,746	-	3,729	-
Financial liabilities at amortized cost	-	128,820	-	124,208
Tax liabilities	-	2,807	-	-
Other liabilities	-	9,774	-	6,610
	146,140	141,401	131,309	130,818
<b>Balances in Swiss Franc:</b>				
Cash, and cash balances with Central Banks and other demand deposits	75,760	-	57,495	-
Financial assets at amortized cost	2,011	-	5,851	-
Tangible assets	1,408	-	1,864	-
Intangible assets	305,256	-	307,596	-
Tax assets	51,305	-	54,498	-
Other assets	41,560	-	36,536	-
Financial liabilities at amortized cost	-	17,984	-	15,613
Tax liabilities	-	28,031	-	29,249
Other liabilities	-	38,033	-	33,752
	477,300	84,048	463,840	78,614
<b>Balances in Swedish Krona:</b>				
Cash, and cash balances with Central Banks and other demand deposits	42,970	-	28,534	-
Financial assets at amortized cost	1,014	-	215	-
Intangible assets	20,273	-	19,637	-
Tax assets	1,678	-	1,077	-
Other assets	16,042	-	11,159	-
Financial liabilities at amortized cost	-	38,493	-	24,101
Tax liabilities	-	317	-	343
Other liabilities	-	16,103	-	11,962
	81,977	54,913	60,622	36,406
<b>Balances in other currencies:</b>				
Cash, and cash balances with Central Banks and other demand deposits	59,400	-	38,104	-
Financial assets at amortized cost	8,621	-	6,224	-
Tangible assets	2,368	-	1,813	-
Intangible assets	12	-	17	-
Tax assets	7,761	-	3,698	-
Other assets	32,886	-	6,231	-
Financial liabilities at amortized cost	-	49,203	-	28,467
Tax liabilities	-	38	-	156
Other liabilities	-	32,214	-	6,675
	111,048	81,455	56,087	35,298
<b>Total foreign currency balances</b>	<b>1,304,791</b>	<b>794,358</b>	<b>1,000,652</b>	<b>549,931</b>

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.

#### ***1) 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.

#### Post-employment benefits: defined contribution plans

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

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).

#### Post-employment benefits: defined benefit plans

At 31 December 2021, the Group had pension obligations to certain employees of the Branches in Italy, Switzerland and Poland which, pursuant to the applicable legislation, meet the conditions to be considered defined benefit obligations.

The Group recognises the net present value of these post-employment defined benefit obligations under "Provisions - Pensions and Other Post-Employment Defined Benefit Obligations" on the liability side of the consolidated balance sheet.

Post-employment benefits are recognised as follows:

- Service cost is recognised in the consolidated statement of profit or loss and includes the following items:
  - Current service cost, i.e., the increase in the present value of the obligations resulting from employee service in the current period, is recognised under "Administrative Expenses - Staff Costs".
  - The past service cost, which arises from changes to existing post-employment benefits or from the introduction of new benefits and includes the cost of curtailments, is recognised under "Provisions or (-) Reversal of Provisions".
  - Any gain or loss arising from plan settlements is recognised under "Provisions or (-) Reversal of Provisions".
- Net interest on the net defined benefit liability (asset), i.e., the change during the year in the net defined benefit liability (asset) that arises from the passage of time, is recognised under "Interest Expenses" "Interest Income" if it constitutes income) in the consolidated statement of profit or loss.
- The remeasurement of the net defined benefit liability/asset is recognised under "Accumulated Other Comprehensive Income" in consolidated equity and comprises:
  - Actuarial gains and losses generated in the year, arising from the effects of differences between the previous actuarial assumptions and what has actually occurred and from the effects of changes in actuarial assumptions.

- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability/asset.
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability/asset.

#### **n) Termination benefits**

Under current legislation, the consolidated entities are required to pay termination benefits to employees terminated without just cause. At 31 December 2021 and 2020, 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. 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.
- 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.

### **3. Allfunds Bank Group**

Allfunds Bank, S.A.U. is the Parent of the Allfunds Bank Group. At 31 December 2021, 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 2021 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 at 31 December 2021, one office in Spain and eight branches abroad (Italy, United Kingdom, Singapore, France, Luxembourg, Switzerland, Sweden and Poland) and four representative offices abroad (Colombia, Chile, Dubai and Miami). 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").

### **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 Group regularly review the performance of each of these distinct revenue-generating services, and 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 consolidated financial statements (see Note 2).

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

	Thousands of euros	
	2021	2020
Net Platform revenue	485,449	295,294
Net subscription and other net revenues (*)	20,331	14,007
	<b>505,780</b>	<b>309,301</b>

(\*) Includes revenue from Finamatrix (See Note 24).

No single customer contributed 10 per cent or more to the Group's revenue in either 2021 or 2020.

## **5 Distribution of the Bank's profit**

### *Distribution of the Bank's profit*

The distribution of the Bank's net profit for 2021 that the Board of Directors will propose for approval by the sole shareholder is as follows:

	Thousands of Euros
Dividends	163,600
Reserves	12
	<b>163,612</b>

### *Dividends*

#### *Year 2021*

At the Board Meeting held on 27 October 2021, the Bank's directors resolved to distribute interim dividends of EUR 155 million out of 2021 profit; these amounts had been paid in full at the date of

authorization 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
	30-09-2021
Profit after tax	157,563
To be deducted:	
Dividend paid	-
Legal reserve	-
<b>Distributable profit</b>	<b>157,563</b>
Interim dividend to be distributed	155,000
Gross dividend per share (euros)	67.61

The provisional accounting statements indicated the existence of sufficient funds for the distribution of EUR 2,179 million.

On 28 October 2021, the Bank's sole shareholder (Liberty Partners, S.L.U) resolved to distribute a dividend of EUR 30 million charged to voluntary reserves. At that date, the Bank's net equity, considering the distribution of the dividend to reserves, was not less than the share capital and the legal reserve was fully constituted.

#### *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:

	2021	2020
<b>Cost:</b>		
Net consolidated profit for the period attributable to the Parent (thousands of euros)	201,100	71,806
Weighted average number of shares outstanding (thousands of shares)	2,292	1,854
<b>Basic earnings per share (euros)</b>	<b>87,72</b>	<b>38.73</b>

#### *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 2021 and 2020, 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 2021 and 2020 in their capacity of directors.

	Thousands of Euros	
	2021	2020
Carvajal, Jaime (*)	-	11
Kleinman, Blake	-	-
Korp, Johannes	-	-
Rangaswami, Jayaprakasa	60	45
Reid, Christopher	-	-
Saurel, Leonora	-	-
Zia Shey, Fabian (**)	-	-
Rueda Delfín (***)	48	-
Delgado Mendes, Sofia (****)	48	-
Gioffreda, Alessandro (***)	-	-
David Pérez Renovales (****)	65	-
Schliessler, Ursula (*****)	60	-
Dolly, Lisa (***)	65	-
Juan Alcaraz (*****)	-	-
Amaury Dauge (*****)	-	-
	<b>346</b>	<b>56</b>

(\*) Ceased in September 2020

(\*\*) Appointment as director in March 2020

(\*\*\*) Appointment as director in October 2020

(\*\*\*\*) Appointment as director in January 2021

(\*\*\*\*\*) Appointment as director in February 2021

(\*\*\*\*\*) Appointment as director in November 2021

During the ended period 2021 and 2020, 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 2021 and 2020, the Bank did not have any post-employment obligations to current or former members of its Board of Directors.

However, in 2021, the Bank paid an insurance company premiums amounting to EUR 130 thousand in relation to third-party liability insurance to cover the Bank's directors and executives (2020: EUR 74 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 2021 and 2020:

Year	Number of Persons	Thousands of Euros		
		Salary		
		Fixed	Variable	Total
2021	22	7,156	4,807	11,963
2020	27	6,008	3,175	9,183

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 established the following remuneration model for the identified collective for the variable compensation for 2020 and prior years:

- 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 Group, as well as to none of the circumstances contained in the clauses of the Group's remuneration policy. The variable compensation will be settled in cash.

The Board of Directors of the Bank approved the elimination of the above-mentioned deferral from the variable remuneration for 2021 and subsequent years as a result of the changes introduced in the Credit Institutions Regulation and Supervision Law by Royal Decree-Law 7/2021, of 27 April. As of December 31, 2021, in reference to the identified group affected, 40% of the deferred variable compensation has deferred 1/3 of the variable remuneration for 2018, 2/3 of the variable remuneration of 2019 and 3/3 of the variable retribution of 2020.

In 2021 the Board of Directors approved the launch of an Allfunds Group Plc share-based Long-Term Incentive for the executive directors, other members of the Identified Staff and key employees of the Group ("ILP"). The first cycle of the ILP, which was granted in October 2021, is divided into two types of incentives:

- (i) A share-based incentive granted to the executive directors, other members of the Identified Staff and certain employees which is linked to the beneficiary's remaining in the employ of Allfunds until the payment date and to the degree to which two performance metrics are achieved: (a) the evolution of the total shareholder return (TSR) of Allfunds Group Plc in comparison with that of the TSR of a group of comparable companies and (b) the Group's adjusted EBITDA ratio compared with the budgeted adjusted EBITDA, in both cases for a previously agreed performance period. This incentive was divided into two equal tranches, the first of which will vest, if appropriate, at the beginning of 2023, and the second at the beginning of 2024.

- (ii) A share-based incentive granted to the other beneficiaries of the ILP, linked solely to the employee's remaining in the employ of the Allfunds Group until the payment date of the incentive, which will also vest in two equal tranches at the beginning of 2023 and 2024.

The incentive is subject to standard "malus" and clawback clauses for remuneration schemes of this kind.

The Group has recognised the accrued expense relating to the ILP for the period from the grant date to 15 October, and 31 December, amounting to EUR 1,931 thousand, under "Staff Costs" to the extent that Allfunds assumes the cost (see Note 23.1) with a credit to reserves. 21 senior executives have been included in the aforementioned Incentive Plan, the first payment date of which is in 2023.

In addition, in 2021, an indirect shareholder agreed and paid an amount of EUR 10,400 thousand to certain employees of Allfunds Bank, S.A.U. for their employment by the Bank (see Note 26).

In 2021 and 2020 the senior managers received no variable remuneration relating to long-term incentive plans other than those listed above.

#### ***c) Pension, insurance and other obligations***

At 2021, year-end, the Bank had commitments to defined benefit post-employment obligations with 18 of the current senior executives of the Bank for retirement, permanent disability or death (2020: 19 members). The contributions made in this connection in 2021 amounted to EUR 360 thousand (2020: EUR 293 thousand) (see Note 23.1).

The capital guaranteed by life insurance policies for senior executives amounted to EUR 15,697 thousand at 31 December 2021 (31 December 2020: EUR 18,478 thousand). The Group paid premiums of EUR 18 thousand (2020: EUR 22 thousand) to insurance companies in this connection in 2021. At 31 December 2021 and 2020, there were no life insurance policies covering any of the Bank's current or former directors.

#### ***d) Loans***

As of December 31, 2021, and 2020, 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 2021, 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 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
Cash	12	24
Cash balances at Central Banks (*)	1,306,515	1,232,995
Other demand deposits	693,436	610,099
	<b>1,999,963</b>	<b>1,843,118</b>

(\*) 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 2021 and 2020 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 2021 and 2020.

At 31 December 2021 and 2020, the Group did not hold any assets in this category with accrued, past-due amounts or that were impaired.

## **8. 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 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
<b>Financial assets at amortized cost:</b>		
to Central Banks	14,675	12,465
to credit institutions	61,715	43,426
to customers	171,804	177,599
	<b>248,194</b>	<b>233,490</b>

### 8.1 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 2021 and 2020 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 2021 and 2020, the Group met the minimum reserve ratio required by the applicable Spanish legislation.

### 8.2 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 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
<b>Type:</b>		
Time deposits	61,660	43,404
Add: Valuation adjustments	55	22
Of which-		
Accrued interest	55	22
	<b>61,715</b>	<b>43,426</b>
<b>Currency:</b>		
Euro	4,305	5,218
Foreign currencies	57,410	38,208
	<b>61,715</b>	<b>43,426</b>

Note 25 contains a detail of the terms to maturity of these assets at 2021 and 2020 year-end and of the average annual interest rates in 2021 and 2020. Note 27 provides information on the fair value of these financial assets.

### 8.3 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 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
<b>By operation type and status:</b>		
Receivable on demand and other (*)	166,879	176,640
Impaired assets (**)	10,946	2,941
Less: Valuation adjustments	(6,021)	(1,982)
<i>Of which-</i>		
<i>  Impairment losses</i>	<i>(6,021)</i>	<i>(1,982)</i>
	<b>171,804</b>	<b>177,599</b>
<b>Borrower's geographical area:</b>		
Spain	6,434	32,597
European Union (excluding Spain)	135,680	38,474
Rest of the world	29,690	106,528
	<b>171,804</b>	<b>177,599</b>

(\*) At 31 December 2021 includes EUR 3,509 thousand for financial operations pending settlement (settled at the date of issuance of the current annual accounts) (EUR 32,965 thousand at 31 December 2020) and 118,690 thousand for commissions for the marketing of units in collective investment undertakings receivable at those dates, respectively (EUR 88,876 thousand for commissions for the marketing of units in collective investment undertakings receivable at 31 December 2020) (see Note 21). Also, at 31 December 2020 includes EUR 22,112 thousand related to loan advances to Ailfunds (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 2021 and 2020 year-end and of the average annual interest rates in 2021 and 2020. Note 27 provides information on the fair value of these financial assets.

At 31 December 2021 and 2020, 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 2021 and 2020, based on their accounting classification and excluding any impairment losses:



2021

	Thousands of Euros		
	Stage 1	Stage 2	Stage 3
<b>Opening balance</b>	<b>174,517</b>	<b>2,123</b>	<b>2,941</b>
Additions relating to new transactions	100,056	81,424	-
Changes in balances and full repayments	(127,276)	(2,123)	(53,837)
Reclassification to Stage 1	-	-	-
Reclassification to Stage 2	-	-	-
Reclassification to Stage 3	-	(61,842)	-
Reclassification to written-off	-	-	-
Reclassification from Stage 1	-	-	-
Reclassification from Stage 2	-	-	61,842
Reclassification from Stage 3	-	-	-
<b>Balance at end of year</b>	<b>147,297</b>	<b>19,582</b>	<b>10,946</b>

2020

	Thousands of Euros		
	Stage 1	Stage 2	Stage 3
<b>Opening balance</b>	<b>32,605</b>	<b>2,684</b>	<b>1,806</b>
Increases due to restructuring/business combinations	248	-	-
Additions relating to new transactions	150,244	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-dividends off	-	-	-
Reclassification from Stage 1	-	-	-
Reclassification from Stage 2	-	-	1,625
Reclassification from Stage 3	-	-	-
<b>Balance at end of year</b>	<b>174,517</b>	<b>2,123</b>	<b>2,941</b>

*Impairment losses*

In 2021 the expense incurred by the Group in relation to impairment losses amounted to EUR 6,043 thousand (2020: EUR 800 thousand).

The changes in "Impairment Losses" in the foregoing detail in 2021 and 2020 were as follows:

2021

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	<b>390</b>	<b>9</b>	<b>1,583</b>	<b>1,982</b>
Increase through cause/acquisition	350	215	7,809	8,374
Decreases due to derecognition	(696)	(114)	(1,910)	(2,720)
Changes due to credit risk variation (recoveries)	-	(12)	401	389
Changes due to modifications without derecognition(net)	-	-	-	-
Uses	-	-	(2,004)	(2,004)
<b>Ending balance</b>	<b>44</b>	<b>98</b>	<b>5,879</b>	<b>6,021</b>

2020

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	19	4	921	944
Increases due to restructuring/business combinations	238	-	-	238
Increase through cause/acquisition	145	10	315	470
Decreases due to derecognition	-	-	-	-
Changes due to credit risk variation (recoveries)	(12)	-	(410)	(422)
Changes due to modifications without derecognition(net)	-	(5)	757	752
<b>Ending balance</b>	<b>390</b>	<b>9</b>	<b>1,583</b>	<b>1,982</b>

*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 2021 and 2020 amounting to EUR 107,744 thousand and EUR 86,596 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.

*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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Beginning balance	2,941	1,806
Additions net of recoveries	8,005	1,135
<b>Ending balance</b>	<b>10,946</b>	<b>2,941</b>

At 31 December 2021 and 2020, 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 2021 and 2020, classified by age of the oldest past-due amount:

	Thousands of Euros				
	With Balances Past Due by				Total
	Within 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	
Balances at 31 December 2021	7,279	3,413	168	86	10,946
Balances at 31 December 2020	1,102	555	489	795	2,941

#### *Written-off assets*

At 31 December 2021 and 2020, 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.

## **9. Tangible assets**

The changes in 2021 and 2020 in "Tangible Assets" in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2021	2020
<b>Cost:</b>		
Beginning balance	49,618	40,312
Additions	9,163	9,487
Disposals	(1,139)	(70)
Other changes (*)	28	(111)
Ending balance	57,670	49,618
<b>Accumulated depreciation:</b>		
Beginning balance	(20,317)	(12,064)
Charge for the year	(9,611)	(8,344)
Disposals	293	70
Other changes	(29)	21
Ending balance	(29,664)	(20,317)
<b>Tangible assets, net</b>	<b>28,006</b>	<b>29,301</b>

(\*) 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 2021 and 2020 is as follows:

	Thousands of Euros		
	Cost	Accumulated Depreciation	Carrying Amount
Rights-of-use	30,473	(11,292)	19,181
Furniture and fixtures	14,959	(6,340)	8,619
Computer hardware	4,186	(2,685)	1,501
<b>Balances at 31 December 2020</b>	<b>49,618</b>	<b>(20,317)</b>	<b>29,301</b>
Rights-of-use (Note 1.b)	37,916	(18,744)	19,172
Furniture and fixtures	14,991	(7,447)	7,544
Computer hardware	4,763	(3,473)	1,290
<b>Balances at 31 December 2021</b>	<b>57,670</b>	<b>29,664</b>	<b>28,006</b>

As of December 31 2021, tangible assets for a gross amount of 4,218 thousand euros, approximately, were fully amortized (3,133 thousand euros, approximately, as of December 31, 2020). In 2021, the Group recognised EUR 59 thousand of losses in the profit and loss account associated with the derecognition of property, plant and equipment under "Gains or losses on derecognition of non-financial assets, net". In 2020, the Group has not recorded any losses in the consolidated income statement associated with the recognition 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 2021 and 2020.

At 31 December 2021 and 2020 and throughout those years, there were no impairment losses on property, plant and equipment for own use in addition to those indicated this Note.

## 10. Intangible assets

The detail of "Intangible Assets" in the accompanying consolidated balance sheets as at 31 December 2021 and 2020 is as follows:

	Thousand of Euros	
	31-12-2021	31-12-2020
IT developments	88,205	61,779
Goodwill:	401,693	401,693
<i>Fintech Partners, S.L.U.</i>	6,704	6,704
<i>Investlab (*)</i>	158,264	158,264
<i>Allfunds Sweden AB (*)</i>	18,155	18,155
<i>Banca Corrispondente Business of BNP (*)</i>	218,570	218,570
Technological platform and Finamatrix portfolio	6,479	6,479
Cooperation agreement - Investlab (*)	162,264	162,264
Exclusivity agreement - BNP (*)	104,056	104,056
Relation with clients - Investlab (*)	3,717	3,717
Relation with clients - Nordic (*)	1,587	1,587
Relation with clients - BNP (*)	109,231	109,231
Technological platform - BNP (*)	22,730	22,730
Subdistribution agreement - PAM (*) (**)	161,000	175,636
Myfundmatch platform (*)	1,420	1,420
Exchange differences	12,422	-
Withdrawal	(51)	-
Less: Accumulated Amortization	(117,365)	(53,512)
Less: Accumulated Impairments	(1,420)	(750)
<b>Total, net</b>	<b>995,968</b>	<b>996,330</b>

(\*) See Note 1.e

(\*\*) Includes EUR 14,637 and 29,273 thousand corresponding to VAT at 31 December 2021 and 2020, respectively.

At 31 December 2021 or 2020, all of the Group's intangible assets, except from goodwill, had a finite useful life.

Below are the expirations of cooperation/exclusivity contracts:

	Maturity	Extension	Maturity after extension
Credit Suisse (*)	2022	7	2029
BNP (*)	2025	5	2030

(\*) Extendable at the sole discretion of Allfunds

The changes (gross amounts) in 2021 and 2020 in "Intangible Assets" in the accompanying consolidated balance sheets were as follows:

	Thousand of euros	
	31-12-2021	31-12-2020
Beginning balance	1,049,842	248,015
Additions:	26,426	802,672
<i>Goodwill –Investlab - Phase 2</i>	-	139,708
<i>Goodwill –Banca Corrispondente business</i>	-	218,570
<i>Cooperation agreement</i>	-	13,629
<i>Exclusivity agreement</i>	-	104,056
<i>Relation with clients - BNP</i>	-	109,231
<i>Technological platform - BNP</i>	-	22,730
<i>Subdistribution agreement - PAM</i>	-	175,636
<i>Myfundmatch platform</i>	-	1,429
<i>Capitalisation of internal staff costs</i>	3,043	2,151
<i>Rest</i>	23,383	15,532
Withdrawals	(51)	-
Sub-distribution contract -PAM	(14,636)	-
Exchange differences	12,422	-
Impairments	(670)	(750)
Other movements	-	(95)
<b>Ending balance</b>	<b>1,073,333</b>	<b>1,049,842</b>

The changes in "Accumulated Amortization" in 2021 and 2020 were as follows:

	Thousands of Euros	
	2021	2020
Beginning balance	(53,512)	(19,658)
Charges	(64,695)	(33,936)
Other movements	842	82
<b>Ending balance</b>	<b>(117,365)</b>	<b>(53,512)</b>

At December 31, 2021, intangible assets for a gross amount of approximately 10,018 thousand euros were fully amortized (5,563 thousand euros, approximately, as of December 31, 2020).

In 2021 and 2020, the Group has impaired the intangible asset associated with the Myfundmatch platform for an amount of 650 and 750 thousand euros, respectively, recording the loss under "Gains or losses on derecognition of non-financial assets, net" on the accompanying consolidated income statement. At 31 December 2021, this asset is fully impaired.

### 10.1 Goodwill

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

	Thousands of Euros	
	31-12-2021	31-12-2020
Fintech Partners, S.L.U.	6,704	6,704
Investlab	163,435	158,264
Allfunds Sweden AB	19,040	18,155
Banca Corrispondente Business of BNP	218,570	218,570
<b>Total</b>	<b>407,749</b>	<b>401,693</b>

The movement produced in the 2021 and 2020 financial years was as follows:

	Thousands of Euros
<b>Balance at 1 January 2020</b>	43,415
Additions	
<i>Investlab - Phase 1</i>	139,708
<i>Allfunds Sweden AB</i>	218,570
Impairment losses	-
<b>Balance at 31 December 2020</b>	<b>401,693</b>
Additions	-
Impairment losses	-
Exchange differences	6,056
<b>Balance at 31 December 2021</b>	<b>407,749</b>

#### *Business combinations*

The business combinations that occurred in 2020 are detailed in Note 1-e. In 2021, The Group has not made business acquisitions that have been recorded in the accompanying consolidated balance sheet as of December 31, 2021.

#### *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 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 which cover a five-year period based on the financial budgets approved by the Bank's directors, (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 2021 and 2020 year-end, of the cash-generating units valued using the discounted cash flow method (Fintech Partners, S.L.U.) and dividend discount model (Investlab Allfunds Sweden AB and Banca Corrispondente CGUS):

	2021			2020		
	Projected Period	Discount Rate	Growth Rate	Projected Period	Discount Rate	Growth Rate
Fintech Partners, S.L.U.	5 años	12,3%	1,8%	5 years	10.2%	1.3%
Investlab	5 años	6,8%	2,8%	5 years	10.8%	1.9%
Allfunds Sweden AB	5 años	9,4%	2,8%	5 years	12.9%	1.9%
Banca Corrispondente (*)	5 años	9,5%	2,8%	-	-	-

(\*) For the analysis of the potential impairment of BNP's Corrispondente Banking Business CGU, given that the transaction was executed on October 2, 2020, in 2020 the Group performed an internal Impairment test based on the cash flow projections for the period 2020-2024.

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 2021 or 2020.

## 11. Provisions

The details of the provisions of the consolidated balance sheet at the end of 2021, as well as the main movements recorded during the year, are as follows:

Provisions	Thousands of euros					
	Beginning Balance	Other Adjustments Due to Business Combinations	Charge for the year	Increase Due to Interest Cost	Amounts Used	Ending Balance
Pensions and other post-employment defined benefit obligations	-	601	1,243	89	(243)	1,690
Other long-term employee benefits	-	-	-	-	-	-
Pending legal issues and tax litigation	-	-	-	-	-	-
Commitments and guarantees given	-	-	-	-	-	-
Other provisions	-	-	200	-	-	200
<b>Total</b>	<b>-</b>	<b>601</b>	<b>1,443</b>	<b>89</b>	<b>(243)</b>	<b>1,890</b>

### Long-term defined Benefit remuneration

The detail of the present value of the obligations assumed by the Group in relation to post-employment benefits and other long-term employee benefits, of the related plan assets and of the amounts not recognised at the end of 2021 is as follows:

	Thousands of euros
	2021
Current value of remuneration;	12,185
Less - Fair value of the plan assets	(9,252)
Less - Unrecognised past service cost	(1,243)
<b>Long-term provisions - Provisions for long-term employee benefit obligations</b>	<b>1,690</b>

The present value of the obligations was determined by qualified independent actuaries using the following actuarial techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

- Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2021	
	Switzerland	Italy
Discount rate (*)	0%	0,99%
Mortality and life expectancy tables	BVG 2015. Mortality Tables 2012	RG48
Adjustable salary increase rate	0.47%	1.90%
Expected return rate of plan assets	1.75%	N.A

The discount rates used for the future flows was determined by reference to high-quality corporate bonds for each currency.

The expected return of the plan assets corresponds to the discount rate established.

The retirement ages relating to these obligations are determined as the earliest at which the employee is entitled to retire, the contractually agreed-upon date in the case of pre-retirements, or through the use of retirement rates.

Changes in the main assumptions can affect the calculation of the obligations. Following is a table of sensitivities showing the effect on the obligations of a change in the main assumptions:

Sensitivity analysis of pension plans in Switzerland (Thousands of euros)

	Change (in Basis Points)	2021	
		Increase	Decrease
Discount rate	0.25%	(513)	N.A
Salary increase rate	0.25%	336	(322)
Increase in the obligation per year of life	1 year	148	160

The sensitivities were calculated at the reporting date and relate to separate changes in each assumption while the others remain unchanged and, therefore, possible combined effects are excluded.

Following is a summary of the changes in the obligations that affected, in 2021, the amounts recognised in the consolidated balance sheet in relation to the post-employment obligations to current and former and other long-term employee benefits:

Year 2021:

	Thousands of euros		
	Defined Benefit Obligation	Plan Assets	Net Obligation
<b>Balances at 1 January 2020</b>	<b>8.858</b>	<b>(8.858)</b>	-
Business Combinations	601	-	601
Amounts charged directly to profit or loss:	-	-	-
<i>Staff costs - Normal cost for the year</i>	852	-	852
<i>Return on assets</i>	-	(334)	(334)
<i>Interest cost relating to the obligations</i>	-	-	-
<i>Curtailments and settlements</i>	-	-	-
<i>Provisions for immediate recognition of actuarial gains and losses</i>	-	-	-
<i>Provisions (net)</i>	1.243	-	1.243
Adjustments to equity	219	(200)	19
Other	(884)	1.145	261
Contributions	296	(1.005)	(709)
Benefits paid	(243)	-	(243)
<b>Balances at 31 December 2021</b>	<b>10.942</b>	<b>(9.252)</b>	<b>1.690</b>

## 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. and Allfunds Bank, S.A.U. (the company appointed as representative of the tax group in Spain by the non-resident parent Allfunds Group Plc, as representative entity in Spain).

In addition, the tax group of Spanish companies that are not credit institutions comprises Allfunds Digital, S.L.U. (company that has proceeded to the absorption of the entities Fintech Partners S.L.U and Nextportfolio, S.L.U., and Allfunds Blockchain, S.L. (company to which Allfunds Bank, S.A.U. has contributed its Blockchain branch of activity ) (see Note 1-e)). The representative entity of this tax group is Allfunds Digital, S.L.U. by subrogation in the position of Fintech Partners, S.L.U. (prior representative entity), having also been ratified said appointment by the non-resident parent Allfunds Group Plc.

### 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Allfunds Bank, S.A.U., Spain	22,859	10,432
Allfunds Bank, S.A.U. Branch in Italy	(45,143)	20,207
Allfunds Bank, S.A.U. Branch in UK	3,649	-
Allfunds Bank, S.A.U. Branch in Singapore	-	-
Allfunds Bank, S.A.U. Branch in France	3,847	3,955
Allfunds Bank, S.A.U. Branch in Poland	58	15
Allfunds Bank, S.A.U. Branch in Luxembourg *	6,526	-
Allfunds Bank, S.A.U. Branch in Switzerland *	541	-
Allfunds Bank, S.A.U. Branch in Sweden **	(52)	-
Allfunds Bank International, S.A. (*)	-	4,308
Allfunds Bank International, S.A., Swiss Branch (*)	-	349
Allfunds Sweeden AB (**)	-	(362)
Allfunds Bank Brasil Representações, Ltda.	104	55
Allfunds Digital S.L.U.	265	457
Allfunds Hong Kong Limited	-	-
Allfunds Blockchain, S.L.	(130)	-
Expense arising on consolidation AFB ***	(193)	2,265
<b>Total income tax expense</b>	<b>(7.669)</b>	<b>41,681</b>

(\*) In 2021 Allfunds Bank International, S.A. became Allfunds Bank, S.A.U., Branch in Luxembourg and, therefore, Allfunds Bank International, S.A., Branch in Switzerland became Allfunds Bank, S.A.U., Branch in Switzerland (see Note 1.e).

In addition, Allfunds Sweden AB became Allfunds Bank, S.A.U., Branch in Sweden in 2021

(\*\*) In 2021, Allfunds Sweden AB merged with Allfunds Bank, S.A.U. and all the absorbed Swedish company's assets and liabilities were assigned to a branch of Allfunds Bank, S.A.U. in Sweden (see Note 1.e).

(\*\*\*) For 2021, this corresponds to the decrease in deferred tax liabilities arising at consolidated level as a result of the purchase price allocation in the business combination resulting from the acquisition of the Fintech Group (see Note 11.4).

Although the income tax return for 2021 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Consolidated profit before tax	193,431	113,487
Differences:		
Increase (*)	87,635	43,519
Decrease (**)	(214,867)	(121,009)
<b>Taxable profit</b>	<b>66,199</b>	<b>35,997</b>
Tax rate applicable in Spain	30%	30%
<b>Total</b>	<b>19,860</b>	<b>10,799</b>
Less tax credits and tax relief	(2)	(2)
<b>Income tax expense</b>	<b>19,858</b>	<b>10,797</b>
Economic interest group (***)	(217)	(4,263)
<b>Tax liability</b>	<b>19,641</b>	<b>6,534</b>
Compensation of tax credits generated by the tax group	-	(124)
Advance tax paid by Allfunds Bank, S.A.U.	(28,342)	(10,519)
Other	-	(27)
<b>Current tax asset</b>	<b>(8,701)</b>	<b>(4,136)</b>

(\*) Relating mainly to losses incurred abroad by branches and the consolidated companies, eliminations in the consolidation process and non-deductible tax expenses / positive off-balance sheet 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 and to tax-exempt dividends.

(\*\*\*) Relating to the impact on tax payable of (i) tax loss carryforwards; and (ii) the tax base of the R&D&I tax credit taken by Arcano Imasde, AIE, that on December 31, 2020 was pending to implement.

In addition, in 2021, the Bank has recorded a corporate tax expense amounting to EUR 3,372 thousand, corresponding among other items, (i) to the adjustment resulting from the difference between what was accounted for and what was finally paid by the corporate tax for the year 2020, (ii) the payment of the fee resulting from the inspection report; and (iii) to the movements of the assets and liabilities for deferred tax that are registered in its individual books, as detailed below.

## 12.2 Tax assets and liabilities

The detail of current and deferred tax asset balances in 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Current tax assets:</b>	<b>22,956</b>	<b>9,020</b>
<b>Deferred tax assets:</b>	<b>125,416</b>	<b>55,112</b>
Adjustment 30% depreciation fixed assets (Spain)	188	251
Non-tax-deductible provisions (Spain)	474	182
Cs-Investlab Business tax losses	51,263	54,388
Goodwill Italy (fiscal revaluation)	72,281	-
Others related to branches	1,058	206
Other related to dependent companies	124	85
Other	30	-
	<b>148,372</b>	<b>64,132</b>

"Deferred Tax Assets" includes generally:

- The tax assets arising in the business combination through which the distribution business of Credit Suisse was acquired (Investlab). The tax assets amounted to 64,915 thousand euros of which 4,925, 5,245 and 5,282 thousand euros correspond to the amount of depreciation in 2021, 2020 and 2019 respectively and 1,800 thousand euros to exchange differences. As a result of the absorption by Allfunds Bank of its Luxembourg subsidiary Allfunds Bank International, S.A., which operated in Switzerland through a branch (see Note 1.e), these assets are recorded in the separate accounts of Allfunds Bank, S.A.U., pursuant to Banco de España Circular 4/2017.
- The deferred tax assets in the amount of 72,281 thousand euros recognised by the Italian branch for the expected tax amortisation from 2022 of goodwill arising from the business combination resulting from the acquisition of BNP's correspondent banking business. Specifically, the amortisation of that goodwill is tax-deductible because the Italian branch has opted into the tax revaluation regime ("*regimi di francamento*").

The detail of current and deferred tax liability balances in 2020 and 2021 is as follows:

	Thousands of Euros	
	2021	2020
<b>Current tax liabilities:</b>	<b>52,104</b>	<b>15,145</b>
<b>Deferred tax liabilities:</b>	<b>29,192</b>	<b>107,113</b>
Arising in business combinations	-	-
<i>Fintech Partners, S.L.U.</i>	859	1,051
<i>Allfunds International Schweiz AG</i>	28,031	29,232
<i>Allfunds Sweden AB</i>	293	301
<i>Banca Corrispondente Business of BNP</i>	-	76,272
Other	8	260
	<b>81,296</b>	<b>122,258</b>

"Deferred tax liabilities" includes a sum of 28,031 thousand euros associated with the recognition of certain intangibles arising from the acquisition of the distribution business of Credit Suisse (Investlab),

which, after the aforementioned merger of Allfunds Bank International, S.A., are recorded in the separate accounts of Allfunds Bank, S.A.U. It also includes a sum of 293 thousand euros associated with the recognition of certain intangibles arising from the acquisition of Allfunds Sweden AB (Nordic Fund Market).

Additionally, the deferred tax liability recognised in 2020 in relation to BNP's correspondent banking intangibles (in the amount of 76,272 thousand euros at 31 December 2020) was cancelled since from the financial year 2021 these assets can be amortised for tax purposes, since the Italian branch has opted into the tax revaluation regime (see Note 12.5).

The balance of "Tax liabilities - Current tax liabilities" includes mainly the corporate income tax payable in Italy (netted with interim payments) (34,454 thousand euros), France (3,853 thousand euros), the United Kingdom (2,807 thousand euros) and Luxembourg (10,848 thousand euros).

### 12.3 Tax loss carryforwards

In addition to the tax credits detailed in section 2 of this note, the Group has the following tax loss carryforwards that have not been capitalised.

Entity	Country	Year Incurred	Amount of Tax Loss (Thousands of Euros)
Allfunds Bank, S.A.U., Singapore Branch	Singapore	2017	2,877
		2018	3,496
		2019	6,269
		2020	5,625
Allfunds Bank, S.A.U., Switzerland Branch	Switzerland	2017	18,588
		2018	10,976
		2019	8,493
		2020	72,760
Allfunds Bank, S.A.U. UK Branch	UK	Before 2017	499
Allfunds Hong Kong Limited	Hong Kong	2018	14

### 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 of November 27, the following operations took place on 2021:

- a) Merger by absorption of Fintech Partners, S.L.U. and Nextportfolio, S.L.U. (absorbed companies) by Allfunds Digital, S.L.U. (absorbing company), entailing the dissolution without liquidation of the absorbed companies and the transfer en bloc of all their assets and liabilities to the absorbing company, which was subrogated to the absorbed companies' rights and obligations.

Allfunds Digital, S.L.U. duly notified the Tax Agency of the completion of this merger by absorption, which is subject to the special tax regime provided for in Chapter VII of Title VII of the Capital Companies Act.

- b) In-kind contribution by Allfunds Bank, S.A.U. (as transferor) to Allfunds Blockchain, S.L.U. (as transferee) of the blockchain technology line of business in return for securities representing the capital of the transferee.

This in-kind contribution of a line of business, which is subject to the special tax regime provided for in Chapter VII of Title VII of the Capital Companies Act, was duly reported by Allfunds Blockchain, S.L.U. as transferee.

- c) Cross-border merger by which Allfunds Bank S.A.U. (absorbing company) absorbed its subsidiary in Luxembourg, Allfunds International Bank, S.A. (absorbed company), entailing:
- o the dissolution without liquidation of the absorbed Luxembourg company and the transfer en bloc of all its assets and liabilities to the absorbing company, which acquired all the absorbed company's rights and obligations by universal succession;
  - o the immediate attribution/allocation of all the assets and liabilities of the acquired Luxembourg company to a new branch of Allfunds Bank, S.A.U. in Luxembourg; and
  - o the immediate attribution/allocation of all the assets and liabilities of the Swiss branch of the acquired Luxembourg company to a new branch of Allfunds Bank, S.A.U. in Switzerland.
- d) Cross-border merger by which Allfunds Bank S.A.U. (absorbing company) absorbed its subsidiary in Sweden, Allfunds Sweden AB (absorbed company), entailing:
- o the dissolution without liquidation of the absorbed Swedish company and the transfer en bloc of all its assets and liabilities to the absorbing company, which acquired all the absorbed company's rights and obligations by universal succession;
  - o the immediate attribution/allocation of all the assets and liabilities of the acquired Swedish company to a new branch of Allfunds Bank, S.A.U. in Sweden.

Allfunds Bank, S.A.U, as transferee, duly reported both cross-border mergers, which are subject to the special tax regime provided for in Chapter VII of Title VII of the Capital Companies Act.

In this regard, it is indicated that:

- All mergers were made on the basis of the merger balance sheets of the intervening companies closed as of 31 December 2020. For such purposes, the balance sheets of the transferring entities as of such date are attached (see Appendix III).
- The value of the net assets acquired in all of these transactions described above coincides with the value at which they were recorded in the transferring entities prior to the transaction. In this regard, it should be noted that the intangible assets and goodwill acquired in the context of the Nordiq and Credit Suisse acquisition transactions (initially recorded at the consolidated level of the Allfunds Group) are now, as a result of the cross-border mergers, recorded in the Bank's individual books.
- The transferring entities have not enjoyed any tax benefits in respect of which the acquirers must assume compliance with certain requirements in accordance with Spanish tax regulations.



Therefore, with the information contained in this section and in Note 1.e), as well as by the reference to the 2020 report regarding the restructuring operations carried out in 2020, compliance with the requirements set forth in the article 86 of the Spanish Income Tax law is given.

### **12.5 Option for the tax revaluation regime in Italy ("affrancamento")**

Allfunds Bank S.A.U. acquired the correspondent banking (CB) business of BNP Paribas Securities Services (BP2S) on 2 October 2020 in exchange for newly issued shares. Said CB business was automatically assigned to the Milan branch of Allfunds Bank, S.A.U.

The contribution of the CB business was eligible for the tax neutrality regime. Consequently, the CB goodwill and the CB intangibles identified in the purchase price allocation (PPA) process were treated as if they did not exist for tax purposes, which means that their tax basis was zero and so they could not be amortised for tax purposes.

Under Italian tax law, however, the taxpayer can opt into a tax valuation regime, in which the taxpayer pays, in advance, a substitute tax at a reduced rate and increases the tax basis of the assets to their value, so that the amortisation expense becomes tax-deductible.

Accordingly, after receiving confirmation from the Italian tax authorities that it was entitled to apply this regime, the Milan branch of Allfunds elected as follows:

- Election for ordinary tax revaluation for the CB intangibles, so that the Italian branch:
  - must pay the advance tax in the following three instalments (with interest of 2.5% on the second and third instalments): (a) 11 million euros in June 2021 (already paid); (b) 14,7 million euros (payable at the end of June 2022); and (iii) 11 million euros (payable at the end of June 2023); and
  - is entitled to amortise the intangible assets of CB for tax purposes over their useful life from 2021 inclusive.
  
- Election for special tax revaluation for the goodwill, so that the Italian branch:
  - had to pay advance tax in the amount of 35 million euros in a single instalment before June 2021 (already paid); and
  - is entitled to amortise the CB goodwill for tax purposes over five years from 2022.

From an accounting point of view, the aforementioned elections have entailed, for financial year 2021:

- Full recognition of a tax expense of 71.7 million euros in the income statement of said branch in respect of the advance payments already made and still to be made (see Note 11.2).
  
- The Bank has opted to recognise a gain of 72.3 million euros in the income statement of Allfunds Bank's Milan branch, along with the corresponding deferred tax asset, to reflect future tax deductions (at the full rate of 33.07%) of the CB goodwill (which under Italian IAS/IFRS is not amortised for accounting purposes in Italy), given that it is probable that future taxable profits will be generated against which said deductible temporary differences can be offset. The exemption from initial recognition does not apply, as the temporary difference does not arise

from the initial recognition of an asset or liability but is a consequence of the payment by the choice of the tax revaluation regime that qualifies for the deductibility of goodwill amortisation.

- The release of the deferred tax liability recognised in 2020 in relation to the CB intangibles (the depreciation of which was considered non-deductible for tax purposes before the choice of the tax revaluation scheme explained above) and the corresponding recognition of a gain of 76.2 million euros in the income statement of the Allfunds Bank Milan branch.

### **12.6 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 (EUR 10,244 thousand), 2017 (EUR 14,249 thousand) and 2018 (EUR 15,843 thousand), which arise from the obtainment of income abroad through Allfunds Bank, S.A.U. Branch in Italy (the income of which is effectively taxed in Italy).

The inspection ended on 25 November 2021 with the signing of a settlement agreement, requiring a tax payment of 117 thousand euros plus penalty interest, which was paid in full in December 2021.

On 23 March 2021, the three entities comprising the Fintech Group (currently, and following the merger, Allfunds Digital, S.L.U.) received notice from the Tax Agency of the commencement of inspection proceedings. Said inspection proceedings are general in scope, covering corporate income tax (financial years 2015, 2016, 2017 and 2018) and value added tax (2017 and 2018), and are currently in progress.

In regards to other taxes, at 31 December 2021, the Group 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 Group 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 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 2021 and 2020 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2021	2020	2021	2020
Sundry accounts	7,325	1,011	8,769	11,471
Accrued expenses (*)		-	54,006	40,523
Accrued fees and commissions on the marketing of units in collective investment undertakings (Notes 21 and 22)	697,932	418,517	601,924	352,159
Other revenues outstanding until expiration	15,631	17,090	-	-
Prepaid expenses	2,877	5,557	-	-
	<b>723,765</b>	<b>442,175</b>	<b>664,699</b>	<b>404,153</b>

(\*) On 31 December 2021 and 2020, this item included EUR 30,111 thousand and EUR 22,350 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 is included a right as a result of the advance payment of the amount of EUR 2,700 and 5,426 thousand for the collaboration agreement signed between the Bank and BNP (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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Financial liabilities at amortized cost:</b>		
Deposits from credit institutions	705,614	266,760
Deposits from customers	925,265	1,181,627
Other financial liabilities	413,599	364,277
	<b>2,044,478</b>	<b>1,812,664</b>

#### 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Type:</b>		
Demand accounts	705,614	266,760
	<b>705,614</b>	<b>266,760</b>
<b>Currency:</b>		
Euros	508,765	170,355
Foreign currencies	196,849	96,405
	<b>705,614</b>	<b>266,760</b>

Note 25 contains a detail of the terms to maturity of these liabilities at 2021 and 2020 year-end and of the average annual interest rates in 2021 and 2020 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Type:</b>		
Demand accounts	925,265	1,181,627
	<b>925,265</b>	<b>1,181,627</b>
<b>Currency:</b>		
Euros	635,204	936,235
Foreign currencies	290,061	245,392
	<b>925,265</b>	<b>1,181,627</b>

The balance of "Deposits from customers" included current accounts held by the non-resident sector, for an amount of EUR 910,038 thousand and EUR 1,164,242 thousand as at 31 December 2021 and 2020, respectively.

Note 25 contains a detail of the terms to maturity of these liabilities at 2021 and 2020 year-end and of the average annual interest rates in 2021 and 2020 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Lease liabilities	19,946	19,477
Tax collection accounts	99,473	79,014
Special accounts	154,958	85,087
Payment obligations	39,731	106,824
Other	99,491	73,875
	<b>413,599</b>	<b>364,277</b>

"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 34,775 thousand and EUR 83,501 thousand relating to accrued fees and commissions payable at 31 December 2021 and 2020, respectively (see Note 22). It also includes EUR 115 thousand relating to the amounts not yet contributed at 31 December 2021 to the Group employees' defined contribution plans (2020: EUR 85 thousand) -see Note 2-m-. This caption also includes EUR 42,064 and 10,516 thousand corresponding to the agreement signed between the Bank and BNP, which, as of December 31, 2021 and 2020, was signed within the framework of the operation carried out (see Notes 1.e and 23.2).

Note 25 contains a detail of the terms to maturity of these liabilities at 2021 and 2020 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	
	2021	2020
Average period of payment to suppliers	28	28
Ratio of transactions settled	28	28
Ratio of transactions not yet settled	23	26

	Thousands of Euros	
	2021	2020
Total payments made	67,959	62,544
Total payments outstanding	1,776	2,688

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.

"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 1.e).

Consequently, at 31 December 2021, 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Retained earnings:</b>		
Legal	13.755	9,606
Not available reserves	9.954	9,954
Voluntary reserves	250.183	168,866
Reserves at subsidiaries-	(3.927)	39,205
<i>Allfunds Bank International, S.A (*)</i>	-	40,464
<i>Allfunds Bank Brasil Representações Ltda.</i>	(1.280)	(891)
<i>Fintech Partners, S.L.U.</i>	-	33
<i>Finamatrix, S.L.U.</i>	(377)	830
<i>Nextportfolio, S.L.U.</i>	-	(698)
<i>Allfunds Hong Kong LTD</i>	(1.168)	(347)
<i>Allfunds Sweden AB (*)</i>	-	(186)
<i>Allfunds Blockchain, S.L.U.</i>	12	-
<i>Allfunds Nominee</i>	-	-
<i>Myfundmatch</i>	(1.114)	-
	<b>269.965</b>	<b>227,631</b>

(\*) Companies transformed into branches of Allfunds Bank, S.A.U. as of 31 December 2021. (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. As of 31 December 2021, the legal reserve was fully constituted.

### Not available 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.

Additionally, an amount of 5,995 thousand euros is included corresponding to the special reserve that is established, on an annual basis, in Luxembourg as an essential requirement for the total reduction of the amount of the Net Wealth Tax ("Net Wealth Tax"). Such reserve must be provisioned with a charge to the profits of the previous year and must remain unavailable and identified for 5 years.

### 17. Memorandum items

"Memorandum Items" relates to balances at 31 December 2021 and 2020 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
<b>Available to third parties:</b>		
Credit institutions	53,834	49,092
Other resident sectors	2,250	2,250
Other non-resident sectors	15,243	14,743
	<b>71,327</b>	<b>66,085</b>

In addition, at 31 December 2021, the Group held off-balance-sheet funds under administration relating to units in collective investment undertakings (CIUs) amounting to EUR 1,494,464 million (31 December 2020: EUR 1,158,453 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	
	2021	2020
<b>Off-balance-sheet funds</b>		
Assets under administration	1,312,212	614,989
Assets under distribution	182,252	543,464
	<b>1,494,464</b>	<b>1,158,453</b>



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 2021 and 2020, maturing in less than twelve months, is as follows:

	Thousands of Euros	
	2021	2020
<b>Unmatured foreign currency purchases and sales (*):</b>		
Purchases	99,690	89,080
Sales	107,779	116,187

(\*) 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 2021 and 2020 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Loans and advances to credit institutions	1,095	1,082
Loans and advances to customers income	1,758	1,326
Return on assets related to pension plans (See note 11)	334	-
Other interests	683	1,068
	<b>3,870</b>	<b>3,476</b>

## 20. Interest expenses

"Interest expenses" in 2021 and 2020 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Deposits from credit institutions	7,746	1,109
Cash balances at Central Banks	1,673	4,544
Lease liabilities	266	344
Deposits from customers	-	23
Other interests	32	4
	<b>9,717</b>	<b>6,024</b>

## 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 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
<b>Fee and commission income arising from:</b>		
Marketing of products-		
Investment funds	2,469,236	1,484,915
Other	130,339	55,122
	<b>2,599,575</b>	<b>1,540,037</b>
Investment services-		
Administration and custody	4,875	2,097
Purchase and sale of values	2,188	993
	<b>7,063</b>	<b>3,090</b>
Other-		
Foreign exchange	33,640	30,036
Other fees and commissions	25,811	13,558
	<b>59,451</b>	<b>43,594</b>
	<b>2,666,089</b>	<b>1,586,721</b>

Fee and commission income arising in 2021 and 2020 from the distribution of units in collective investment undertakings amounted to EUR 2,469,236 thousand and EUR 1,484,915 thousand, respectively, of which EUR 816,622 thousand and EUR 507,393 thousand had not been received at 31 December 2021 and 2020, and were recognized under "Financial assets at amortized cost" and "Other assets", respectively in the accompanying consolidated balance sheets (see Notes 8.3 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 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
<b>Fees and commissions assigned to:</b>		
Third parties	5,129	2,685
Distributors	2,157,979	1,277,378
	<b>2,163,108</b>	<b>1,280,063</b>

The fee and commission expenses incurred in 2021 and 2020 in respect of fees and commissions paid to distributors amounted to EUR 2,157,979 thousand and EUR 1,277,378 thousand, respectively, of which EUR 636,999 thousand and EUR 435,660 thousand were payable at 31 December 2021 and 2020, 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Wages and salaries	89,922	61,447
Social security costs	10,880	8,013
Termination benefits	324	441
Contributions to defined contribution pension funds (Note 2-m) (*)	1,726	1,540
Allocation to defined benefit pension plans (Note 11)	852	-
Long-term incentive plan (Note 6)	1,931	-
Training expenses	374	238
Other staff costs	2,543	1,551
	<b>108,552</b>	<b>73,230</b>

(\*) Includes the 2021 and 2020 contributions to the defined contribution pension plans, of which EUR 360 thousand and EUR 293 thousand related to the contributions made for the Bank's senior management in 2021 and 2020, respectively (see Note 6.c).

The average number of employees at the Group, by professional category, in 2021 and 2020 was as follows:

	Average Number of Employees	
	2021	2020
Senior executives	33	31
Manager	128	106
Technical	690	439
General services personnel	15	16
	<b>866</b>	<b>592</b>

At 31 December 2021 and 2020, the number of employees at the Group, by professional category and gender, was as follows:

	2021		2020	
	Women	Men	Women	Men
Senior executives	6	27	5	27
Manager	57	88	53	82
Technical	318	344	299	334
General services personnel	13	3	12	3
	<b>394</b>	<b>462</b>	<b>369</b>	<b>446</b>

At 31 December 2021, the Bank's Board of Directors consisted of 4 women and 10 men (two women and six men at 31 December 2020).

Also, it is hereby stated that in 2021 and 2020 the Bank had 14 and 7 employees with a disability equal to or greater than 33%, respectively.

At 31 December 2021 and 2020, 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.

### 23.2 Other general administrative expenses

The detail of "Other General Administrative Expenses" in the accompanying consolidated income statements for 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
Property, fixtures and supplies	2,763	2,361
Information technology	19,212	14,053
Communications	6,162	5,073
Advertising and publicity	983	695
Legal expenses and lawyers' fees	1,955	5,681
Technical reports	17,476	16,165
Surveillance and cash courier services	161	129
Insurance and self-insurance premiums	1,830	731
Governing and Control Bodies	368	109
Entertainment and staff travel expenses	885	891
Association membership fees	544	457
Subcontracted administrative services (*)	66,547	32,703
Levies and taxes	3,210	1,852
Contributions to foundations	142	123
Other expenses	315	204
	<b>122,553</b>	<b>81,227</b>

(\*) Includes EUR 4.443 and 13,241 thousand, at 31 December 2021 and 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 1.e and 2.j). In addition, at 31 December 2021 and 2020, EUR 42,064 and 10,516 thousand, respectively, are included corresponding to the temporary services agreement ("TSA") between the Bank and BNP, and EUR 6,300 and 1,800 thousand corresponding to the Sub distribution agreement, signed between PAM and the Bank, both signed within the framework of the operation carried out (see Note 1-e and 14.3).

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 2021 "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	1,025
Other assurance services	92
<i>Services required by applicable regulations</i>	44
<i>Other verification services</i>	42
<i>Tax fees</i>	4
<i>Other services</i>	2
<b>Total professional services</b>	<b>1,117</b>

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 Finamatrix, S.L.U.

	Thousands of euros	
	2021	2020
Capitalisation of internal staff costs	2,949	4,240
Revenues Finamatrix	2,799	2,643
Other	4,113	4,830
	<b>9,861</b>	<b>11,713</b>

The detail of "Other Operating Expenses" in the accompanying consolidated statements of profit or loss for 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Contribution to the Single Resolution Fund	881	546
Losses	1,061	3,704
Other	57	274
	<b>1,999</b>	<b>4,524</b>

## 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 2021 and 2020, and of the average interest rates in both years is as follows:

### 2021

	31/12/2021							Average Annual Interest Rate (%)
	Thousands of Euros							
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total	
<b>Assets:</b>								
Cash, cash balances at Central Banks (Note 7)	1,306,527	-	-	-	-	-	1,306,527	-0.54%
Other demand deposits (Note 7)	693,436	-	-	-	-	-	693,436	0.12%
Financial assets at amortized cost (Note 8)-								
Loans and advances to Central Banks	-	14,675	-	-	-	-	14,675	-0.54%
Loans and advances to credit institutions	-	61,715	-	-	-	-	61,715	0.01%
Loans and advances to customers	170,382	297	21	147	671	286	171,804	0.95%
	<b>2,170,345</b>	<b>76,687</b>	<b>21</b>	<b>147</b>	<b>671</b>	<b>286</b>	<b>2,248,157</b>	
<b>Liabilities:</b>								
Financial liabilities at amortized cost (Note 14)-								
Deposits from credit institutions	705,614	-	-	-	-	-	705,614	0.34%
Customer deposits	925,265	-	-	-	-	-	925,265	0.02%
Other financial liabilities	294,180	99,562	9	917	12,418	6,513	413,599	0%
	<b>1,925,059</b>	<b>99,562</b>	<b>9</b>	<b>917</b>	<b>12,418</b>	<b>6,513</b>	<b>2,044,478</b>	

### 2020

	31/12/2020							Average Annual Interest Rate (%)
	Thousands of Euros							
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total	
<b>Assets:</b>								
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 8)-								
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%
	<b>2,019,372</b>	<b>55,994</b>	<b>22</b>	<b>352</b>	<b>653</b>	<b>215</b>	<b>2,076,608</b>	
<b>Liabilities:</b>								
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%
	<b>1,714,234</b>	<b>79,015</b>	<b>7</b>	<b>268</b>	<b>18,226</b>	<b>914</b>	<b>1,812,664</b>	

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 2021 and 2020 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	
	2021	2020
<b>Assets:</b>		
Deposits in credit institutions	19,295	83,725
Loans and advances to credit institutions	14,924	1,382
Loans and advances to customers	4,908	24,951
Intangible assets	373,840	415,827
Other assets	12,873	13,755
<b>Liabilities:</b>		
Deposits from credit institutions	269,131	17,933
Other financial liabilities	7,446	9,766
Other liabilities	58,158	37,028
<b>Equity:</b>		
Interim Dividend	(155,000)	(11,800)
Contribution to reserves (**)	12,331	-
<b>Profit and loss:</b>		
Debit-		
Fee expense	310	303
Commission expenses	194,806	81,862
Other administrative expenses	53,616	25,714
Personnel expenses (**)	12,331	-
Amortizations	16,772	-
Credit-		
Fee income	17	63
Commission income	80,600	24,857
Other administrative income	988	269

(\*) Includes balances with Credit Suisse and BNP.

(\*\*) Corresponds to the amount paid by an indirect shareholder of the Company to certain employees of Allfunds Bank, S.A.U. for their employment by the Bank as well as the amount recorded for the incentive plan (ILP) (See Note 6).

### 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 4,152% (2020: 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 6.

## **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 2021 and 2020:

	Thousands of Euros			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Cash, cash balances at Central Banks and other demand deposits	1,999,963	1,999,963	1,843,118	1,843,118
Financial assets held for trading – Derivatives	377	377	507	507
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	664	664	393	393
Financial assets at amortized cost	248,194	248,219	233,490	233,573
	<b>2,249,198</b>	<b>2,249,223</b>	<b>2,077,508</b>	<b>2,077,591</b>
<b>Financial liabilities:</b>				
Financial liabilities held for trading – Derivatives	396	396	213	213
Financial liabilities at amortized cost	2,044,478	2,044,478	1,812,664	1,812,664
	<b>2,044,874</b>	<b>2,044,874</b>	<b>1,812,877</b>	<b>1,812,877</b>

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 2021 and 2020 based on the method of measurement at fair value is as follows:

	Thousands of Euros					
	31-12-2021			31-12-2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets:</b>						
Cash, cash balances at central banks and other demand deposits	1,999,963	-	-	1,843,118	-	-
Financial assets held for trading – Derivatives	-	377	-	-	507	-
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	-	-	664	-	-	393
Financial assets at amortized cost	-	-	248,219	-	-	233,573
	<b>1,999,963</b>	<b>377</b>	<b>248,883</b>	<b>1,843,118</b>	<b>507</b>	<b>233,966</b>
<b>Financial liabilities:</b>						
Financial liabilities held for trading - Derivatives	-	396	-	-	213	-
Financial liabilities at amortized cost	-	-	2,044,478	-	-	1,812,664
	-	<b>396</b>	<b>2,044,478</b>	-	<b>213</b>	<b>1,812,664</b>

## 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.

Monitoring is carried out by means of an integrated, real-time system that allows the limit consumption and the credit line available with any counterparty to be known at all times.

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 2021 and 2020, 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 0.27% and 0.06%, respectively, of its assets at those dates, the coverage ratio of those balances being 55% and 67%, 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 2021, 2020 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 2021 and 2020, 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 2021

	Thousands of Euros				Total
	Spain	Other EU Countries	America	Rest of the World	
Central Banks and Credit Institutions	390,403	1,438,538	56,193	191,408	2,076,542
Public sector – Central government	-	-	-	-	-
Other financial institutions	6,708	120,681	17,631	26,192	171,212
Non-financial companies and individual entrepreneurs-	301	286	-	364	951
<i>Other purposes – SMEs and individual entrepreneurs</i>	301	286	-	364	951
Other households and NPISH- (*)	483	-	-	-	483
<i>Consumer loans</i>	483	-	-	-	483
<i>Other purposes</i>	-	-	-	-	-
	<b>397,895</b>	<b>1,559,505</b>	<b>73,824</b>	<b>217,964</b>	<b>2,249,188</b>

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

31 December 2020

	Thousands of Euros				Total
	Spain	Other EU Countries	America	Rest of the World	
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
<i>Other purposes – SMEs and individual entrepreneurs</i>	295	215	-	386	896
Other households and NPISH- (*)	452	-	-	-	452
<i>Consumer loans</i>	452	-	-	-	452
<i>Other purposes</i>	-	-	-	-	-
	<b>277,044</b>	<b>1,460,978</b>	<b>76,335</b>	<b>263,127</b>	<b>2,077,484</b>

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

31 December 2021

	Thousands of Euros			Total Spain
	Cantabria	Comunidad Valenciana	Madrid	
Central Banks and Credit Institutions	28,968	2,211	359,224	390,403
Public sector – Central government	-	-	-	-
Other financial institutions	-	-	6,708	6,708
Non-financial companies and individual entrepreneurs-	-	-	301	301
<i>Other purposes – SMEs and individual entrepreneurs</i>	-	-	301	301
Other households and NPISH- (*)	-	-	483	483
<i>Consumer loans</i>	-	-	483	483
<i>Other purposes</i>	-	-	-	-
	<b>28,968</b>	<b>2,211</b>	<b>366,716</b>	<b>397,895</b>

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

31 December 2020

	Miles de 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- <i>Other purposes – SMEs and individual entrepreneurs</i>	-	295	295
Other households and NPISH- (*)	-	452	452
<i>Consumer loans</i>	-	452	452
<i>Other purposes</i>	-	-	-
	<b>74,666</b>	<b>202,378</b>	<b>277,044</b>

(\*) 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 2021 and 2020

31 December 2021

Company's Name	Location/ Registered Office	Line of business	Ownership	Ownership interest	Thousand of euros Company Data (*)		
					Sharecapital	Reserves	Profit(loss) in the period
Allfunds Nominee, Limited	United Kingdom	Asset holding	Direct	100%	1	-	-
Allfunds Bank Brasil Representações, Ltda.	Brasil	Representation services	Direct	100%	1,043	(538)	(33)
Allfunds digital, S.L.U.	Spain	Computer programming activities	Indirect	100%	3	1,802	1,041
Allfunds Hong Kong Limited	Hong Kong	Without activity	Direct	100%	5,231	(1,307)	(1,438)
Allfunds Blockchain, S.L.U.	Spain	Computer programming and technological development activities	Direct	100%	4,768	12	(627)
Myfundmatch	France	Institutional intermediation	Direct	100%	1,750	(2,236)	(259)

(\*) Through this company, a 100% stake in the share capital of Allfunds digital, S.L.U. and Nextportfolio, S.L.U. is maintained.



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 Representações, 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. (**)	Hong Kong	Without activity	Direct	100%	1,972	(348)	(977)
Allfunds Hong Kong Limited	Spain	Computer programming and technological development activities	Direct	100%	3	-	-
Allfunds Blockchain, S.L.U. (***)	France	Institutional intermediation	Direct	100%	1,750	1,082	(3,318)
Myfundmatch (****)							

(\*) In 2021 Allfunds Bank International, S.A. has become Allfunds Bank, S.A.U., Branch in Luxembourg and consequently Allfunds Bank International, S.A. Branch in Switzerland has become Allfunds Bank, S.A.U., Branch in Switzerland. In addition, Allfunds Sweden AB has become a branch of Allfunds Bank, S.A.U. in 2021 (see Note 1.e)

(\*\*) As of 12 July 2021, Fintech Partners, S.L.U. (the sole shareholder of which is Allfunds Bank, S.A.U.) and Nextportfolio, S.L.U. (whose sole shareholder is Fintech Partners, S.L.U.) as the absorbed companies and Allfunds Digital (whose sole shareholder is Fintech Partners, S.L.U.) as the absorbing company, respectively agreed to a reverse merger. As a result of the merger, the shareholdings of Fintech Partners, S.L.U. and Nextportfolio, S.L.U. have been written off (see Note 1.e).

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

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

## 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 2021 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/ir/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	No. of Employees on a Full-Time Equivalent Basis
	Turnover	
Chile	-	4
Dubai (EAU)	-	3
Colombia	-	2
Singapore	4	13
Brasil	1	1
Spain	206	406
Italy	192	129
Luxembourg	50	28
France	42	12
Poland	11	182
United Kingdom	33	42
Switzerland	54	23
Sweden	2	7
United States of America	-	1
Hong Kong	-	3
<b>Total</b>	<b>595</b>	<b>856</b>
Consolidation adjustments	(88)	
<b>Allfunds Bank Group</b>	<b>507</b>	

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 2021 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 2021 year-end.

The consolidated income statement for the year ended 31 December 2021 includes profit before tax for the Allfunds Bank Group of EUR 193 million and income tax of EUR 8 million:

Jurisdiction	Millions of Euros	
	Profit Before Tax	Income Tax
Spain	31	23
Italia	89	(45)
Luxembourg	29	7
United Kingdom	12	3
France	(21)	4
Poland	-	-
Singapore	(3)	-
Switzerland	43	-
Hong Kong	(1)	-
Myfundmatch	-	-
Sweden	-	-
<b>Total</b>	<b>179</b>	<b>8</b>
Consolidation adjustments	14	
<b>Consolidated Allfunds Bank Group</b>	<b>193</b>	

At 31 December 2021, the Group's return on assets (ROA) was estimated at 4,90%.

## Appendix III

Balance sheets of the transferring entities at that date (see Note 12)

### **Allfunds Bank International, S.A.**

(Euro thousand)

<b>ASSETS</b>		<b>31/12/2020</b>	<b>LIABILITIES AND EQUITY</b>		<b>31/12/2020</b>
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS		384,054	<b>LIABILITIES</b>		
FINANCIAL ASSETS HELD FOR TRADING		52	FINANCIAL LIABILITIES HELD FOR TRADING		10
Financial assets at amortised cost - LOANS AND RECEIVABLES:		24,709	FINANCIAL LIABILITIES AT AMORTISED COST		315,435
TANGIBLE ASSETS		5,145	TAX LIABILITIES:		6,697
INTANGIBLE ASSETS		981	<i>Current</i>		6,697
<i>Goodwill</i>		-	<i>Deferred</i>		-
<i>Other intangible assets</i>		981	OTHER LIABILITIES		86,391
TAX ASSETS		4,483	<b>TOTAL LIABILITIES</b>		<b>408,533</b>
<i>Current</i>		4,483	<b>EQUITY</b>		
<i>Deferred</i>		-	SHAREHOLDERS' EQUITY		104,668
OTHER ASSETS		93,974	<i>Registered share capital</i>		15,000
<b>TOTAL ASSETS</b>		<b>513,398</b>	<i>Reserves and retained earnings</i>		49,726
			<i>Profit/Loss for the year attributable to the Parent</i>		39,942
			VALUATION ADJUSTMENTS:		197
			<i>Exchange differences</i>		256
			<i>Deferred tax</i>		(59)
			<b>TOTAL EQUITY</b>		<b>104,865</b>
			<b>TOTAL LIABILITIES AND EQUITY</b>		<b>513,398</b>

**Allfunds Sweden AB**

(Euro thousand)

ASSETS	31/12/2020	LIABILITIES AND EQUITY	31/12/2020
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	3,766	<b>LIABILITIES</b>	
Financial assets at amortised cost - LOANS AND RECEIVABLES:	164	FINANCIAL LIABILITIES AT AMORTISED COST:	86
TAX ASSETS:	1,077	TAX LIABILITIES:	42
<i>Current</i>	1,077	<i>Current</i>	42
<i>Deferred</i>	-	<i>Deferred</i>	-
OTHER ASSETS	10,949	OTHER LIABILITIES	11,802
		<b>TOTAL LIABILITIES</b>	<b>11,930</b>
		<b>EQUITY</b>	
		SHAREHOLDERS' EQUITY	3,738
		<i>Registered share capital</i>	744
		<i>Reserves and retained earnings</i>	4,371
		<i>Profit/Loss for the year attributable to the Parent</i>	(1,377)
		VALUATION ADJUSTMENTS:	288
		<i>Exchange differences</i>	374
		<i>Deferred tax</i>	(86)
<b>TOTAL ASSETS</b>	<b>15,956</b>	<b>TOTAL EQUITY</b>	<b>4,026</b>
		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,956</b>

## Allfunds Bank Group

Consolidated Directors' Report for the  
year ended 31 December 2021

### Allfunds Bank Group

The consolidated financial statements of the Allfunds Bank Group ("the Group") for 2021 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 2021

In 2021 the Group obtained net profit amounting to EUR 201,100 thousand, up 180.06% on the previous year. Fee and commission income was the largest revenue item. It increased by 64.02% in net terms mainly due to the higher average volume intermediated during the year and the completion of the first year for those fees arising from the acquisition of the Banca Corrispondente, Fund Dealing Services (FDS) and BNP Paribas AM (PAM) businesses, compared with 2020.

The detail of customer positions, by geographical area, is as follows:

Geographical Area	Millions of Euros
Continental Europe, except Spain and Portugal	1,102,421
Spain and Portugal	203,143
UK and Ireland	84,253
Latin America	39,913
Middle East	64,637

### Economic climate

Following a historic recession in 2020 (3.1% fall in global GDP), in 2021 the world economy held to a path of recovery, with growth of 5.5%, although the persistence of bottlenecks on the supply side, the rise in commodity prices and the appearance of the Omicron variant of the coronavirus (covid-19) affected the outlook for growth at short term. Global inflation continued to rise, reflecting increases in energy prices and widespread inflationary pressure on various different sectors. These pressures are expected to diminish at global level in 2022, since there is expected to be a moderation in energy prices.

In the eurozone, following a significant recovery in activity in the second and third quarters of 2021, the latest indicators show a weaker performance in the fourth quarter. In addition, the increase in covid cases in Central and Northern European countries also brought fresh restrictions on mobility, with clear effects on the economy. Even so, GDP in the eurozone is expected to have grown by around 5% in 2021. For 2022, annual growth will be around 4.1%, with clear differences between one country and the next, with Italy and France seeing slower growth after a strong start and Germany and Spain seeing growth quickening after a slow start. The main eurozone countries, except Spain, will return to the GDP levels lost by mid-2022. Inflation averaged 2.6% in 2021 (an underlying rate of 1.5%), mainly due to elements related to the pandemic (base effects, increases in energy prices and bottlenecks). We consider that these

elements will continue to exert upward pressure in 2022, although this will become more moderate over the next few months.

The Spanish economy saw a sharp recovery in 2021, especially in employment. However, the economy's performance during the year was characterised by fluctuations. After a tentative start to the year, due to the effects of the third wave of the pandemic, business activity returned to the path of recovery in the second quarter as a result of the extensive deployment of vaccines and the subsequent containment of infection and pressure on hospitals. This, in turn, facilitated the reactivation of tourist flows and family expenditure, especially in activities that require more social interaction and were more affected by the previous restrictive measures. In the last part of the year, activity maintained the expansionary trend, albeit at a slower pace, against a backdrop of a worsening of the epidemiological situation and a steep uptick in inflation owing to the increase in energy prices and the supply difficulties due to the bottlenecks in the supply chains. GDP is estimated to have grown by 4.8% in 2021 as a whole and, accordingly, at 2021 year-end GDP was still 4.6% below pre-crisis levels (fourth quarter of 2019). Inflation rose to 6.5% in December (underlying rate of 2.1%), with a high contribution from the energy component.

In the US, economic activity continued to be robust, with an increase in risk in the short-term outlook as a result of the worsening of the pandemic. Year-on-year GDP growth rose to 6.9% in the fourth quarter of 2021, driven, in part, by the considerable increase in inventories. In addition, private consumption increased at a faster rate than that observed prior to the pandemic, boosted, above all, by services. However, the appearance of the Omicron variant affected this sector, although it is thought that the impact will be confined, to a great extent, to the first quarter of 2022. Meanwhile, the labour market continues to be tight because of the lack of labour, which intensified salary pressure. General year-on-year inflation, as measured by consumer prices, rose by as much as 7% in December, its highest level since 1982. Energy prices continue to be an important determining factor of inflation, although the persistent supply-side bottlenecks also contribute to rising prices. In view of the tensions in the labour market and the high inflation, the Federal Reserve tightened its monetary policy. The rate of decline of monthly asset purchases quickened from January 2022 onwards, and interest rates are expected to rise at some point during the year. As regards fiscal policy, the Build Back Better Act suffered a setback, as the bill has been stuck in the Senate since November, and it is considered that the fiscal boost to growth will disappear much more quickly than anticipated.

In Japan, economic recovery restarted in the last quarter of 2021. Following the contraction seen in the summer of 2021, economic activity remained strong in the fourth quarter, supported mainly by a reservoir of demand. Manufacturing saw a significant rebound at the end of 2021, which was due in part to the increase in production in the automobile sector. Although the recovery is expected to continue in the first quarter of 2022, the emergence of Omicron brought with it new growth-hindering factors. The PMI indices fell slightly in December, both for manufacturing and services, which could be a sign of certain moderation in the recovery resulting from persistent supply-side pressure and concern about the new variant.

In China, economic activity is still scantily dynamic. In the fourth quarter of 2021, Chinese GDP grew by 1.6% (at a quarter-by-quarter rate) and, accordingly, the year-on-year growth rate for China was 8.1% in 2021. However, the monthly indicators point to a slowdown in economic activity. Retail sales remained at moderate levels towards the end of the year, which shows how difficult it is for consumption to return to pre-crisis levels with the strict covid-19 containment strategy applied in China. The turbulence observed in the Chinese residential property sector continued at the end of 2021: growth in sales of residential property was still negative in December and house prices fell again.

### **Growth outlook**

World growth will foreseeably slow to 4.1% in 2022, as a reflection of the continuous outbreaks of covid-19, the decline in fiscal support and the persistent difficulties in the supply chain. Although production and investment in the advanced economies are projected to return to pre-pandemic trends in 2022, they will



remain far below those trends in the emerging markets and developing economies (EMDEs). The risks of a worsening global outlook include a synchronised resurgence of the pandemic, greater alterations to supply chains, financial stress and inflationary expectations, the energy market crisis, the erosion of international cooperation, trade wars and the war between Russia and Ukraine.

The EMDEs are facing the challenges of high inflationary pressure and limited fiscal room for manoeuvre. Over the long term, the EMDEs will have to implement reforms to mitigate the vulnerability to volatility of basic products, to reduce inequality and to improve preparation for future crises.

According to the forecasts, growth in most emerging market regions and developing economies in 2022-2023 will return to the average rates posted in the decade before the pandemic. This rate of growth will not be sufficient to recover the production lost during the pandemic. Production for 2023 is expected to remain below the pre-pandemic trend in all of the EMDE regions—in contrast to the advanced economies, where production is expected to return to the pre-pandemic trends. Europe and Central Asia will be the region that gets closest to its pre-pandemic trajectory and South Asia will be the furthest away. The risks for the regional outlook are downward and include continuous outbreaks of covid-19, slow progress in vaccination, financial stress, lower-than-expected mainstream product prices, geopolitical tensions and social discontent, lack of food safety and damage caused by extreme weather events.

As regards the outlook for growth by region, the main estimates in the various regions around the world are as follows:

Spain: according to the forecasts, growth will accelerate slightly to 5.8% in 2022 and to 2.9% in 2023.

Europe and Central Asia: growth is expected to slow to 3.0% in 2022 and to 2.9% in 2023.

US: according to the forecasts, growth will accelerate slightly to 3.8% in 2022 and to 2.5% in 2023.

South Asia: growth in China is expected to rise to 7.6% in 2022 before falling to 6.0% in 2023.

East Asia and the Pacific: according to the forecasts, growth will slow to 5.1% in 2022 and then rise slightly to 5.2% in 2023.

Latin America and the Caribbean: the projects point to growth slowing to 2.6% in 2022 to then quicken slightly to 2.7% in 2023.

Middle East and North Africa: growth is expected to accelerate to 4.4% in 2022 before falling back to 3.4% in 2023.

Sub-Saharan Africa: according to the forecasts, growth will accelerate slightly to 3.6% in 2022 and rise again to 3.8% in 2023.

### **Transaction performance**

In 2021 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.
- Ongoing investment in new technologies: Blockchain.

- Non-organic growth through significant acquisitions, mainly through 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 2021 71 new commercial agreements were added, reaching a total of 831 at the end of the year, with customers operating in 62 different countries.
- Increase in the range of funds available to our retail customers through new agreements with the world's major management companies: 169 new additions, enabling us to have more than 2,000 fund managers and 100,000 investment funds on our platform by the end of 2021.
- 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 21.16% compared to 20.49% in 2020.
- Credit institutions and private banking accounted for 42.95% of the total traded volume by customer type, compared with 43.58% in 2020.
- Insurance entities and pension funds accounted for 18.01% in 2021, compared with 17.53% in 2020.
- Entities other than these accounted for 17.89% in 2021, compared with 18.40% of the total traded volume 2020.

#### **Consolidated balance sheet**

As of December 31, 2021, the commissions pending collection and payment amount to EUR 816,621 and 636,699 thousand, respectively, which means an 60.85% increase in collections and an 46.15% increase in payments with respect to fiscal year 2020, respectively.

At December 31, 2021, the total amount of the Group's assets amounted to EUR 4,105,309 thousand, which represents an increase of 13.74% with respect to 2020 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 755,151 thousand, increasing by 15.55% compared to the end of the previous year.

Intangible assets amounted to EUR 955,968 thousand, down 3.39% year on year.

Tangible assets (furniture, IT equipment and facilities), net of amortization, amounted to EUR 28,006 thousand, representing a decrease of 4.42%.

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, 2021, in these accounts amounts to EUR 1,630,879 thousand, increasing by 12.60% 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 82.12% with respect to the end of 2020. As of December 31, 2021, amounts to EUR 154,958 thousand.

### Earnings

The net profit obtained by the Group amounts to EUR 201,100 thousand at the end of the year, being 180,06% lower than at the end of the 2020 financial year.

The detail by company, without taking intra-Group transactions into consideration, is as follows:

	Thousands of Euros
Allfunds Bank, S.A.U.	163.612
Allfunds Bank Brasil Representações LTDA	(33)
Allfunds digital, S.L.U.	1.041
Myfundmatch	(259)
Allfunds Hong Kong Limited	(1.438)
Allfunds Blockchain S.L.U.	(627)

Net interest income decreased 129.47% in respect to 2020 to EUR up to a negative amount of EUR 5,847 thousand as a result of the lower returns obtained due to the reduction in interest rates.

Net fee and commission income amounted to EUR 502,981 thousand, which represents a decrease of 64.02% compared to 2020. The 69% in 2021 and 77% in 2020 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 231,105 thousand, 49.62% more than in 2020. 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 2021, the volume of customer funds intermediated amounted to EUR 1,494,464 million, which represents a 29.01% increase.

### **Share capital and treasury shares**

As of December 31, 2021, 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 2021, 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:

- Complete the integration related to BNP's operation, as efficiently as possible and with as little impact on the day-to-day as possible.
- Continue to explore Blockchain initiatives and what solutions we can place in this paradigm.
- Continue to create digital solutions for our clients and managers.
- Data-driven design, analysis and modelling

### **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 2022 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 2020 and 2021 (NFM, Credit Suisse Invest Lab, Fundinfo, BNP) in the Bank's technological environment.
- 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 2021 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 2021 to the date of authorisation for issue of these consolidated financial statements, no significant subsequent events took place.

#### **Non-financial Information Report**

The Statement of Non-Financial Information is available in the consolidated annual accounts of Liberty Group.