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

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2019, 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 28). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Allfunds Bank, S.A. (Sole-Shareholder Company) ("the Bank") and its subsidiaries composing, together with the Bank, the Allfunds Bank Group ("the Group"), which comprise the consolidated balance sheet as at 31 December 2019, 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 2019, 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 (identified in Note 1-b to the accompanying consolidated financial statements) and, in particular, with the accounting principles and rules contained therein.

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.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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 for the year ended 31 December 2019. 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 20 to the accompanying consolidated financial statements, in 2019 the Group recognised fee and commission income amounting to EUR 1,270,836 thousand under *"Fee and Commission Income"* in relation to the fees and commissions accrued in connection with the marketing of investment funds in the year. As indicated in Note 2-l) to the accompanying consolidated financial statements, the aforementioned income is calculated by applying the agreed-upon percentage to the daily volume of the investment fund units held for the account of the Group's customers.

The income described represents 95% of the total income earned by the Group in 2019. In light of the representativeness of the aforementioned income, we consider this to be a key audit matter.

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 information system controls) supporting the completeness of the fees and commissions, as well as the fee and commission accounting and recognition procedure, for which purpose we involved our internal technology and systems experts.

Also, our work included, among others, the following substantive procedures: (i) third-party confirmations based on a representative sample of management companies to validate the amount of fee and commission income; (ii) analysis, based on a sample of investment agreements entered into during the last month of 2019, of the correct recognition of the fee and commission income, pursuant to the terms and conditions and obligations established in the agreements with the management companies; and (iii) recalculation tests, performed on the sample of agreements indicated in point (ii), of the fee and commission income earned in 2019.

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.

Business combinations	
Description	**Procedures applied in the audit**
As indicated in Note 1-e) to the accompanying consolidated financial statements, in 2019 the Group made various acquisitions of businesses for significant amounts. These acquisitions are complex transactions the recognition of which in the consolidated financial statements requires the Bank's management to make significant judgements in the estimation process relating to the valuations of the assets and liabilities acquired. As a result of the foregoing, this matter is considered to be a key matter in our audit.	In order to address this key audit matter, our work included, in collaboration with our valuation specialists, the performance of the following audit procedures: (i) analysis of the key contractual documentation of the transactions in order to analyse and conclude on Group management's determination of the fair values of the assets acquired and liabilities assumed in the business combination; (ii) obtainment of supporting documentation for the payments and collections made by the Group. 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.

Emphasis of Matter

We draw attention to Note 2-j to the accompanying consolidated financial statements, in which the Bank's directors indicate that 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 unrelated to the Group and against the Bank, as a result of the reimbursements made prior to December 2008, through the Bank, in accordance with the instructions of the aforementioned distributor company, because, in the opinion of the liquidators of the Funds, among other reasons, incorrect payments were made and unjust enrichment had resulted from such reimbursements in the amount of USD 3,505,471.33 (approximately EUR 3,120 thousand). In addition, Note 2-j includes a description of the main milestones and developments of the court proceeding.

It is also indicated in the aforementioned note that the Bank's directors and its legal advisers consider that, ultimately, the Group will not have to bear the possible adverse consequences of the above-mentioned proceeding, since they understand 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 recognised in this connection at 31 December 2019. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, 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 information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, 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 provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 7 and 8 of this document, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Bank's Audit and Risk Committee

The opinion expressed in this report is consistent with the content of our additional report to the Bank's audit and risk committee dated 24 April 2020.

Engagement Period

The Bank's sole shareholder, per the minutes of resolutions dated 30 April 2019, appointed us as auditors for a period of one year from the year ended 31 December 2018.

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

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

Ignacio Gutiérrez
Registered in ROAC under no. 21412

24 April 2020

Appendix I to our auditor's report

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Bank's audit and risk committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2019 and are therefore the key audit matters.

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

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

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2019

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 28). In the event of a discrepancy, the Spanish-language version prevails

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Bank in Spain (see Notes 1 and 28). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

(Thousands of Euros)

ASSETS	Notes	31-12-2019	31-12-2018(*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	6	1,041,428	711,426
FINANCIAL ASSETS HELD FOR TRADING:		609	353
Derivatives		609	353
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights		-	-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THOURGH PROFIT OR LOSS	7	393	384
Equity Instruments		393	384
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights		-	-
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights		-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH ACCUMULATED OTHER COMPREHENSIVE INCOME:		-	-
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights			
FINANCIAL ASSETS AT AMORTISED COST:	8	313,037	383,886
Loans and advances-		313,037	383,886
To Central Banks		6,079	6,508
To Credit institutions		270,807	344,616
To Customers		36,151	32,762
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights			
HEDGING DERIVATIVES		-	-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST RATE RISK		-	-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES		-	-
Joint ventures		-	-
Associates		-	-
ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS		-	-
TANGIBLE ASSETS:	9	28,248	31,302
Property, plant and equipment – For own use		28,248	31,302
Memorandum items: other assets leased out under finance lease		-	-
INTANGIBLE ASSETS:	10	237,435	26,136
Goodwill		202,392	6,704
Other intangible assets		35,043	19,432
TAX ASSETS:	11	12,715	7,954
Current		12,116	7,379
Deferred		599	575
OTHER ASSETS:	12	340,853	308,534
Rest		340,853	308,534
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE		-	-
TOTAL ASSETS		**1,974,718**	**1,469,975**
MEMORANDUM ITEMS			
Loan commitments given		-	-
Financial guarantees given		-	-
Other commitments given	17	57,223	53,877

LIABILITIES AND EQUITY	Notes	31-12-2019	31-12-2018(*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING:	19	748	213
Trading Derivatives		748	213
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Memorandum item: Subordinated liabilities		-	-
FINANCIAL LIABILITIES AT AMORTISED COST:	13	1,191,057	920,293
Deposits-		959,740	730,235
Credit institutions		*428,647*	*278,137*
Customers		*531,093*	*452,098*
Other financial liabilities		231,317	190,058
Memorandum item: Subordinated liabilities		-	-
HEDGING DERIVATIVES		-	-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS		-	-
PROVISIONS		-	-
TAX LIABILITIES:	11	3,892	4,360
Current		2,448	2,892
Deferred		1,444	1,468
SHARE CAPITAL REPAYABLE ON DEMAND		-	-
OTHER LIABILITIES	12	311,466	272,306
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		-	-
TOTAL LIABILITIES		**1,507,163**	**1,197,172**
EQUITY:			
SHAREHOLDERS FUNDS:		467,116	272,312
Capital-	14	48,028	27,041
Paid up capital		48,028	27,041
Unpaid capital		-	-
Memorandum item: Uncalled capital		-	-
Share premium	14	169,013	-
Retained earnings	15	229,968	188,114
Profit or loss attributable to owners of the parent		68,480	86,157
Less: Interim dividends	4	(48,373)	(29,000)
ACCUMULATED OTHER COMPREHENSIVE		439	44
Items not subject to reclassification to income statement		-	-
Items that may be reclassified to profit or loss-		439	44
Foreign currency translation		439	44
MINORITY INTERESTS [NON CONTROLLING INTERESTS]		-	-
TOTAL EQUITY		**467,555**	**272,803**
TOTAL LIABILITIES AND EQUITY		**1,974,718**	**1,469,975**

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

The accompanying Notes 1 to 28 and Appendices I, II and III are an integral part of the consolidated balance sheet as at 31 December 2019.

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 28). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of Euros)

	Notes	Income/(Expenses) 2019	2018(*)
INTEREST INCOME	18	4,041	2,118
Financial assets at fair value through changes in other comprehensive income		-	-
Financial assets at amortised cost		*4,041*	*2,118*
Remaining interest income		-	-
INTEREST EXPENSES	19	(5,060)	(1,527)
EXPENSES ON SHARE CAPITAL REPAYABLE ON DEMAND		-	-
NET INTEREST INCOME		**(1,019)**	**591**
DIVIDEND INCOME		-	-
FEE AND COMMISSION INCOME	20	1,329,077	1,333,535
FEE AND COMMISSION EXPENSES	21	(1,103,249)	(1,116,115)
GAINS OR LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		-	-
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET		(139)	140
Reclassification of financial assets from fair value with changes in other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		*(139)*	*140*
GAINS OR LOSSES ON FINANCIAL ASSETS NOT HELD FOR TRADING DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		-	(352)
Reclassification of financial assets from fair value with changes in other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		-	*(352)*
GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		-	-
GAINS OR LOSSES FROM HEDGE ACCOUNTING, NET		-	-
EXCHANGE DIFFERENCES, NET		(407)	75
OTHER OPERATING INCOME	23	7,026	5,099
OTHER OPERATING EXPENSES	23	(4,717)	(1,891)
INCOME FROM INSURANCE AND REINSURANCE CONTRACTS		-	-
EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS		-	-
GROSS INCOME		**226,572**	**221,082**
ADMINISTRATION COSTS:	22	(128,693)	(84,373)
Personnel expenses		(54,968)	(47,079)
Other administrative expenses		(73,725)	(37,294)
DEPRECIATION	9 and 10	(14,119)	(10,728)
PROVISIONS OR REVERSAL PROVISIONS		-	-
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF THE VALUE AND PROFIT AND LOSSES BY THE MODIFICATION OF CASHFLOWS OF FINANCIAL ASSETS NOT VALUED AT FAIR VALUE WITH		(319)	(404)
Financial assets at amortised cost		*(319)*	*(404)*
NET OPERATING INCOME		**83,441**	**125,577**
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	9	*(886)*	(7)
NEGATIVE GOODWILL RECOGNISED IN PROFIT OR LOSS		-	-
PROFIT OR LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS		-	-
OPERATING PROFIT BEFORE TAX		**82,555**	**125,570**
TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION	11	(14,075)	(38,774)
PROFIT FROM CONTINUING OPERATIONS		**68,480**	**86,604**
PROFIT FROM DISCONTINUED OPERATIONS (net)		-	-
PROFIT		68,480	86,604
Attributable to minority interest [non-controlling interests]		-	-
Attributable to owners of the parent		68,480	86,604
Basic earnings per share	4	0.061	0.096
Diluted earnings per share	4	0.061	0.096

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

The accompanying Notes 1 to 28 and Appendices I, II and III are an integral part of the consolidated income statement for 2019.

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 28). In the event of a discrepancy, the Spanish-language version prevails.

ALLFUNDS BANK GROUP

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of Euros)

	Income/(Expenses)	
	2019	2018(*)
PROFIT RECOGNISED IN INCOME STATEMENT	**68,480**	**86,604**
OTHER RECOGNIZED INCOME (EXPENSES)	**395**	**113**
Items not subject to reclassification to income statement:	-	-
Actuarial gains and losses from defined benefit pension plans	-	-
Non-current assets and disposal groups of elements held for sale	-	-
Changes in fair value of the equity instruments valued at fair value with changes in other comprehensive income	-	-
Gains or (-) losses resulting from the accounting for hedges of equity instruments measured at fair value with changes in other comprehensive income, net.	-	-
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income (item hedged)	-	-
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Income tax relating to items not subject to reclassification to income statement	-	-
Items subject to reclassification to income statement:	**395**	**113**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	564	161
Valuation gains or losses from currency translation taken to equity	*564*	*161*
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	(169)	(48)
TOTAL RECOGNISED INCOME AND EXPENSE:	**68,875**	**86,717**
Attributable to the parent company	68,875	86,717
Attributable to minority interest [non-controlling interests]	-	-

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

The accompanying Notes 1 to 28 and Appendices I, II and III are an integral part of the consolidated statement of recognised income and expense for 2019.

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 28). 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 2019 AND 2018

(Thousands of Euros)

2019

	Equity							
	Capital	Share Premium	Retained Earnings	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-Controlling Interest	Total
ENDING BALANCE AT 31 DECEMBER 2018	**27,041**	-	**188,114**	**86,157**	**(29,000)**	**44**	-	**272,356**
Adjustments due to errors	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	447	-	-	-	447
ADJUSTED BEGINNING BALANCE AT 31 DECEMBER 2018	**27,041**	-	**188,114**	**86,604**	**(29,000)**	**44**	-	**272,803**
Total income/expense recognised	-	-	-	68,480	-	395	-	68,875
Other changes in equity:	20,987	169,013	41,854	(86,604)	(19,373)	-	-	125,877
Issuance of ordinary shares (Note 15)	20,987	169,013	-	-	-	-	-	190,000
Dividends (o associates remunerations) (Note 4)	-	-	(15,750)	-	(48,373)	-	-	(64,123)
Transfers between equity entries	-	-	57,604	(86,604)	29,000	-	-	-
ENDING BALANCE AT 31 DECEMBER 2019	**48,028**	**169,013**	**229,968**	**68,480**	**(48,373)**	**439**	-	**467,555**

2018(*)

	Equity							
	Capital	Share Premium	Retained Earnings	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Non-Controlling Interest	Total
ENDING BALANCE AT 31 DECEMBER 2017	**27.041**	-	**129,478**	**75,258**	**(16,622)**	**(69)**	-	**215,086**
Adjustments due to errors	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
ADJUSTED BEGINNING BALANCE AT 31 DECEMBER 2017	**27.041**	-	**129,478**	**75,258**	**(16,622)**	**(69)**	-	**215,086**
Total income/expense recognised	-	-	-	86,604	-	113	-	86,717
Other changes in equity:	-	-	58,636	(75,258)	(12,378)	-	-	(29,000)
Dividends (o associates remunerations) (Note 4)	-	-	-	-	(29,000)	-	-	(29,000)
Transfers between equity entries	-	-	58,636	(75,258)	16,622	-	-	-
ENDING BALANCE AT 31 DECEMBER 2018	**27.041**	**-**	**188,114**	**86,604**	**(29,000)**	**44**	-	**272,803**

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

The accompanying Notes 1 to 28 and Appendices I, II and III are an integral part of the consolidated statement of changes in total equity for 2019.

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 28). 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 2019 AND 2018

(Thousands of Euros)

	2019	2018(*)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**68,480**	**86,604**
Adjustments to obtain the cash flows from operating activities-		
Depreciation and amortisation	14,119	10,728
Other adjustments	26,786	833,457
Profit adjusted	**109,385**	**130,789**
Net increase/decrease in operating assets:		
Financial assets held for trading	(256)	126
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	(9)	(78)
Financial assets at amortised cost	95,014	20,379
Other operating assets	(20,053)	(9,884)
	74,696	**10,543**
Net increase/decrease in operating liabilities:		
Financial liabilities held for trading	535	(127)
Financial liabilities at amortised cost	277,202	(84,303)
Other operating liabilities	43,463	(468)
	321,200	(85,898)
Collection/Payments for income tax	**(25,296)**	**(42,817)**
Total cash flow from operating activities	**479,985**	**13,617**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments-		
Tangible assets	(4,765)	(3,314)
Intangible assets	(22,796)	(22,343)
Investments in joint ventures and associates	(43,392)	-
Collections-	-	-
Total cash flow from investing activities	**(70,953)**	**(25,657)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment-		
Dividends	(78,623)	(14,500)
Collections-	-	-
Total cash flow from financing activities	**(78,623)**	**(14,500)**
EFFECT EXCHANGE RATE CHANGES	**(407)**	**75**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**330,002**	**(26,465)**
Cash and cash equivalents at beginning of year	711,426	737,891
Cash and cash equivalents at end of the period	1,041,428	711,426
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:		
Cash	28	18
Cash equivalents at central banks	538,609	345,281
Other financial assets	502,791	366,127
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,041,428**	**711,426**

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

The accompanying Notes 1 to 28 and Appendices I, II and III are an integral part of the consolidated statement of cash flows for 2019.

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 28). 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 2019

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

a) Description of the Bank

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

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

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

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

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

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

On 21 November 2017, Liberty Partners, S.L.U. (previously named Adubala ITG, S.L.U., a company belonging to the Hellman & Friedman Group) acquired all the shares of the Bank (see Note 15). Consequently, on 21 November 2017, the Bank's newly acquired sole shareholder status was public deeded. However, Pursuant to Article 16.1 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, it is placed on record that the only payment obligation to the sole shareholder, Liberty Partners, S.L.U., at 31 December 2019, is due to the debt resulting from the tax consolidation (see Notes 11 and 13).

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

The Allfunds Group's consolidated financial statements for 2019 were formally prepared by the Bank's directors at the Board of Directors Meeting held on 26 March 2020, 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 2019 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.

These consolidated financial statements are the first consolidated financial statements prepared by the directors under the financial reporting framework included in International Financial Reporting Standards as adopted by the European Union (EU–IFRSs) and, accordingly, the Group restated the consolidated financial statements for the year ended 31 December 2018, presented for comparison purposes only, in accordance with EU-IFRSs (see Note 1-g).

The Group's consolidated financial statements for 2018 were authorised for issue by the Bank's directors at the Board meeting held on 25 March 2019 and, following approval by the Annual General Meeting on 30 April 2019, 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 2019, the Bank's financial statements, which were prepared basically in accordance with Bank of Spain Circular 4/2017 and the successive amendments thereto, included total assets of EUR 1,627,883 thousand on the balance sheet and a net profit of EUR 55,370 thousand (see Note 3).

The accounting principles and policies and measurement bases principally applied in preparing the consolidated financial statements for 2019 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 2019 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 2019

The following International Financial Reporting Standards adopted by the European Union and the Group came into force in 2019:

- IFRS 16, Leases:

  On 1 January 2019, IFRS 16 superseded IAS 17, Leases. IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The key factor in determining whether the contract is a lease is "who controls the asset".
  Control is deemed to exist if the customer has:

  - The right to obtain substantially all of the economic benefits from use of the identified asset.

  - The right to direct the use of the identified asset.

  IFRS 16 introduces a single lessee accounting model, requiring assets and liabilities to be recognised for all leases. The only exceptions are short-term leases and leases for which the underlying asset is of low value. 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 13.3). 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 19).

  As regards lessor accounting, IFRS 16 substantially carries forward the accounting requirements of IAS 17. Accordingly, a lessor will continue to classify its leases as operating leases or finance leases, and will account for those two types of leases differently.
  At the transition date, the Group elected to apply the cumulative catch-up approach, whereby it will recognise lease liabilities at an amount equal to the present value of the future payment commitments at 1 January 2019. With respect to assets, the Group elected to recognise right-of-use assets at an amount equal to the lease liabilities.

  At 1 January 2019 and 2018, the Group had recognised right-of-use assets and lease liabilities totalling EUR 22,371 thousand and EUR 27,829 thousand, respectively.

- IFRIC 23 Uncertainty over income tax treatments:

  The interpretation explains how to apply recognition and measurement requirements of IAS 12 in case of uncertainty on the income tax treatments.

  If, according to the entity, the Tax Authorities may accept an uncertain tax treatment, the Interpretation requires the entity to calculate the tax gain (tax loss), the tax bases, the unused tax losses, the unused tax credits or the tax rates consistently with the tax treatment used or intended to be used in its income tax return.

  If, according to the entity, the Tax Authorities will not accept an uncertain tax treatment, the Interpretation requires the entity to use the most probable amount or the expected value (sum of the possible amounts weighted by their probability) in order to determine the tax gain (tax loss), the tax bases, the unused tax losses, the unused tax credits or the tax rates. The method finally used will be able to provide the best forecasting of the uncertainty resolution.

  The entry into force of this standard on 1 January 2019 has not had a significant impact on the Group's consolidated summarised interim financial statements.

- IFRS 9 amended - Features of early repayment with negative compensation:

  Amendments made to IFRS 9 establish that, under certain circumstances, early repayment of assets by the borrower involving the payment of compensation can be measured at amortised cost or at fair value with changes to other comprehensive income instead of at fair value through profit or loss. For this circumstance to occur, the financial asset must meet the requirements to be considered as having contractual cash flows being only principal and interest payments, with the exception of the option of early settlement.

  Additionally, with respect to the accounting of the contractual modifications for financial liabilities that do not imply their derecognition, it is established that these should be treated as a change in the estimate of cash flows for contractual liabilities, by maintaining the original effective interest rate and adjusting the carrying amount at the date of the change.

  The entry into force of this standard on 1 January 2019 has not had a significant impact on the Group's consolidated financial statements.

- IAS 28 amended - Long-term interests in associate companies and joint ventures:

  This amendment determines that IFRS 9 will be applicable to financial instruments that are long-term interests in associate companies and joint ventures that are part of the net investment held by the entity as ownership interests and that are not accounted for using the equity method.

  The entry into force of this standard on 1 January 2019 has not had a significant impact on the Group's consolidated financial statements.

- IFRS Annual Improvements 2015-2017 Project:

  The IFRS Annual Improvements 2015-2017 Project introduces some changes and explanations in the IFRS 3- Business Combinations, IFRS 11 - Joint Ventures, IAS 12 - Income tax and IAS 23 - Interest expenses.

  The entry into force of this standard on 1 January 2019 has not had a significant impact on the Group's consolidated financial statements.

- IAS 19 amended - Modification, reduction or liquidation of a Plan:

  The amendments to IAS 19 address certain accounting aspects for the scheduled pension plan contributions whenever there is a modification, reduction or liquidation. The amendments require that entities utilise updated assumptions when determining the cost of the services of the current period and the net interest, for the portion of the annual period following the modification, reduction or liquidation of the plan.

  The entry into force of this standard on 1 January 2019 has not had a significant impact on the Group's consolidated financial statements.

Standards and interpretations issued but not yet in force

At the date of preparation of these consolidated financial statements, the following standards, interpretations or amendments had been published by the IASB and been approved by the European Union, but were not yet obligatory: Although in certain cases the IASB allows the amendments to be applied before they come into force, the Group did not introduce them in the consolidated financial statements for 2019.

- IFRS 17 - Insurance contracts:

  IFRS 17 sets the principles to be applied by an entity to recognise insurance contracts. This new standard replaces IFRS 4.

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

  An entity will split the contracts by groups and will recognise and measure the insurance contract groups for the total amount of:

  - the "fulfilment cash flows", which include the estimates of the future cash flows, an adjustment to reflect the temporary value of money and the financial risk related to the future cash flows, as well as a risk adjustment for the non-financial risk and

  - the spread of contractual service, representing the non-accrued profit.

  The amounts recognised in the profit or loss account will be broken down in income from the insurance activity, expenses from the provision of insurance services and income or expenses from the insurance financing. The income from the insurance activity and the expenses from the provision of insurance services will exclude any investment item. The income from the insurance activity will be recognised during the term in which the entity provides the insurance coverage, and will be allocated to the accounting terms in proportion to the value of the insurance coverage provided by the insurer during that term.

  This standard shall be applied to the fiscal years beginning on or after 1 January 2021, though earlier application is permitted. Its implementation has not yet been approved by the European Union, which is foreseen for the year 2021.

- IFRS 3 amended - Business definition:

  The IFRS 3 amendment included clarifications to the IFRS 3 business definition to facilitate the identification of a business combination or an acquisition of assets in the framework.

  For an integrated set of activities and assets that are considered as a business, it must at least involve some inputs and a substantive process that significantly contribute to the entity's ability to provide outputs.

  These amendments shall be applied to the fiscal years beginning on or after 1 January 2020, though earlier application is permitted. Its implementation has not yet been approved by the European Union, which is foreseen for the year 2020.

- Changes to IAS 1 and IAS 8 - Definition of materiality:

  These amendments clarify the definition of "material" to assist with its understanding.

  Following the amendment, in accordance with IAS 1, information is material if it could reasonably be assumed that omitting, misstating or obscuring it could influence the decisions of the primary users of the financial information contained in the financial statements.

  The definition of material in IAS 28 has been replaced with a reference to IAS 1.

  These amendments shall be applied to the fiscal years beginning on or after 1 January 2020, though earlier application is permitted and the prospective application is mandatory. Its implementation has not yet been approved by the European Union, which is foreseen for the year 2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7 - IBOR Reform:

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

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

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

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

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

  The amendments will be applicable for annual reporting periods beginning on or after 1 January 2020 although they may be applied early. These amendments are not expected to have a significant effect on the Group's consolidated financial statements from 2020.

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 2019 estimates were made by the senior executives of the Bank, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and commitments reported herein. These estimates relate basically to the following:

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

2. The impairment losses on certain assets (see Notes 8, 9 and 10).

3. The useful life of the tangible and intangible assets (see Notes 9 and 10).

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

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

6. The measurement of goodwill arising on consolidation (see Notes 1-e and 10).

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

Although these estimates were made on the basis of the best information available at 2019 year-end, events that take place in the future might make it necessary to change these estimates in subsequent years, which would be done, if necessary, in accordance with IAS 8, i.e. prospectively, recognising the effects of the change in estimate in the consolidated income statements for the future years concerned.

e) Business combinations and basis of consolidation

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

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

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 recognised 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 entities 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 to 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 2019 and 2018 were as follows:

<u>Year 2019</u>

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 Nasdaq Broker Services AB from its shareholder Nasdaq Technology AB. NFM is one of the main providers of fund services in Sweden. The company has an investment license for Sweden, is regulated by the Swedish "Finansinspektionen" authority and is authorised to operate in Finland and Norway. On 31 October 2019 the conditions precedent were met, and Allfunds Bank, S.A.U. acquired all the shares of Nasdaq Broker Services AB (subsequently called Allfunds Sweden AB) and obtained control of the entity on that date. On 31 October 2019, Allfunds paid Nasdaq Technology AB EUR 29,666 thousand for the acquisition of Nasdaq Broker Services AB.

Assets acquired and liabilities assumed at the acquisition date

The assets and liabilities of Nasdaq Broker Services AB recognised at the acquisition date were provisionally accounted for as follows:

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

(*) Unaudited

Goodwill arising from the business combination

The following goodwill arose in this business combination:

	Thousands of Euros
Consideration transferred to Nasdaq Technology AB	29,666
Less- Fair value of the net assets acquired	(9,949)
Goodwill arising in the business combination	**19,717**

The factors constituting the goodwill are intangible assets not recognised separately at 31 December 2019.

At 31 December 2019 the Group had not completed the purchase price allocation process relating to Allfunds Sweden AB (formerly Nasdaq Broker Services AB) since it was still within the one-year period from the execution of the transaction, which is the period established under legislation for performing the allocation of intangible assets arising on business combinations.

Impact of the business combination on the Group's profit or loss

The loss attributable to this business combination from the acquisition date to 31 December 2019 amounted to EUR 186 thousand.

Allfunds Hong Kong Limited

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

Credit Suisse distribution business

Description of the transaction

On 25 June 2019, Allfunds Bank, S.A.U. and its subsidiary Allfunds International Schweiz AG, together with their shareholders LHC4 (UK) Limited (sole shareholder of Liberty Partners, S.L.U., which in turn is the sole shareholder of Allfunds Bank, S.A.U.) and LHC1 Limited, entered into an agreement with Credit Suisse AG to acquire: i) 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) the distribution agreements with those management companies of Credit Suisse AG. As a result of the acquisition, Credit Suisse AG will become an indirect shareholder of Allfunds Bank, S.A.U., holding up to 18% of the share capital of LHC4 (UK) Limited. The acquisition is subject to obtainment of the corresponding regulatory authorisations and will be completed in two phases; the first, carried out in September 2019, entitled Credit Suisse AG to a 9% indirect ownership interest in the share capital, and the second, which will take place in the first quarter of 2020, will entitle it to an additional indirect holding of up to 9%.

On 6 September 2019, the regulatory authorisations were obtained, and the conditions precedent fulfilled for the first phase and Allfunds International Schweiz AG took control of the Swiss company Allfunds InvestLab AG (formerly Credit Suisse InvestLab AG) through the acquisition of all of its shares and, as consideration, after the share capital increase of LHC4 (UK) Limited, Credit Suisse AG held 9% in LHC4 (UK) Limited.

Also, on that same date, LHC4 (UK) Limited (sole shareholder of Liberty Partners, S.L.U.) granted a loan of EUR 190 million to Allfunds International Schweiz AG. This loan was contributed, as a non-monetary capital increase, by LHC4 (UK) Limited to Liberty Partners, S.L.U. (sole shareholder of Allfunds Bank, S.A.U.) and simultaneously, as a non-monetary capital increase, by Liberty Partners, S.L.U. to Allfunds Bank, S.A.U. and, lastly, Allfunds Bank, S.A.U. made a contribution to the reserves of Allfunds International Schweiz AG, at which time the original loan was extinguished. The grandparent contribution made by Allfunds Bank, S.A.U. to the reserves of Allfunds International Schweiz AG did not involve a capital increase at Allfunds International Schweiz AG, and Allfunds Bank, S.A.U. did not receive any shares of Allfunds International Schweiz AG; this contribution was accounted for in the separate financial statements of Allfunds Bank, S.A.U. as an addition to the value of the ownership interest held by it in Allfunds Bank International, S.A. (sole shareholder of Allfunds International Schweiz AG).

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

Assets acquired and liabilities assumed at the acquisition date

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

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

(*) Unaudited

Goodwill arising from the business combination

The following goodwill arose in this business combination:

	Thousands of Euros
Consideration transferred to Credit Suisse AG	190,000
Cost of negotiation on an exclusive basis	13,726
Less- Fair value of the net assets acquired	(27,755)
Goodwill arising from the business combination	**175,971**

The factors constituting the goodwill are intangible assets not recognised separately at 31 December 2019 that relate mainly to the exclusivity and cooperation agreement between Allfunds Bank, S.A.U. and Credit Suisse AG (see Note 2.h).

Since the goodwill is in the process of being measured, at 31 December 2019 the Group had not completed the purchase price allocation process for Allfunds InvestLab AG. In addition, the Group's directors will also complete the purchase price allocation process in conjunction with the second phase of the transaction (see Note 1-m).

Impact of the business combination on the Group's profit or loss

The profit attributable to this business combination from the acquisition date to 31 December 2019 amounted to EUR 22,262 thousand.

Year 2018

Fintech Partners, S.L.

Description of the transaction

As at 17 January 2018, Allfunds Bank, S.A.U. acquired control of Fintech Partners, S.L. through the purchase from a third party of 100% of the shares for a total amount of EUR 20 million. Fintech Partners, S.L. is the Parent Company of a Group of Companies (Finametrix, S.L.U. and Nextportfolio, S.L.U.) both dedicated to computer programming activities.

In the abovementioned date, the Parent Company, signed the contract for the sale of the shares in which it was established the following payment schedule:

i. On 17 January 2018, a first payment was made amounting to EUR 12.5 million.

ii. Payment of EUR 7.5 million in the period and form and subject to the conditions established in the sale contract and which consist of:

   - On 17 January 2021, payment of EUR 2.1 million conditioned to the continuity of the former shareholders of the Parent Company as employees of Allfunds Bank, S.A.U. At 31 December 2019 and 2018, the Company has accrued for this concept EUR 687 thousand and EUR 659 thousand, respectively.

   - Payment of EUR 5.4 million subject to the achievement of the objectives of total income between a minimum of EUR 13.3 million and a maximum of EUR 19.2 million in the following 36 months since the acquisition date and in accordance with the model which was defined in the mentioned contract.

Assets acquired and liabilities assumed on the acquisition date

The assets and liabilities of Fintech Partners, S.L. recognised on the acquisition date were provisionally accounted for as follows:

	Thousands of Euros
	Fair Value (*)
Asset:	
Cash, cash balances at Central Bank and other demand deposits	530
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	60
Financial assets at amortised cost	605
Tangible assets	50
Intangible assets	143
Tax assets	134
Other assets	102
Liability:	
Financial liabilities at amortised cost	(319)
Tax liabilities	(329)
Other liabilities	(40)
Net assets acquired	**936**

(*) Not audited

Intangible Assets arising from the business combination

This business combination gave rise to the following intangible assets as a consequence of the higher price paid on the net assets acquired:

	Thousands of Euros
Consideration transferred to Fintech Partners, S.L.	12,500
Less- Fair value of the net assets acquired	(936)
Amount to be assigned to intangible assets arising in the combination	**11,564**
Customer Relations (Note 10)	3,509
Technological platform(Note 10)	2,970
Deferred tax liability (Note 11)	(1,619)
Goodwill (Note 10)	6,704

As of 31 December 2018, the Group had completed the process of allocating the purchase price of Fintech Partners, S.L.U, taking into account the report made by an independent expert. The movement of these assets in 2019 and 2018 due to the amortisation of these assets based on their useful life (except for goodwill, which is not amortised in accordance with applicable regulations) is as follows:

2019

	Useful Life (Years)	Thousands of Euros		
		Balance at 31/12/2018	Amortisation	Balance at 31/12/2019
Customers Relations (Note 11)	20	3,340	(175)	3,165
Technological platform (Note 11)	5	2,403	(593)	1,810
Deferred tax liability (Note 12)	-	(1,435)	192	(1,243)

2018

	Useful Life (Years)	Thousands of Euros		
		Balance at 31/12/2017	Amortisation	Balance at 31/12/2018
Customers Relations (Note 11)	20	3,509	(169)	3,340
Technological platform (Note 11)	5	2,970	(567)	2,403
Deferred tax liability (Note 12)	-	(1,619)	184	(1,435)

Allfunds Bank Brasil Representaçoes LTDA

On 22 February 2018, Allfunds Bank Brasil Representaçoes LTDA increased its share capital by EUR 322 thousand through the issue of 1,281,475 shares with a par value of EUR 0.25, which were subscribed in full by the Bank. Additionally, on 12 September 2018, Allfunds Bank Brasil Representaçoes LTDA realised another share capital increase by an amount of EUR 496 thousand through the issue of 2,375,000 shares with a par value of EUR 0.21, which were subscribed in full by the Bank. Consequently, as at 31 December 2019 and 2018 the share capital of Allfunds Bank Brasil Representaçoes LTDA amounted to EUR 1,043 thousand.

f) Agency agreements

Neither at the end of 2019 or 2018 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 information relating to 2018 contained in these consolidated financial statements is presented with the information relating to the year ended 31 December 2019 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2018.

When preparing these consolidated financial statements, the Group applied, for the first time, the financial reporting framework included in International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), instead of applying Bank of Spain Circular 4/2017, of 27 November, which was the financial reporting framework considered by the Group in preparing the consolidated financial statements for 2018. Consequently, in the 2019 consolidated financial statements, the Group restated the balances for 2018 presented for comparison purposes (see Appendix III).

The main impacts resulting from applying EU-IFRSs to the consolidated financial statements for 2018 relate to the application of IFRS 16 at 1 January 2018 (see Note 1-c) and the non-amortisation of the goodwill arising from the acquisition of Fintech Partners, S.L. (see Note 1-d). The effects of these impacts, with respect to the consolidated financial statements for 2018 as formally prepared by the Board and approved by the sole shareholder, are as follows:

- In the consolidated statement of profit or loss for 2018, an increase of EUR 639 thousand in "Profit from Operations" and, consequently, in "Profit or Loss Before Tax from Continuing Operations" and in "Profit for the Year". As a result, "Profit for the Year" in 2018 would be EUR 86,604 thousand, as compared with the EUR 86,157 thousand approved by the sole shareholder under the previous financial reporting framework.

- In the consolidated balance sheet as at 31 December 2018, this restatement affects the amounts of "Tangible Assets - Property, Plant and Equipment – For Own Use", "Intangible Assets – Goodwill", "Tax Assets", "Financial Liabilities at Amortised Cost – Other Financial Liabilities", "Tax Liabilities – Deferred Tax Liabilities" and "Profit Attributable to Owners of the Parent" and, consequently, "Total Assets", "Total Liabilities", "Shareholders' Equity" and "Total Equity".

h) Environmental impact

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

i) Capital and capital management

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

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

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

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

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

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

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

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

iii. A total capital ratio of 8%.

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

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

- Hold a countercyclical buffer of Common Equity Tier 1 capital that can be up to 2.5% of RWAs. 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 0.2113% at 31 December 2019.

- 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 2019.

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

The main figures relating to the capital ratios applicable to the Group pursuant to Regulation (EU) 575/2013, at 31 December 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	2018
Common Equity Tier 1	208,738	187,899
Additional Tier 1 capital	-	-
Total Tier 1 capital	208,738	187,899
Tier 2 capital	-	-
Total eligible capital	208,738	187,899
Exposure for capital adequacy purposes	**934,400**	**858,856**

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

At 31 December 2019 and 2018, the Group’s eligible capital exceeded the minimum required under the regulations in force.

j) Deposit Guarantee Fund and Single Resolution Fund

i. Deposit Guarantee Fund

The Bank participates in the Deposit Guarantee Fund.

In 2019 and 2018, 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 661 thousand in 2019 (2018: EUR 264 thousand) and is recognised under “Other Operating Expenses” in the accompanying consolidated statement of profit or loss (see Note 23).

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 26 March 2020. According to this report, the Service received two claims that had been resolved at the date of formal preparation of these consolidated financial statements, and whose settlement did not give rise to an outflow from the Group of resources embodying economic benefits.

Also, the report submitted to the Board on 25 March 2019 including the complaints and claims filed in 2018 indicated that the Milan branch received three claims from retail customers with respect to the business activity carried on by the Italian branch as an entity responsible for payment intermediation in the banking business. These claims were resolved without giving rise to an outflow from the Group of resources embodying economic benefits to settle them. Also, there was a considerable increase in the number of requests received from retail customers for clarification with regard to delays in the execution of transfers and to transaction confirmation letters or general meeting call letters that were incorrectly received. Each and every request for clarification was replied to and a careful analysis was performed so that they could become the starting point in the improvement of the service provided to customers.

l) Other issues

BNP

On 21 October 2019, Allfunds Bank, S.A.U., BNP Paribas Securities Services (BP2S) and BNP Paribas AM (PAM) entered into an agreement whereby, subject to the relevant regulatory authorisations:

a) BNP Paribas Securities Services will contribute 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 activities (the CB Business) (which it conducts through its branches in Italy, Poland and Spain), to Allfunds Bank, S.A.U., which, after the transaction closing date, will carry on the business for its own account through its branch in Italy and the new branch it plans to open in Poland (merely as an operational centre). As consideration, BP2S will receive shares of Allfunds Bank, S.A.U. which will be issued by means of a capital increase involving the non-monetary contribution of the CB Business.

b) PAM will contribute*:*
   a. the right for Allfunds Bank, S.A.U. to (a) have access to certain BNPP group entities for the sole purpose of offering fund distribution services and other products and services that do not compete with the products offered by the BNPP group, and (b) introduce itself to collective investment undertakings and fund managers as the fund distributor of the aforementioned entities acting through PAM by virtue of the subdistribution agreement (as defined below) (the PAM Activity); from the Closing date, the Bank will carry on the PAM Activity through the new branch it plans to open in France. As consideration, PAM will receive shares of Allfunds Bank, S.A.U. which will be issued by means of a capital increase involving the non-monetary contribution of the PAM Activity; and
   b. Cash, as consideration for which PAM will receive shares of Allfunds Bank, S.A.U. which will be issued by means of a capital increase involving a monetary contribution.

c) Lastly, BP2S will contribute the distribution, intermediation and custody services, the distributor fee calculation service and certain assets and liabilities (the FDS Business), with a value of EUR 1, to Allfunds Bank, S.A.U. This contribution will be instrumented in a shareholder contribution.

In addition, in order for BP2S and PAM to become shareholders of LHC4 (UK) Limited, the indirect sole shareholder of Allfunds Bank, S.A.U., on the closing date:

a) a resolution will be adopted to increase capital at Liberty Partners, S.L.U., the sole shareholder of Allfunds Bank, S.A.U., 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, a resolution will be adopted to increase capital at LHC4 (UK) Limited through the non-monetary contribution by BP2S and PAM of the respective shares held by them of Liberty Partners, S.L.U. that will be issued to them once the capital increase at Liberty Partners, S.L.U. has been carried out and registered at the Madrid Mercantile Registry.

Therefore, once the capital increase at Liberty Partners, S.L.U. and that at LHC4 (UK) Limited have been performed (they are expected to take place approximately one month after the Closing), BP2S and PAM will hold a joint ownership interest of up to 22.5% in LHC4 (UK) Limited.

m) *Events after the reporting period*

Allfunds Hong Kong Limited

On 4 February 2020, Allfunds Hong Kong Limited increased capital by HKD 10,000 thousand (EUR 1,165 thousand). As a result, at that date the share capital of Allfunds Hong Kong Limited amounted to HKD 17,000 thousand (EUR 1,973 thousand) and was represented by 1,000 fully subscribed and paid shares of HKD 17 thousand (EUR 1,973) par value each.

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.

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

Therefore, at the date of authorisation for issue of these financial statements, it is premature to make a detailed evaluation or quantification of the possible impacts that COVID-19 will have on the Allfunds Bank Group, due to the uncertainty of its consequences in the short, medium and long term.

In this regard, there is currently a drop in the Allfunds Bank Group's foreseeable activity in terms of its assets under administration and the related fees in the first few months of 2020, and it is not possible to evaluate whether this situation will continue, and to what extent, in the future.

However, the directors and management of Allfunds Bank, S.A.U. have conducted a preliminary assessment of the current situation, based on the best available information. As a result of the considerations discussed above, this information may be incomplete. The following aspects of the results of this assessment are worthy of note:

- Liquidity risk: it is foreseeable that the general situation of the markets may lead to an overall increase in liquidity constraints in the economy, as well as a contraction in the credit market. In this connection, the Allfunds Bank Group has sufficient liquidity (see Note 6) and the capacity to obtain financing from its sole shareholder, which, together with the implementation of specific plans for the improvement and efficient management of liquidity, will enable these constraints to be overcome.

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

- Risk of changes in certain financial aggregates: the factors mentioned above, together with other specific factors, may lead to a decrease in the amounts of relevant headings for the Allfunds Bank Group in the next financial statements, such as "Fee and Commission Income" and "Fee and Commission Expenses", or of the off-balance sheet resources under administration, although it is not yet possible to reliably quantify their impact, taking into account the aforementioned difficulties and restrictions.

- Risk of measurement of assets and liabilities: a change in the future estimates of the off-balance sheet resources managed by the Allfunds Bank Group could have an adverse impact on the carrying amount of certain assets (goodwill, other assets, loans and advances - customers) and on the need to recognise certain provisions or other types of liabilities. As soon as sufficient and reliable information becomes available, the appropriate analyses and calculations will be made to allow, if necessary, the re-measurement of those assets and liabilities. In this regard, Note 9 includes a sensitivity analysis (prior to the appearance of COVID-19) of the possible impacts on the impairment tests of changes in some of the basic assumptions of the models used to prepare them.

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

Lastly, it should be noted that Allfunds Bank S.A.U.'s directors and management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise.

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

In the context of the transaction with Credit Suisse AG described in Note 1.e, on 26 March 2020 Allfunds International Schweiz AG took control of a newly established Swiss company called Credit Suisse InvestLab 2 AG (to which Credit Suisse AG transferred the distribution agreements with fund managers and sub-distribution agreements with fund distributors) by acquiring all of the company's shares in exchange for LHC3 Plc, has delivered to Credit Suisse AG 9% (additional holding) of LHC4 (UK) Limited following the increase in its share capital after obtaining the corresponding regulatory authorisations, which mainly correspond to authorisations, verifications or no objections from the regulatory bodies (Swiss Financial Market Supervisory Authority (FINMA)); European Central Bank, Bank of Spain and Swedish Financial Supervisory Authority (SFSA)).

As a consequence of the above, on the same date, as a result of the satisfaction of the purchase price of the shares in Credit Suisse Investlab 2 AG by LHC4 (UK) Limited from Credit Suisse AG by way of delivery of the additional holding, LHC4 (UK) Limited (sole shareholder of Liberty Partners, S.L.U) grants a loan in the amount of EUR 190 million to Allfunds International Schweiz AG, at which the shares in Credit Suisse Investlab 2 AG subject to transfer have been valued.

This loan was provided as a non-cash capital increase from LHC4 (UK) Limited to Liberty Partners, S.L.U. (the sole shareholder of Allfunds Bank, S.A.U.) and simultaneously as a non-cash capital increase from Liberty Partners, S.L.U. to Allfunds Bank, S.A.U. Finally, Allfunds Bank, S.A.U. has made a contribution to reserves to Allfunds International Schweiz AG, which led to the termination of the original loan at that time.

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

The capital increase of Allfunds Bank S.A.U. with a non-monetary contribution and dated 26 March 2020 was carried out through the issue of 175,713 new shares with a value of 30 euros and a share premium of 1,051.30 euros per share. Consequently, the Bank's share capital at that date amounted to EUR 53,300 thousand, represented by 1,776,656 registered shares of EUR 30 par value each and a share premium of EUR 353,741 thousand, fully subscribed and paid, with identical economic and voting rights, with Liberty Partners, S.L.U. as the sole shareholder.

This business combination has resulted in the acquisition by the Allfunds Group of net assets amounting to EUR 100 thousand and, consequently, goodwill of EUR 189,900 thousand.

	Thousands of Euros
Consideration transferred to Credit Suisse AG	190,000
Less- Fair value of the net assets acquired	(100)
Goodwill arising in the business combination	**189,900**

The factors that constitute goodwill are intangible assets that were not individually measured at the date of preparation of these financial statements and the Group will proceed to perform the purchase price allocation process in conjunction with the first phase of the transaction (see Note 1-e).

Dividends

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

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

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

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:

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

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

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

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

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

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

iii. Classification of financial assets for presentation purposes

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

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

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

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

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

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

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

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

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

iv. Classification of financial liabilities for measurement purposes

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

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

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

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

v. Classification of financial liabilities for presentation purposes

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

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

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

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

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

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

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

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

In general, financial instruments are initially recognised 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 amortised 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 amortised cost

"Financial assets at amortised cost" are measured subsequent to acquisition at amortised cost using the effective interest method. Amortised 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 amortisation (taken to the consolidated income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost furthermore includes any reductions for impairment considered likely to occur. In the case of financial assets, amortised 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 recognised. The interest earned on these assets is recognised under "Interest income" in the consolidated income statement. Any impairment losses that might arise are recognised 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 Note 2-e. 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 recognised in the consolidated balance sheet at fair value from their trade date. Changes in the fair value of all these assets are recognised 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 derecognised, 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 derecognised.

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 recognised in the consolidated balance sheet at fair value from their trade date. Changes in the fair value of all these assets are recognised 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 recognised under "Interest Income" in the consolidated statement of profit or loss.

Financial assets held for trading

All derivatives classified as held for trading are recognised in the consolidated balance sheet at fair value from the trade date. If the fair value is positive, they are recognised as an asset and if the fair value is negative, they are recognised 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 recognised 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 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 amortised 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 recognised by the Bank for the financial instruments included under "Financial assets held for trading" and "Financial liabilities held for trading" in the consolidated balance sheet as at 31 December 2019 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 recognised by the Group for the financial instruments included under "Financial assets not designated for trading compulsorily measured at fair value through profit or loss" is obtained, for units in investment funds, from the prices sourced from information service providers, mainly Bloomberg, which construct their prices on the basis of those reported by contributors. With regard to equity instruments not listed on organised markets and for which no other valid references for the estimation of fair value are available, the Group recognises these instruments at cost in the consolidated balance sheet since it is not possible to estimate their fair value reliably. In these cases, the Group estimated the potential impairment of these instruments on the basis of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement.

The Bank's directors consider that the result of applying these valuation techniques on the financial assets and liabilities recognised 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 derecognised 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 derecognised 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 2019 and 2018, the Group did not transfer any financial instrument which was not derecognised.

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 set off the recognised 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 2019 and 2018 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 amortised 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 accrued 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 amortised 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 recognised 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 recognised, the consolidated entities recognise the reversal of the impairment loss recognised 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 recognised 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 recognised in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses are recognised 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.

IFRS 16, which came into force on 1 January 2019, introduced a single lessee accounting model, requiring assets and liabilities to be recognised for all leases. The only exceptions are short-term leases and leases for which the underlying asset is of low value. 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 13.3). 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 19).

Expenses resulting from operating leases are charged to the consolidated statement of profit or loss in the year in which they are incurred.

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 objectively and from which the Group considers it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised 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 recognised 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 Allfunds InvestLab AG, Allfunds Sweden AB and Fintech Partners, SL (see Note 1.e).

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 (a cash generating unit is the smallest identifiable group of assets that, as a result of continuing operation, generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets). The cash-generating units represent the Group's geographical and/or business segments.

Goodwill (which is only recognised 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 amortised 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 to perpetuity, and an interest rate to discount the cash flows that is equal to the cost of capital allocated to each cash-generating unit and is the sum of the risk-free rate plus a premium that reflects the risk inherent in the business being assessed.

If the carrying amount of a CGU is higher than its recoverable amount, the Group recognises an impairment loss, which is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU, and then, if losses remain to be allocated, to reduce the carrying amount of the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the CGU. Where the Group has opted to measure non-controlling interests at fair value, the impairment of the goodwill attributable to those non-controlling interests is recognised. An impairment loss recognised 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 recognised 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. In accordance with current standards, contingent liabilities are not recognised 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 3,120 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).

In addition, 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 harbor exemption under U.S. law by providing the necessary documentation.

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 recognised in this connection at 31 December 2019 and 2018.

At 2019 and 2018 year-end, there were no additional legal proceedings outstanding or claims against the Group.

k) Foreign currency transactions

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

The detail, by currency and item, of the equivalent euro value of the main asset and liability balances in the balance sheet denominated in foreign currency at 31 December 2019 and 2018, 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			
	31-12-2019		31-12-2018	
	Assets	Liabilities	Assets	Liabilities
Balances in US Dollars:				
Cash, and cash balances with Central Banks				
and other demand deposits	185,105	-	84,424	-
Financial assets at amortised cost	8,979	-	24,586	-
Other assets	48,886	-	41,540	-
Financial liabilities at amortised cost	-	193,536	-	109,023
Other liabilities	-	42,000	-	35,007
	242,970	235,536	150,550	144,030
Balances in Sterling Pounds:				
Cash, and cash balances with Central Banks				
and other demand deposits	97,696	-	79,090	-
Financial assets at amortised cost	1,351	-	1,226	-
Tangible assets	5,993	-	1,761	-
Other assets	5,858	-	6,495	-
Financial liabilities at amortised cost	-	103,179	-	81,368
Other liabilities	-	6,533	-	6,669
	110,898	109,712	88,572	88,037
Balances in Swiss Franc:				
Cash, and cash balances with Central Banks				
and other demand deposits	39,040	-	10,194	-
Financial assets at amortised cost	24,951	-	98	-
Tangible assets	2,458	-	160	-
Intangible assets	177,162	-	-	-
Tax assets	6,546	-	39	-
Other assets	7,245	-	424	-
Financial liabilities at amortised cost	-	24,616	-	6,118
Tax liabilities	-	363	-	-
Other liabilities	-	2,883	-	865
	257,402	27,862	10,915	6,983
Balances in Swedish Krona:				
Cash, and cash balances with Central Banks				
and other demand deposits	10,176	-	1,097	-
Financial assets at amortised cost	175	-	36	-
Tax asstes	741	-	-	-
Other assets	234	-	115	-
Financial liabilities at amortised cost	-	975	-	813
Tax liabilities	-	92	-	-
Other liabilities	-	478	-	95
	11,326	1,545	1,248	908
Balances in other currencies:				
Cash, and cash balances with Central Banks				
and other demand deposits	22,749	-	16,454	-
Financial assets at amortised cost	1,396	-	616	-
Tangible assets	1,228	-	1,042	-
Intangible assets	25	-	31	-
Tax assets	765	-	1	-
Other assets	2,730	-	1,589	-
Financial liabilities at amortised cost	-	14,160	-	10,135
Other liabilities	-	2,184	-	1,833
	28,893	16,344	19,733	11,968
Total foreign currency balances	**651,489**	**390,999**	**271,018**	**251,926**

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 recognised, 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 recognised in the consolidated income statement without distinguishing them from other changes in the fair value of these instruments.

l) Recognition of income and expenses

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

i. Interest income, interest expenses and similar items

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

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognised 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 recognised when collected.

- Those arising from transactions or services that are performed over a period of time are recognised over the life of these transactions or services, such as the fees from the marketing of units in collective investment undertakings (CIUs), which are calculated as the result of applying the agreed-upon percentage to the daily volume of such units held for the account of the Group's customers.

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

iii. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

iv. Deferred collections and payments

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

m) Post-employment benefits

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

The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. At 31 December 2019 and 2018 the Group did not have any obligations which should be considered to be defined benefit obligations in accordance with applicable legislation.

The contributions made by the Group each year under its defined contribution obligations are recognised under "Administrative Expenses - Staff Costs" in the consolidated income statement (see Note 22.1). The amounts not yet contributed at each year-end are recognised, at their present value, under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" (see Note 13.3).

n) Termination benefits

Under current legislation, the consolidated entities are required to pay termination benefits to employees terminated without just cause. At 31 December 2019 and 2018, there were no redundancy plans making it necessary to record a provision in this connection.

o) Income tax

The Bank, as the parent 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 recognised 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 recognised 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 recognised, 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 recognised 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 unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

p) Consolidated statement of recognised income and expense

The consolidated statement of comprehensive income 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 recognised in the consolidated statement of profit or loss for the year and the other income and expenses recognised, 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 recognised 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 recognised as accumulated other comprehensive income in consolidated equity that may be reclassified to profit or loss in the future.

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

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

q) *Consolidated statement of total changes in equity*

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

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

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

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

r) *Consolidated statements of cash flows*

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

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

- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. In addition, the cash flows from operating activities section includes EUR 24,386 thousand and EUR 9,670 thousand relating to the cash contributed by Allfunds InvestLab AG and Allfunds Sweden AB, respectively, at the time of the business combination (see Note 1-e).

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

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

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

s) *Grants, donations and legacies received*

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

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

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

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

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

3. Allfunds Bank Group

Allfunds Bank, S.A.U. is the Parent of the Allfunds Bank Group. At 31 December 2019, 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 2019 represented most of the consolidated net profit attributable to the Parent in 2019, excluding adjustments or eliminations on consolidation.

To perform its business activities, the Bank has one office in Spain and three branches abroad (Milan, London and Singapore) and three representative offices abroad (Colombia, Chile and Dubai). In addition to the operations carried out directly, the Bank is the head of a group of subsidiaries (see Appendix I) that are engaged in various activities and that constitute, together with it, the Allfunds Bank Group (the "Group").

The Bank's condensed 2019 and 2018 balance sheets, income statements, statements of recognised income and expense, statements of changes in equity and statements of cash flows are as follows:

ALLFUNDS BANK, S.A.U.

CONDENSED BALANCE SHEETS AS OF 31 DECEMBER 2019 AND 2018
(Thousands of Euros)

ASSETS	31/12/2019	31/12/2018	LIABILITIES AND EQUITY	31/12/2019	31/12/2018
			LIABILITIES:		
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	711,288	547,941	FINANCIAL LIABILITIES HELD FOR TRADING	778	215
FINANCIAL ASSETS HELD FOR TRADING	607	358	FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	393	384	FINANCIAL LIABILITIES AT AMORTISED COST	931,292	774,648
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	HEDGING DERIVATIVES	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSEIVE INCOME	-	-	FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-
FINANCIAL ASSETS AT AMORTIZED COST	321,588	381,352	LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	-	-
HEDGING DERIVATIVES	-	-	PROVISIONS	-	-
FAIR VALUE CHANGES OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-	-	TAX LIABILITIES	-	1,500
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	250,125	29,653	OTHER LIABILITIES	269,768	235,749
TANGIBLE ASSETS	20,442	7,607	LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-	-
			TOTAL LIABILITIES	**1,201,838**	**1,012,112**
INTANGIBLE ASSETS	28,726	13,496	**EQUITY:**		
TAX ASSETS	5,179	7,554	SHAREHOLDERS' EQUITY:		
			Capital	48,028	27,041
OTHER ASSETS	289,535	268,564	Share premium	169,013	-
			Retained earnings	202,007	167,463
NON-CURRENT ASSETS AND DISPOSABLE GROUPS OF ELEMENTS CLASSIFIED AS HELD FOR SALE	-	-	Profit or loss	55,370	79,293
			Interim dividends	(48,373)	(29,000)
			ACCUMULATED OTHER COMPREHENSIVE INCOME	-	-
			TOTAL EQUITY	**426,045**	**244,797**
TOTAL ASSETS	**1,627,883**	**1,256,909**	**TOTAL LIABILITIES AND EQUITY**	**1,627,883**	**1,256,909**
MEMORANDUM ITEMS:					
Loan commitments given	-	-			
Financial commitments given	-	-			
Other commitments given	57,233	53,877			

ALLFUNDS BANK, S.A.U.

CONDENSED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of Euros)

	Income/(Expenses)	
	31/12/2019	31/12/2018
INTEREST INCOME	3,798	2,058
INTEREST EXPENSES	(4,235)	(1,273)
SHARE CAPITAL REPAYABLE ON DEMAND EXPENSES	-	-
NET INTEREST INCOME	**(437)**	**785**
DIVIDEND INCOME	12,000	-
FEE AND COMMISSION INCOME	1,138,250	1,161,628
FEE AND COMMISSION EXPENSES	(952,360)	(969,170)
GAINS/(LOSSES) ON DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	-	-
GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	(170)	143
GAINS/(LOSSES) ON FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	-	(350)
GAINS/(LOSSES) FRON HEDGE ACCOUNTING, NET	-	-
EXCHANGE DIFFERENCES, NET	(278)	125
OTHER OPERATING INCOME	8,901	7,193
OTHER OPERATING EXPENSES	(4,666)	(1,799)
GROSS INCOME	**201,240**	**198,555**
ADMINISTRATION COSTS	(111,374)	(78,448)
DEPRECIATION & AMORTISATION	(11,740)	(4,238)
PROVISIONS OR REVERSAL PROVISIONS	-	-
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF THE VALUE AND PROFIT AND LOSSES BY THE MODIFICATION OF CASHFLOWS OF FINANCIAL ASSETS NOT VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS	(244)	(155)
NET OPERATING INCOME	**77,882**	**115,714**
IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	-	-
IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	(796)	(7)
GAINS/(LOSSES) ON DERECOGNITION OF NON-FINANCIAL ASSETS, NET	-	-
NEGATIVE GOODWILL RECOGNISED IN PROFIT OR LOSS	-	-
PROFIT OR LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	-	-
OPERATING PROFIT BEFORE TAX	**77,086**	**115,707**
TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATIONS	(21,716)	(36,414)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**55,370**	**79,293**
PROFIT FROM DISCONTINUED OPERATIONS (net)	-	-
PROFIT FOR THE PERIOD	**55,370**	**79,293**

ALLFUNDS BANK, S.A.U.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

A) CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
(Thousands of Euros)

	Income/(Expenses)	
	31/12/2019	31/12/2018
PROFIT RECOGNISED IN INCOME STATEMENT	**55,370**	**79,293**
OTHER RECOGNISED INCOME (EXPENSES):		
Items not subject to reclassification to income statement	-	-
Items subject to reclassification to income statement	-	-
TOTAL INCOME AND EXPENSE FOR THE PERIOD	**55,370**	**79,293**

B) STATEMENTS OF CHANGES IN TOTAL EQUITY
(Thousands of Euros)

2019

	Total Equity							
	Shareholders’ Equity						Accumulated other Comprehensive Income	Total Equity
	Paid up Capital	Share Premium	Retained Earnings	Profit for the Period	Interim Dividends	Total Shareholders’ Equity		
ENDING BALANCE AT 31 DECEMBER 2018	**27,041**	-	**167,463**	**79,293**	**(29,000)**	**244,797**	-	**244,797**
Total recognised income and expense	-	-	-	55,370	-	55,370	-	55,370
Other changes in equity	20,987	169,013	34,543	(79,293)	(19,373)	125,878	-	125,877
ENDING BALANCE AT 30 SEPTEMBER 2019	**48,028**	**169,013**	**202,007**	**55,370**	**(48,373)**	**426,045**	**-**	**426,045**

2018

	Total Equity						
	Shareholders' Funds					Accumulated Other Comprehensive Income	Total Equity
	Paid up Capital	Retained Earnings	Profit or Loss	Interim Dividends	Total Shareholders' Funds		
ADJUSTED BEGINNING BALANCE AT 1 JANUARY 2017	**27,041**	**114,287**	**69,798**	**(16,622)**	**194,504**	**-**	**194,504**
Total income/ expense recognized	**-**	**-**	79,293	-	79,293	**-**	79,293
Other changes in equity:	**-**	53,176	(69,798)	(12,378)	(29,000)	**-**	(29,000)
ENDING BALANCE AT 31 DECEMBER 2018	**27,041**	**167,463**	**79,293**	**(29,000)**	**244,797**	**-**	**244,797**

ALLFUNDS BANK, S.A.U.

CONDENSED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Thousands of Euros)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**55,370**	**79,293**
Adjustments made to obtain the cash flows from operating activities	45,983	40,689
Profit adjusted	**101,353**	**119,982**
Net increase/decrease in operating assets	36,705	14,705
Net increase/decrease in operating liabilities	181,192	(168,164)
Collection/Payments for income tax	(23,424)	(40,536)
Total Cash Flows from operating activities	**295,826**	**(74,013)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments	(53,578)	(25,401)
Total Cash Flow from investing activities	**(53,578)**	**(25,401)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend payments	(78,623)	(14,500)
Total Cash Flow from financing activities	**78,623**	**(14,500)**
EFFECT EXCHANGE RATE CHANGES	**(278)**	**125**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**163,347**	**(113,789)**
Cash and cash equivalents at beginning of year	547,941	661,730
Cash and cash equivalents at end of the period	711,288	547,941
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:		
Cash	26	16
Cash equivalents at central banks	296,022	216,821
Other financial assets	415,240	331,104
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR	**711,288**	**547,941**

4. Distribution of the Bank's profit

The distribution of the Bank's net profit for 2019 that the Board of Directors will propose for approval by the sole shareholder is as follows:

	Thousands of Euros
Dividends	51,163
Reserves	4,207
	55,370

Dividends

Year 2019

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

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

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

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

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

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

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

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

Year 2018

i. At the Board Meeting held on 25 July 2018, the Bank's directors has resolved to distribute an interim dividend out of 2018 profit of EUR 14,500 thousand, this amount had been paid in full at 31 December 2018. Additionally, at the Board Meeting held on 17 December 2018, the Bank's directors has resolved to distribute a second interim dividend out of 2018 profit of EUR 14,500 thousand, this amount was not paid in full at 31 December 2018. This interim dividend had been paid in full at the date these consolidated annual accounts are issued.

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 year, excluding the average number of treasury shares held in the year.

Accordingly:

	2019	2018
Cost:		
Net consolidated profit for the year attributable to the Parent (thousands of euros)	68,480	86,604
Weighted average number of shares outstanding (thousands of shares)	1,124	901
Basic earnings per share (euros)	**60.9**	**96.1**

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 2019 and 2018, the Group had not issued any instruments convertible into Bank shares or that confer privileges or rights which may make them contingently convertible into shares, and, therefore, the diluted earnings per share are the same as the basic earnings per share calculated in the section above.

5. 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 2019 and 2018 in their capacity of directors.

	Thousands of Euros	
	2019	2018
Carvajal, Jaime	45	45
Cuccia, Mario (*)	-	45
Kleinman, Blake	-	-
Korp, Johannes	-	-
Rangaswami, Jayaprakasa (**)	45	6
Reid, Christopher	-	-
Saurel, Leonora	-	-
	90	96

(*) Resignation as director on November 8, 2019

(**) Appointment as director on November 2018

During the ended period 2019 and 2018, 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 2019 and 2018, the Bank did not have any post-employment obligations to current or former members of its Board of Directors.

However, in 2019, the Bank paid an insurance company premiums amounting to EUR 69 thousand in relation to third-party liability insurance to cover the Bank's directors and executives (2018: EUR 69 thousand).

b) *Remuneration of senior executives*

For the purposes 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 2019 and 2018:

		Thousands of Euros		
		Salary		
Year	Number of Persons	Fixed	Variable	Total
2019	25	6,338	4,508	10,846
2018	37	6,746	2,293	9,039

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

a) For the identified group whose variable remuneration does not exceed a certain threshold, it will be entirely paid in cash in the year following its accrual.

b) For the identified group whose variable remuneration exceeds the established threshold, the variable remuneration will be paid according to the following schedule:

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

   b. 40% deferred in three years from the date of its approval or the achievement of the aforementioned events being conditioned to the permanence of the beneficiary in the Bank, as well as to non of the circumstances contained in the clauses of the Bank's remuneration policy. The variable compensation will be settle in cash. As of December 31, 2019, in reference to the identified group affected, 40% of the deferred variable compensation has deferred 1/3 of the variable remuneration of 2016 and 2/3 of the variable remuneration of 2017 and y 3/3 of the variable retribution of 2018.

Additionally, at the Bank's General Meetings held on 23 December 2016 and 30 March 2017, the sole shareholder of the Bank resolved to approve extraordinary variable remuneration of EUR 1,005 thousand and EUR 968 thousand, respectively, to certain senior executives if certain events associated with the sale of the Bank take place. These amounts will be recognised from 2017 onwards (see Note 15). 40% of this extraordinary variable remuneration will be paid on a deferred basis over three years from the date of approval or the date on which the aforementioned events take place and will be conditional on the beneficiary remaining in the Bank's employ and that none of the circumstances envisaged in the clauses included in the Bank's remuneration policy are met. The total amount payable in this connection at 31 December 2019 and 2018 was EUR 235 thousand and EUR 478 thousand, respectively.

In 2019 and 2018 the senior managers received no variable remuneration relating to long-term incentive plans other than those listed above. At 31 December 2019 and 2018, there were no incentive plans in force.

c) Pension, insurance and other obligations

At 2019, year-end, the Bank had commitments to defined benefit post-employment obligations with 17 of the current senior executives of the Bank for retirement, permanent disability or death (2018: 25 members). The contributions made in this connection in 2019 amounted to EUR 190 thousand (2018: EUR 240 thousand) (see Note 22.1).

The capital guaranteed by life insurance policies for senior executives amounted to EUR 17,065 thousand at 31 December 2019 (31 December 2018: EUR 20,787 thousand). The Group paid premiums of EUR 27 thousand (2018: EUR 35 thousand) to insurance companies in this connection in 2019. At 31 December 2019 and 2018, there were no life insurance policies covering any of the Bank's current or former directors.

d) Loans

The Group's direct lending to previous or current members of its Board of Directors or senior executives, and the guarantees provided to them, are detailed below. These transactions were made on an arm's-length basis or the related compensation in kind was recognised:

	Thousands of Euros					
	2019			2018		
	Loans and Credits	Guarantees	Total	Loans and Credits	Guarantees	Total
Directors	-	-	-	-	-	-
Senior Executives	-	-	-	6	-	6
	-	**-**	**-**	**6**	**-**	**6**

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

At the end of 2019, the members of the Bank's Board of Directors had not notified the other members of the Board of Directors of any direct or indirect conflict of interest that they or persons related to them as defined in the Spanish Limited Liability Companies Law might have with respect to the Bank.

6. 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 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Cash	28	18
Cash balances at Central Banks (*)	538,609	345,281
Other demand deposits	502,791	366,127
	1,041,428	**711,426**

(*) 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 recognised under this heading at 31 December 2019 and 2018 represents the maximum level of credit risk exposure assumed by the Group in relation to these instruments.

Note 24 provides information on the residual maturities and the average interest rates on the debt instruments classified in this financial asset category.

Note 26 provides information about this financial instruments fair value at December 31, 2019 and 2018.

At 31 December 2019 and 2018, the Group did not hold any assets in this category with accrued, past-due amounts or that were impaired.

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

During the year 2019, the Group has acquired holdings in an investment fund of Mutua amounting to EUR 9 thousand. Additionally, at 31 December 2019, the Group held equity instruments of S.W.I.F.T., SCRL, an unlisted company, amounting to EUR 384 thousand (31 December 2018: EUR 384 thousand).

At 31 December 2019 and 2018, none of the debt securities was assigned to own or third-party commitments.

Note 26 contains information on the fair value of these instruments at 31 December 2019 and 2018.

At 31 December 2019 and 2018, there were no impaired financial assets or unimpaired past-due financial assets classified in this category, and no losses were recognised on these assets in the years then ended.

8. Financial assets at amortised cost

The detail, by type of financial instrument, of "Loans and Receivables" in the accompanying consolidated balance sheets as at 31 December 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Financial assets at amortised cost:		
to Central Banks	6,079	6,508
to credit institutions	270,807	344,616
to customers	36,151	32,762
	313,037	**383,886**

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 2019 and 2018 relates in full 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 2019 and 2018, 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 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Type:		
Time deposits	270,773	344,500
Add: Valuation adjustments	34	116
Of which-		
Accrued interest	*34*	*116*
	270,807	**344,616**
Currency:		
Euro	270,739	322,389
Foreign currencies	68	22,227
	270,807	**344,616**

Note 24 contains a detail of the terms to maturity of these assets at 2019 and 2018 year-end and of the average annual interest rates in 2019 and 2018. Note 26 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 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
By operation type and status:		
Receivable on demand and other (*)	35,289	32,572
Impaired assets (**)	1,806	805
Less: Valuation adjustments	(944)	(615)
Of which-		
Impairment losses	*(944)*	*(615)*
	36,151	**32,762**
Borrower's geographical area:		
Spain	2,250	6,628
European Union (excluding Spain)	12,830	24,466
Rest of the world	21,071	1,668
	36,151	**32,762**

(*) At 31 December 2019 includes EUR 8,580 thousand for financial operations pending settlement (settled at the date of issuance of the current annual accounts) (EUR 20,599 thousand at 31 December 2018) and 19,676 thousand for commissions for the marketing of units in collective investment undertakings receivable at those dates, respectively (EUR 7,233 thousand for commissions for the marketing of units in collective investment undertakings receivable at 31 December 2018) (see Note 20).)

(**) Correspond, entirely, to the commissions of shares from Collective Investment Undertakings pending of collection at that dates (see Note 20).

Note 26 contains a detail of the terms to maturity of these assets at 2019 and 2018 year-end and of the average annual interest rates in 2019 and 2018. Note 27 provides information on the fair value of these financial assets.

At 31 December 2019 and 2018, 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 Amortised Cost"

Following is a detail of the changes in the balance of loans and advances to credit institutions and loans and advances to customers recognised under "Financial Assets at Amortised Cost" in the consolidated balance sheets as at 31 December 2019 and 2018, based on their accounting classification and excluding any impairment losses:

2019

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

2018

	Thousands of Euros		
	Stage 1	Stage 2	Stage 3
Opening balance	-	-	**327**
Additions relating to new transactions	-	3,698	-
Changes in balances and full repayments	-	(1,945)	(401)
Reclassification to Stage 1	-	-	-
Reclassification to Stage 2	-	-	-
Reclassification to Stage 3	-	(879)	-
Reclassification to written-off	-	-	-
Reclassification from Stage 1	-	-	-
Reclassification from Stage 2	-	-	879
Reclassification from Stage 3	-	-	-
Balance at end of year	-	**874**	**805**

Impairment losses

In 2019 the expense incurred by the Group in relation to impairment losses amounted to EUR 319 thousand (2018: EUR 404 thousand).

The changes in “Impairment Losses” in the foregoing detail in 2019 and 2018 were as follows:

2019

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

2018

	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Beginning balance	**9**	**202**	-	**211**
Increase through cause/acquisition	9	398	-	407
Decreases due to derecognition	(4)	-	-	(4)
Changes due to credit risk variation (recoveries)	-	(559)	559	-
Changes due to modifications without derecognition(net)	-	1	-	1
Ending balance	**14**	**42**	**559**	**615**

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 2019 and 2018 amounting to EUR 18,478 thousand and EUR 6,428 thousand, respectively, all of which had maturities of less than 90 days, were held with other financial companies and arose from uncollected fees from the marketing of units in collective investment undertakings and demand deposit overdrafts at those dates.

Impaired assets

The detail of the changes in the balance of the financial assets classified as financial assets at amortised cost and collectively estimated to be impaired due to credit risk at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Beginning balance	805	327
Additions net of recoveries	1,001	478
Ending balance	**1,806**	**805**

At 31 December 2019 and 2018, there was no accrued interest receivable on these assets.

In addition, following is a detail of the financial assets classified as Financial assets at amortised cost which were considered to be impaired due to credit risk at 31 December 2019 and 2018, classified by age of the oldest past-due amount:

	Thousands of Euros				
	With Balances Past Due by				
	Within 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	Total
Balances at 31 December 2019	935	236	166	469	1,806
Balances at 31 December 2018	170	186	145	304	805

Written-off assets

At 31 December 2019 and 2018, the Group did not hold any financial assets classified as Financial assets at amortised 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 2019 and 2018 in "Tangible Assets" in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2019	2018
Cost:		
Beginning balance	44,057	14,627
Additions (*)	4,765	31,143
Disposals	(8,510)	(1,787)
Ending balance	40,312	44,057
Accumulated depreciation:		
Beginning balance	(12,757)	(7,666)
Charge for the year (**)	(6,932)	(6,837)
Disposals	7,625	1,748
Ending balance	(12,064)	(12,755)
Tangible assets, net	**28,248**	**31,302**

(*) Of which EUR 27,829 thousand relate to additions due to right-of-use assets (see Note 1.c) at 1 January 2018.

(**) Of which EUR 5,090 thousand and EUR 5,458 thousand relate to depreciation charge on right-of-use assets (see Note 1.c).

The detail, by type of asset, of the items composing "Tangible Assets" in the accompanying consolidated balance sheets at 31 December 2019 and 2018 is as follows:

	Thousands of Euros		
	Cost	Accumulated Depreciation	Carrying Amount
Rights-of-use	27,829	(5,458)	22,371
Furniture and fixtures	13,859	(5,662)	8,197
Computer hardware	2,369	(1,635)	734
Balances at 31 December 2018	**44,057**	**(12,755)**	**31,302**
Rights-of-use (Note 1.b)	22,911	(5,090)	17,821
Furniture and fixtures	13,939	(4,905)	9,034
Computer hardware	3,462	(2,069)	1,393
Balances at 31 December 2019	**40,312**	**(12,064)**	**28,248**

At 31 December 2019, fully depreciated tangible assets amounted to approximately EUR 2,651 thousand (31 December 2018: approximately EUR 3,175 thousand). In 2019, the Bank derecognised tangible assets with a carrying amount of EUR 886 thousand, and the loss was recognised under "Gains or Losses on Derecognition of Non-Financial Assets and Investments, Net" in the accompanying consolidated income statement.

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 2019 and 2018.

At 31 December 2019 and 2018 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
IT developments	44,182	21,386
Goodwill (Notes 1.d and 2.h):	202,392	6,704
Fintech Partners, S.L.U.	*6,704*	*6,704*
Allfunds InvestLab AG	*175,971*	-
Allfunds Sweden AB	*19,717*	-
Technological Platform and Finametrix's Portfolio (Note 1.d)	6,479	6,479
Less: Accumulated amortisation	(15,618)	(8,433)
Total, net	**237,435**	**26,136**

At 31 December 2019 or 2018, all of the Group's intangible assets had a finite useful life.

The changes (gross amounts) in 2019 and 2018 in "Intangible Assets" in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2019	2018
Beginning balance	34,569	14,229
Additions:	218,484	22,343
Goodwill - Allfunds InvestLab AG	*175,971*	-
Goodwill - Allfunds Sweden AB	*19,717*	-
Capitalisation of internal staff costs	*3,272*	869
Rest	*19,524*	21,474
Other movements	-	153
Disposals	-	(2,156)
Ending balance	**253,053**	**34,569**

The changes in "Accumulated Amortisation" in 2019 and 2018 were as follows:

	Thousands of Euros	
	2019	2018
Beginning balance	(8,433)	(6,688)
Charges	(7,187)	(3,891)
Disposals	-	2,156
Other movements	2	(10)
Ending balance	**(15,618)**	**(8,433)**

At 31 December 2019, fully amortised intangible assets amounted to approximately EUR 3,475 thousand (31 December 2018: approximately EUR 1,883 thousand).

None of the Group's intangible assets were impaired or had become impaired at 31 December 2019 or 2018 or in the years then ended, and no balance was recognised in this connection in those years.

In 2019 the Bank received a grant from the Centre for the Development of Industrial Technology of the Spanish Ministry of Economy, Industry and Competitiveness totalling EUR 197 thousand earmarked for the R&D project on the Blockchain Platform. At 2019 year-end EUR 17 thousand had been capitalised in connection with this project. The grant had not been paid at 31 December 2019.

10.1 Goodwill

The detail of "Goodwill" and of the changes therein in the accompanying consolidated balance sheets, by cash-generating unit (CGU) to which the goodwill was allocated, is as follows:

	Thousands of Euros
Balance at 1 January 2018	-
Additions	6,704
Fintech Partners, S.L.U.	*6,704*
Impairment losses	-
Balance at 31 December 2018	**6,704**
Additions	195,688
Allfunds InvestLab AG	*175,971*
Allfunds Sweden AB	*19,717*
Impairment losses	-
Balance at 31 December 2019	**202,392**

Business combinations

The business combinations that occurred in 2019 and 2018 are detailed in Note 1-e.

Impairment test

As stated in Note 2-h, the CGUs to which goodwill has been allocated are tested regularly 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.

In this connection, in relation to the goodwill arising on the acquisition of Fintech Partners, S.L.U., the Group calculated the value in use using discounted cash flow projections and taking into consideration the report prepared by an independent expert.

The main assumptions used to calculate value in use were as follows:

- The cash flow projections, including income and costs, estimated by Group management based on the most recent available budgets for the next five years.

- The steady sustainable growth rate to extrapolate cash flows from the fifth year beyond the period covered by the budgets and forecasts.

- The rate used to discount future cash flows, which is the cost of capital allocated to each CGU, and is composed of a risk-free rate plus a premium that reflects the inherent risk of each business assessed.

The approach used by Group management to determine the values of the assumptions is based on both its projections and past experience. These values are checked against external sources of information, where available. However, certain changes in the valuation assumptions used could give rise to a different outcome of the impairment test.

As a result of the valuation of the goodwill of Fintech Partners, S.L.U., the Group estimated that there was no impairment of this goodwill at 31 December 2019.

The most significant assumptions used in the impairment test were a discount rate of 9.9% and a growth rate of 1.6%.

At 31 December 2019, the Group used a constant sustainable growth rate of 1.6%, based on the expected growth rate of Spain's GDP and CPI between 2020 and 2030. In accordance with paragraph 33.c of IAS 36, the 1.6% growth rate used by the Group is lower than the real GDP and inflation estimates for Spain prepared by the IMF (data as at October 2019).

The assumptions with the most significant weight, the volatility of which could most affect the determination of the present value of the cash flows from the fifth year onwards, are the discount rate and the growth rate. Following are the amounts by which the recoverable amount of the CGU would increase (or decrease) as a result of a reasonably possible change (in basis points (b.p.)) in each of the key assumptions at 31 December 2019:

	50-b.p. increase (*)	50-b.p. decrease (*)
Discount rate	17,913	20,235
Growth rate	19,940	18,175

(*) On the basis of the historical movements observed, the use of 50 basis points for the calculation of a sensitivity analysis would give rise to a reasonable variation with respect to the average variations observed over the last five years.

In relation to the goodwill arising from the acquisitions of Allfunds InvestLab AG and Allfunds Sweden AB, considering that these acquisitions took place in the second half of 2019 and that no evidence of impairment was observed, the Group did not perform an impairment test.

11. Tax matters

The Group files consolidated tax returns in Spain through two consolidated tax groups, one for credit institutions and similar entities, which are taxed at 30%, and another for those that are not considered credit institutions, which are taxed at 25%.

The credit institution tax group comprises Liberty Partners, S.L.U. (sole shareholder of the Bank) and the Bank (designated as the representative in Spain of the consolidated tax group for credit institutions). In addition, the tax group for the Spanish companies that are not considered credit institutions comprises Fintech Partners S.L. and, as subsidiaries, Finametrix S.L.U. and Nextportfolio, S.L.U.

11.1 Reconciliation of accounting and fiscal results

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

	Thousands of Euros	
	2019	2018
Allfunds Bank, S.A.U. - Spain	6,768	18,883
Allfunds Bank, S.A.U. - Branch in Italy	14,948	17,414
Finametrix Group	463	87
Allfunds Bank International, S.A.	2,235	2,513
Allfunds International Schweiz AG	374	108
Allfunds InvestLab AG	(10,472)	-
Allfunds Sweden AB	(48)	-
Total income tax expense	**14,075**	**39,005**

Although the income tax return for the year ended 31 December 2019 has not yet been filed, the reconciliation of the consolidated accounting profit to the taxable profit estimated for the Bank in Spain, as well as to the income tax expense of the Bank in Spain recognised in the consolidated statements of profit or loss for the years ended 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Consolidated profit before tax	82,555	124,931
Permanent differences:		
Additions (*)	25,933	5,810
Reductions (**)	(80,452)	(15,109)
Tax base	**28,036**	**115,632**
Tax rate applicable in Spain	30%	30%
Total	**8,411**	**34,690**
Less deductions and bonuses (***)	(3)	(15,807)
Income tax expense	**8,408**	**18,883**

(*) Related mainly to non-deductible expenses and to the exemption of income earned abroad through a permanent establishment and consolidation adjustments.

(**) Relating to deductions applied to the results of the branches abroad, as well as the results of the subsidiaries, which are taxed in each of the countries in which they are established, and the elimination of the dividend distributed by subsidiaries.

(***) Relates mainly to the tax credit for donations to not-for-profit entities under Law 49/2002, of 23 December, on the Tax Regime for Not-for-Profit Entities and Tax Incentives for Patronage.

In addition, the Bank has recorded income from corporate income tax in the amount of EUR 1,641 thousand, corresponding, among other aspects, to the adjustment resulting from the difference between what was recorded and what was finally paid for corporate income tax for 2018.

11.2 Tax assets and liabilities

The detail of current and deferred tax asset balances in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Current tax assets:	**12,116**	**7,379**
Deferred tax assets:	**599**	**575**
Non-deductible amortisations	313	376
Not-deductible tax provisions	182	95
Tax credits	33	33
Other subsidiary deductions	71	71
	12,715	**7,954**

As a result of the application of the consolidated tax regime, the Bank is taking advantage of tax credits generated by the sole shareholder (Liberty Partners S.L.) amounting to EUR 4,664 thousand at 31 December 2019 and, since the Bank is the company appointed as the tax group's representative in Spain, this tax credit is included (net of the interim payments made in the period and the expense recognised on the liabilities side) under "Tax Assets - Current Tax Assets" in the accompanying consolidated balance sheet. Also, the Group recognised a payment obligation to Liberty Partners S.L. for this amount, which is recognised under "Liabilities at Amortised Cost - Other Financial Liabilities" in the accompanying consolidated balance sheet (Note 13.3).

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

The balance of "Tax Liabilities - Deferred Tax Liabilities" in the accompanying consolidated balance sheets relates substantially in full to the amortisation of intangible assets arising on the acquisition of the Finametrix Group (see Note 1-e).

11.3 Tax loss carryforwards

At 31 December 2019 and 2018, there were no tax losses, unused deductions or deferred tax assets arising from capitalised temporary differences in addition to those generated by Liberty Partners, S.L. in the tax consolidation group.

Additionally, the Group has the following tax loss carryforwards from previous years that have not been capitalised for accounting purposes, which have no time limit for reversal and, applying the principle of prudence, have not been capitalised by the Group, since there is no certainty as to the timing of their possible recovery since their recovery depends on the obtainment of future tax benefits.

Entity	Country	Year incurred	Amount in tax base (thousands of euros)
Allfunds Bank, S.A.U. Singapore Branch	Singapore	2017 2018	2,915 3,542
Allfunds Bank, S.A.U. UK Branch	UK	Before 2015 2017	1,122 855
Allfunds InvestLab AG	Suiza	2018	28,186
Allfunds Hong Kong Limited	Hong Kong	2018	14
Allfunds Bank Brasil Representaçoes, Ltda.	Brasil	2015 2016 2017 2018 2019	21 32 39 334 431
			37.491

For the purposes of the information provided for in the Corporate Income Tax Law, it is indicated that no transactions have been carried out under the special regime for mergers, spin-offs, contributions of assets and exchanges of securities in which the Bank has acted as the acquirer or as a partner.

11.4 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 6 May 2019, the Bank was notified by the Spanish State Tax Agency of the commencement of a tax audit relating to income tax for 2017. This tax audit was partial in scope and was confined to checking the deductibility, for 2017 income tax purposes, of the expenses relating to the corporate purchase and sale transaction of 21 November 2017. As a result of the tax audit, on 29 November 2019, an assessment was signed on an uncontested basis resulting in tax payable of EUR 0.

As regards other taxes, at 31 December 2019, the Bank and the consolidated companies had open for review by the tax authorities the taxes applicable to them as a result of their activity for which, at that date, the regulatory statute-of-limitations period for their review, which in the case of Spanish legislation is four years from the end of the voluntary filing period, had not expired.

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

12. Other assets and other liabilities

The detail of "Other Assets" and "Other Liabilities" in the accompanying consolidated balance sheets as at 31 December 2019 and 2018 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2019	2018	2019	2018
Sundry accounts	3,034	908	6,307	340
Accrued expenses (*)	-	-	28,446	14,198
Accrued fees and commissions on the marketing of units in collective investment undertakings (Notes 22 and 23)	333,690	303,326	276,713	257,768
Other revenues outstanding until expiration	3,682	3,434	-	-
Prepaid expenses	447	866	-	-
	340,853	**308,534**	**311,466**	**272,306**

(*) At 31 December 2019 and 2018, this item included EUR 11,785 thousand and EUR 10,523 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.

13. Financial liabilities at amortised cost

The detail, by type of financial instrument, of "Financial Liabilities at Amortised Cost" in the accompanying consolidated balance sheets as at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Financial liabilities at amortised cost:		
Deposits from credit institutions	428,647	278,137
Deposits from customers	531,093	452,098
Other financial liabilities	231,317	190,058
	1,191,057	**920,293**

13.1 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Type:		
Demand accounts	428,647	278,137
	428,647	**278,137**
Currency:		
Euros	294,627	202,064
Foreign currencies	134,020	76,073
	428,647	**278,137**

Note 24 contains a detail of the terms to maturity of these liabilities at 2019 and 2018 year-end and of the average annual interest rates in 2019 and 2018, and Note 26 provides information on the fair value of these financial liabilities.

13.2 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Type:		
Demand accounts	531,093	452,098
	531,093	**452,098**
Currency:		
Euros	389,512	335,864
Foreign currencies	141,581	116,234
	531,093	**452,098**

The balance of "Deposits from customers" included current accounts held by the non-resident sector, for an amount of EUR 513,845 thousand and EUR 439,856 thousand as at 31 December 2019 and 2018, respectively.

Note 24 contains a detail of the terms to maturity of these liabilities at 2019 and 2018 year-end and of the average annual interest rates in 2019 and 2018, and Note 26 provides information on the fair value of these financial liabilities.

13.3 Other financial liabilities

The detail of "Other Financial Liabilities" in the accompanying consolidated balance sheets as at 31 December 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Lease liabilities	18,165	22,371
Tax collection accounts	33,104	20,169
Special accounts	124,714	87,824
Payment obligations (*)	27,824	35,052
Other	27,510	24,642
	231,317	**190,058**

(*) Includes EUR 21,231 thousand and EUR 9,831 thousand relating to accrued fees and commissions payable at 31 December 2019 and 2018, respectively (see Note 21). It also includes EUR 36 thousand relating to the amounts not yet contributed at 31 December 2019 to the Group employees' defined contribution plans (2018: EUR 34 thousand) -see Note 2-m-.

"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.

Also, "Payment obligations" includes the dividend payable (see Note 4) and the account payable to Liberty Partners, S.L.U. (sole shareholder) as a result of tax consolidation (see Note 11).

Note 24 contains a detail of the terms to maturity of these liabilities at 2019 and 2018 year-end, and Note 26 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	
	2019	2018
Average period of payment to suppliers	29	24
Ratio of transactions settled	30	24
Ratio of transactions not yet settled	16	22

	Thousands of Euros	
	2019	2018
Total payments made	53,564	22,386
Total payments outstanding	3,130	1,414

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

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

14. Paid up capital

At 31 December 2018, the Bank's share capital was represented by 901,354 fully subscribed and paid registered shares of EUR 30 par value each, 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 6 September 2019, in the context of the acquisition by the Allfunds Bank Group of Allfunds InvestLab AG, the Bank's sole shareholder carried out a capital increase involving a non-monetary contribution (contribution of an intercompany loan granted to Allfunds International Schweiz AG) amounting to EUR 190,000 thousand. This capital increase was carried out through the issuance of 699,589 shares, of EUR 30 par value each and with a share premium of EUR 241.59 per share, which were subscribed in full by Liberty Partners, S.L.U. (sole shareholder of the Bank).

Consequently, at 31 December 2019, the Bank's share capital amounted to EUR 48,028 thousand and was represented by 1,600,943 fully subscribed and paid registered shares, of EUR 30 par value each and with 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.

15. Retained earnings

The balance of "Retained earnings" in the accompanying consolidated balance sheets includes the net amount of the accumulated profit or loss recognised 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Retained earnings:		
Legal	5,408	5,408
Capitalisation reserve	4,636	4,636
Voluntary reserves	177,496	147,955
Reserves at subsidiaries-	42,428	30,115
Allfunds Bank International, S.A.	*52,956*	*38,723*
Allfunds International, Schweiz AG	*(11,090)*	*(8,498)*
Allfunds Bank Brasil Representaçoes Ltda.	*(452)*	*(110)*
Fintech Partners, S.L.U.	*180*	-
Finametrix, S.L.U.	*759*	-
Nextportfolio, S.L.U.	*75*	-
	229,968	**188,114**

Legal reserve

Under Legislative Royal Decree 1/2010, of 2 June, approving the Consolidated Spanish Limited Liability Companies Law, Spanish entities must transfer 10% of net profit for each year to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2019, following the capital increase carried out on 6 September 2019 (see Note 14), the legal reserve fell short of the legally required minimum.

Capitalisation reserve

Article 25 of Spanish Income Tax Law 27/2014, of 27 November, created the concept of the capitalisation reserve, which consists of a restricted reserve that allows taxable profit to be reduced by 10% of the amount of the increase in shareholders' equity up to the limit of 10% of taxable profit prior to the offset of any tax losses, provided the increase is maintained over a five-year period from the end of the tax period in which the adjustment was carried out, unless the company has accounting losses. As a result of the above, in 2016, the Bank recognised a capitalisation reserve of EUR 4,636 thousand.

16. Memorandum items

"Memorandum Items" relates to balances at 31 December 2019 and 2018 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Available to third parties:		
Credit institutions	42,434	41,143
Other resident sectors	1,250	1,149
Other non-resident sectors	13,539	11,585
	57,223	**53,877**

In addition, at 31 December 2019, the Group held off-balance-sheet funds under management relating to units in collective investment undertakings (CIUs) amounting to EUR 425,703 million (31 December 2018: EUR 348,685 million).

17. 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 2019 and 2018, maturing in less than twelve months, is as follows:

	Thousands of Euros	
	2019	2018
Unmatured foreign currency purchases and sales (*):		
Purchases	95,170	56,683
Sales	120,032	67,527

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

The above transactions mature at less than 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.

18. Interest Income

"Interest Income" at 2019 and 2018 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Loans and advances to credit institutions	3,512	1,837
Loans and advances to customers income	529	281
	4,041	**2,118**

19. Interest expenses

"Interest expenses" in 2019 and 2018 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Deposits from credit institutions	2,204	812
Cash balances at Central Banks	2,301	554
Lease liabilities	354	-
Deposits from customers	167	154
Other interests	34	7
	5,060	**1,527**

20. 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 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Fee and commission income arising from:		
Marketing of products-		
Investment funds	1,270,836	1,277,608
Other	30,683	28,045
	1,301,519	1,305,653
Investment services-		
Administration and custody	2,223	2,111
	2,223	2,111
Other-		
Foreign exchange	15,211	19,123
Other fees and commissions	10,124	6,648
	25,335	25,771
	1,329,077	**1,333,535**

Fee and commission income arising in 2019 and 2018 from the distribution of units in collective investment undertakings amounted to EUR 1,270,836 thousand and EUR 1,277,608 thousand, respectively, of which EUR 354,228 thousand and EUR 311,049 thousand had not been received at 31 December 2019 and 2018, and were recognised under "Financial assets at amortised cost" and "Other assets", respectively in the accompanying consolidated balance sheets (see Notes 8.3 and 12).

21. 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 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Fees and commissions assigned to:		
Third parties	1,635	1,197
Distributors	1,101,614	1,114,918
	1,103,249	**1,116,115**

The fee and commission expenses incurred in 2019 and 2018 in respect of fees and commissions paid to distributors amounted to EUR 1,101,614 thousand and EUR 1,114,918 thousand, respectively, of which EUR 297,944 thousand and EUR 267,599 thousand were payable at 31 December 2019 and 2018, respectively, and were recognised under "Financial Liabilities at Amortised Cost – Other Financial Liabilities" and "Other Liabilities" in the accompanying consolidated balance sheets (see Notes 12 and 13.3).

22. Administration costs

22.1 Personnel expenses

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

The detail of "Personnel expenses" in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Wages and salaries	44,436	38,678
Social security costs	6,793	5,699
Termination benefits	1,117	548
Contributions to defined contribution pension funds (Note 2-m) (*)	993	742
Training expenses	318	350
Other staff costs	1,311	1,062
	54,968	**47,079**

(*) Includes the 2019 and 2018 contributions to the defined contribution pension plans, of which EUR 190 thousand and EUR 240 thousand related to the contributions made for the Bank's senior management in 2019 and 2018, respectively (see Note 5-c).

The average number of employees at the Group, by professional category, in 2019 and 2018 was as follows:

	Average Number of Employees	
	2019	2018
Senior executives	34	34
Other line personnel	463	399
General services personnel	15	13
	512	**446**

At 31 December 2019 and 2018, the number of employees at the Group, by professional category and gender, was as follows:

	2019		2018	
	Women	Men	Women	Men
Senior executives	4	21	7	30
Other line personnel	193	283	180	269
General services personnel	12	3	13	2
	209	**307**	**200**	**301**

At 31 December 2019 and 2018, the Bank's Board of Directors consisted of one woman and five men.

Also, it is hereby stated that in 2019 and 2018 the Bank had 7 employees with a disability equal to or greater than 33% (6 employee at 31 December 2018).

At 31 December 2019 and 2018, 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 the Sweden, Milan and London branches, Madrid office, and to their beneficiary right holders, for retirement, permanent disability or death. At 31 December 2019 and 2018, the Group did not have any defined-benefit pension or similar long-term obligations to its employees.

22.2 Other general administrative expenses

The detail of "Other General Administrative Expenses" in the accompanying consolidated income statements for 2019 and 2018, is as follows:

	Thousands of Euros	
	2019	2018
Property, fixtures and supplies (*)	2,753	2,144
Information technology	11,005	9,594
Communications	4,868	4,794
Advertising and publicity	911	1,089
Legal expenses and lawyers' fees	4,407	1,981
Technical reports	34,945	5,845
Surveillance and cash courier services	113	111
Insurance and self-insurance premiums	680	576
Governing and Control Bodies	89	84
Entertainment and staff travel expenses	2,582	2,715
Association membership fees	428	354
Subcontracted administrative services	8,669	6,326
Levies and taxes	1,802	1,233
Contributions to foundations	178	73
Other expenses	295	375
	73,725	**37,294**

The increase in "Technical Reports" in 2019 was due mainly to 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 2019 "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	692
Other assurance services	91
Total audit and other assurance services	783
Total audit services and related	11
Other services	30
Total professional services	**824**

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.

23. Other operating income and other operating expenses

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

	Thousands of euros	
	2019	2018
Capitalisation of internal staff costs	3,272	869
Revenues Finametrix	2,342	2,840
Other	1,412	1,390
	7,026	**5,099**

The detail of "Other Operating Expenses" in the accompanying consolidated statements of profit or loss for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Contribution to the Single Resolution Fund	661	264
Losses	3,953	1,045
Other	103	582
	4,717	**1,891**

24. 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 2019 and 2018, and of the average interest rates in both years is as follows:

2019

	31/12/2018							
	Thousands of Euros							Average Annual Interest Rate (%)
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total	
Assets:								
Cash, cash balances at Central Banks (Note 6)	538,637	-	-	-	-	-	538,637	-0.40%
Other demand deposits (Note 6)	502,791	-	-	-	-	-	502,791	0.34%
Financial assets at amortised cost (Note 8)-								
Loans and advances to Central Banks	-	6,079	-	-	-	-	6,079	-0.40%
Loans and advances to credit institutions	-	10,780	-	260,027	-	-	270,807	0.65%
Loans and advances to customers	34,940	119	54	111	713	214	36,151	2.14%
	1,076,368	**16,978**	**54**	**260,138**	**713**	**214**	**1,354,465**	
Liabilities:								
Financial liabilities at amortised cost (Note 13)-								
Deposits from credit institutions	428,603	44	-	-	-	-	428,647	0.66%
Customer deposits	531,093	-	-	-	-	-	531,093	0.10%
Other financial liabilities	180,048	33,104	7	15	12,614	5,529	231,317	0.16%
	1,139,744	**33,148**	**7**	**15**	**12,614**	**5,529**	**1,191,057**	

2018

	31/12/2018							
	Thousands of Euros							Average Annual Interest Rate (%)
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total	
Assets:								
Cash, cash balances at Central Banks (Note 6)	345,299	-	-	-	-	-	345,299	-0.40%
Other demand deposits (Note 6)	366,127	-	-	-	-	-	366,127	0.30%
Financial assets at amortised cost (Note 8)-								
Loans and advances to Central Banks	-	6,508	-	-	-	-	6,508	-0.16%
Loans and advances to credit institutions	-	24,330	-	190,272	130,014	-	344,616	0.27%
Loans and advances to customers	31,682	31	22	203	783	41	32,762	1.24%
	743,108	**30,869**	**22**	**190,475**	**130,797**	**41**	**1,095,312**	
Liabilities:								
Financial liabilities at amortised cost (Note 13)-								
Deposits from credit institutions	278,133	4	-	-	-	-	278,137	0.31%
Customer deposits	452,098	-	-	-	-	-	452,098	0.03%
Other financial liabilities	147,518	20,169	-	6	10,536	11,829	190,058	0.16%
	877,749	**20,173**	-	**6**	**10,536**	**11,829**	**897,922**	

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 to not envisage any liquidity problems or stress for the Group.

25. Related party transactions

a) Transactions with related party companies

The detail of the Group's most significant balances at 31 December 2019 and 2018 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	
	H&F Group and Associates	
	2019	2018
Assets:		
Loans and advances to credit institutions	-	-
Loans and advances to customers	-	-
Trading derivatives	-	-
Other assets	-	-
Liabilities:		
Deposits from credit institutions	-	-
Other financial liabilities	4,664	22,524
Trading derivatives	-	-
Other liabilities	-	-
Equity:		
Interim Dividend	(48,373)	(29,000)
Profit and loss:		
Debit-		
Fee expense	-	-
Commission expenses	-	-
Other administrative expenses	-	-
Haber-		
Fee income	-	-
Commission income	-	-
Other administrative income	-	-

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

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

26. 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 2019 and 2018:

	Thousands of Euros			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash, cash balances at Central Banks and other demand deposits	1,041,428	1,041,428	711,426	711,426
Financial assets held for trading – Derivatives	609	609	353	353
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	393	393	384	384
Financial assets at amortised cost	313,037	313,797	383,886	385,187
	1,355,467	**1,356,227**	**1,096,049**	**1,097,350**
Financial liabilities:				
Financial liabilities held for trading – Derivatives	748	748	213	213
Financial liabilities at amortised cost	1,191,057	1,191,057	920,293	920,293
	1,191,805	**1,191,805**	**920,506**	**920,506**

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 measuredat fair value through profit or loss: the amount recognised 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 recognised 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 amortised cost: the fair value of Financial assets at amortised 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 amortised cost: these relate to financial liabilities at amortised 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 recognised 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 2019 and 2018 based on the method of measurement at fair value is as follows:

	Thousands of Euros					
	31-12-2019			31-12-2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets:						
Cash, cash balances at central banks and other demand deposits	1,041,428	-	-	711,426	-	-
Financial assets held for trading – Derivatives	-	609	-	-	353	-
Financial assets not designated for trading compulsorily measured at fair value through profit or loss (*)	-	-	-	-	-	-
Financial assets at amortised cost	-	-	313,797	-	-	385,187
	1,041,428	**609**	**313,797**	**711,426**	**353**	**385,187**
Financial liabilities:						
Financial liabilities held for trading - Derivatives	-	748	-	-	213	-
Financial liabilities at amortised cost	-	-	1,191,057	-	-	897,922
	-	748	1,191,057	-	**213**	**897,922**

(*) Does not include equity instruments valued at cost

There are equity instruments in the Group that, as they correspond to shares in unlisted entities that are not listed on organized markets and do not have other valid references for this estimate, have been recorded at cost in the balance sheet because it has not been possible to estimate reliably its fair value As of December 31, 2019 and 2018, the balance of these equity instruments amounted to 393 and 384 thousand euros, respectively. In these cases, the Group has estimated the potential deterioration of the same from the net equity of the Company corrected for the tacit capital gains existing at the valuation date.

27. 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 Risk Control Unit has implemented a system of account overdraft limits by counterparty based on an internal rating assignment methodology which results in a probability of default for each counterparty. This assigned probability is reviewed and measured at least once a year, so that the limits can be adjusted to each customer's risk profile.

Counterparty limits are controlled through an integrated system operating in real time, enabling the Group to be aware at all times of the unused credit line for each counterparty.

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 2019 and 2018, 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 0.09% and 0.06%, respectively, of its assets at those dates, the coverage ratio of those balances being 52% and 76%, respectively.

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

In 2019 and 2018, the Group did not conduct any material renegotiation or restructuring of its debit balances, as 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 developed a procedure for limits and calculating settlement risk exposure by counterparty, establishing alerts and consumption indicators as limits in accordance with the internal methodology described above. The control is performed by the Risk Control Unit. Automatic delivery-versus-payment (collateralised order) procedures are also established for counterparties identified as sensitive by the Bank's Risk Committee.

c) *Interest rate risk exposure*

The Group is not exposed to a significant interest rate risk since its main consolidated balance sheet aggregates are on demand or with a short maturity.

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 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 Adequacy Assessment Process (ICAAP), in order to measure the adequacy of the Bank's capital and liquidity to carry on its business activity in normal markets conditions and in stress situations.

To supplement the monitoring performed by the Risk Control Unit, the Settlement Department of the Transactions Area performs ongoing follow-up of order settlement processes in each of the currencies in which the Group 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 contained in procedures manuals and include the measures required to perform a comprehensive operational control.

The Group considers insurance as a key factor in operational risk management. In 2018 the professional indemnity insurance and employee fidelity insurance policies amounts were increased. In 2019 the Group took out a cybersecurity insurance policy.

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 hedges.

g) *Risk concentration*

Following is the detail, at 31 December 2019 and 2018, 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 Amortised Cost" line items.

31 December, 2019

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

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

31 December 2018

	Thousands of Euros				
	Spain	Other EU Countries	America	Rest of the World	Total
Central Banks and Credit Institutions	409,912	597,156	41,033	14,618	1,062,719
Public sector – Central government	-	-	-	-	-
Other financial institutions	5,816	24,984	1,132	338	32,270
Non-financial companies and individual entrepreneurs-	395	2	-	199	596
Other purposes – SMEs and individual entrepreneurs	*395*	*2*	-	*199*	*596*
Other households and NPISH- (*)	420	26	-	-	446
Consumer loans	*420*	-	-	-	*420*
Other purposes	-	*26*	-	-	*26*
	416,543	**622,168**	**42,165**	**15,155**	**1,096,031**

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

31 December 2019

	Miles de Euros			
	Cantabria	Comunidad Valenciana	Madrid	Total España
Bancos Centrales y Entidades de crédito	81,341	130,000	202,291	413,632
Administraciones Públicas – Resto	-	-	197	197
Otras instituciones financieras	-	-	1,312	1,312
Sociedades no financieras y empresarios individuales:	-	-	308	308
Resto de finalidades- Pymes y empresarios individuales	-	-	*308*	*308*
Resto de hogares e ISFLSH (*)-	-	-	446	446
Consumo	-	-	*446*	*446*
Otros fines	-	-	-	-
	81,341	**130,000**	**204,554**	**415,895**

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

31 December 2018

	Thousands of Euros			
	Cantabria	Valencian Community	Madrid	Total Spain
Central Banks and Credit Institutions	100,439	131,527	177,946	409,912
Other financial institutions	-	-	5,816	5,816
Non-financial companies and individual entrepreneurs-	-	-	395	395
Other purposes – SMEs and individual entrepreneurs	-	-	*395*	*395*
Other households and NPISH:(*)	-	-	420	420
Consumer loans	-	-	*420*	*420*
Other purposes	-	-	-	-
	100,439	**131,527**	**184,577**	**416,543**

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

28. 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 2019 and 2018

31 December 2019

Entity	Location/ Registered Office	Line of Business	Audit/ Review	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	Audited	Direct	100%	15,000	15,317	6,843
Allfunds International, Schweiz AG (**)	Switzerland	Distribution of collective investment undertakings	Audited	Indirect	100%	2,060	192,627	24,854
Allfunds InvestLab AG (***)	Switzerland	Fund platform services to mutual fund manager companies	Audited	Indirect	100%	915	16,511	32,480
Allfunds Sweden AB (****)	Sweden	Institutional brokerage services for the purchase and sale of units in collective investment undertakings	Audited	Direct	100%	744	4,949	4,069
Allfunds Nominee, Limited	United Kingdom	Asset holding	Not audited	Direct	100%	1	-	-
Allfunds Bank Brasil Representaçoes Ltda.	Brazil	Representation services	Not audited	Direct	100%	1,043	(452)	35
Fintech Partners, S.L.U. (*****)	Spain	Activities of holding companies	Not audited	Direct	100%	227	196	197
Finametrix, S.L.U.	Spain	Computer programming activities	Not audited	Indirect	100%	3	930	781
Nextportfolio, S.L.U.	Spain	Computer programming activities	Not audited	Indirect	100%	10	356	(23)
Allfunds Hong Kong Limited	Hong Kong	Without activity	Audited	Direct	100%	807	-	(348)

(*) Through this Company, a 100% ownership interest is held in the share capital of Allfunds International, Schweiz AG, as well as a 0.01% ownership interest held in the share capital of Allfunds Bank Brasil Representaçoes LTDA.

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

(***) Company acquired on 6 September 2019. The profit attributable to this business combination from the acquisition date to 31 December 2019 amounted to EUR 22,262 thousand.

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

(*****) All of the shares of Finametrix, S.L.U. and Nextportfolio, S.L.U. are held through this company.

31 December 2018

Entity	Location/ Registered Office	Line of Business	Audit/ Review	Ownership Interest	Thousands of Euros		
					Company Data		
					Share Capital	Reserves	Profit (Loss) 2018
Allfunds Bank International, S.A. (*)	Luxembourg	Institutional brokerage services for the purchase and sale of units in collective investment undertakings	Audited	100%	15,000	19,998	7,319
Allfunds Nominee, Limited	United Kingdom	Asset holding	Not audited	100%	1	-	-
Allfunds Bank Brasil Representaçoes Ltda.	Brazil	Representation services	Not audited	100%	1,043	(110)	(342)
Allfunds International, Schweiz AG	Switzerland	Distribution of collective investment undertakings	Limited Review	100%	2,060	2,298	329
Fintech Partners, S.L.	Spain	Activities of holding companies	Not audited	100%	227	25	1,071
Finametrix, S.L.U.	Spain	Computer programming activities	Not audited	100%	3	525	405
Nextportfolio, S.L.U.	Spain	Computer programming activities	Not audited	100%	10	302	54
Allfunds Hong Kong Limited (**)	Hong Kong	Without activity	Not audited	100%	-	-	-

(*) Through this Company, a 100% ownership interest is held in the share capital of Allfunds International, Schweiz AG, as well as a 0.01% ownership interest held in the share capital of Allfunds Bank Brasil Representaçoes LTDA.

(**) All of the shares of Finametrix, S.L.U. and Nextportfolio, S.L.U. are held through this company.

(***) Society incorporated in April 2018. At the date of authorisation for issue of these consolidated financial statements, the disbursement of the capital amounting to HKD 1 thousand (EUR 113) was pending.

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 2019 and prior years, which give details of the companies that operate in each jurisdiction, including their name, geographical location and the nature of their activity, amongst other things. The financial statements for the previous years are available to the public on the Bank's website at the following address:

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

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

- The information corresponding to turnover and the number of employees on an equivalent full-time basis is shown below, together with some explanatory notes on the basis of presentation of that information:

Jurisdiction	Millions of Euros Turnover	No. of Employees on a Full-Time Equivalent Basis
Chile	-	3
Dubai (EAU)	-	3
Colombia	-	4
Singapore	1	16
Brasil	-	1
Spain	137	323
Italy	69	60
Luxembourg	26	31
United Kingdom	13	44
Switzerland	62	23
Sweden	12	6
Hong Kong	-	2
Total	**320**	**516**
Consolidation adjustments	(93)	
Allfunds Bank Group	**227**	

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 2019 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 2019 year-end.

The consolidated income statement for the year ended 31 December 2019 includes profit before tax for the Allfunds Bank Group of EUR 83 million and income tax of EUR 14 million:

Jurisdiction	Millones de Euros	
	Profit Before Tax	Income Tax
Spain	41	7
Italia	45	14
Luxembourg	9	2
United Kingdom	(2)	-
Singapore	(5)	-
Switzerland	8	(10)
Sweden	5	1
Total	**101**	**14**
Consolidation adjustments	(18)	
Consolidated Allfunds Bank Group	**83**	

At 31 December 2019, the Group’s return on assets (ROA) was estimated at 3.47%.

In 2019 the Allfunds Group received a grant from the Centre for the Development of Industrial Technology of the Spanish Ministry of Economy, Industry and Competitiveness totalling EUR 197 thousand earmarked for the R&D project on the Blockchain Platform which had not yet been collected at 31 December 2019.

Appendix III

Reconciliation of the consolidated financial statements for 2018

The reconciliation of the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of total changes in equity and consolidated statement of cash flows for 2018 is presented below for comparison purposes (see note 1.g):

CONSOLIDATED BALANCE SHEET AS AT 1 JANUARY 2018

(Thousand of Euros)

ASSETS	01/01/2018 Circular 4/2017	Adjustments of reconciliation	01/01/2018 IFRS
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	737,891		737,891
FINANCIAL ASSETS HELD FOR TRADING:	479		479
Derivatives	479		479
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THOURGH PROFIT OR LOSS	193		193
Equity Instruments	193		193
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-		-
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS AT FAIR VALUE THROUGH ACCUMULATED OTHER COMPREHENSIVE INCOME:	-		-
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS AT AMORTISED COST:	404,676		404,676
Loans and advances-	404,676		404,676
To Central Banks	6,066		6,066
To Credit institutions	395,760		395,760
To Customers	2,850		2,850
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
HEDGING DERIVATIVES	-		-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST RATE RISK	-		-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	-		-
Joint ventures			-
Associates	-		-
ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS	-		-
TANGIBLE ASSETS:	6,961	27,829	34,790
Property, plant and equipment – For own use	6,961	27,829	34,790
Memorandum items: other assets leased out under finance lease	-		-
INTANGIBLE ASSETS:	7,541		7,541
Goodwill	-		-
Other intangible assets	7,541		7,541
TAX ASSETS:	486		486
Current	17		17
Deferred	469		469
OTHER ASSETS:	306,389		306,389
Rest	306,389		306,389
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	-		-
TOTAL ASSETS	**1,464,616**	**27,829**	**1,492,445**
MEMORANDUM ITEMS			
Loan commitments given	-		-
Financial guarantees given	-		-
Other commitments given	53,250		53,250

LIABILITIES AND EQUITY	01/01/2018 Circular 4/2017	Adjustments of reconciliation	01/01/2018 IFRS
FINANCIAL LIABILITIES HELD FOR TRADING:	340		340
Trading Derivatives	340		340
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-		-
Memorandum item: Subordinated liabilities	-		-
FINANCIAL LIABILITIES AT AMORTISED COST:	967,725	27,829	995,554
Deposits-	796,309		796,309
Credit institutions	179,532		179,532
Customers	616,777		616,777
Other financial liabilities	171,416	27,829	199,245
Memorandum item: Subordinated liabilities	-		-
HEDGING DERIVATIVES	-		-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-		-
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	-		-
PROVISIONS	-		-
TAX LIABILITIES:	8,713		8,713
Current	8,713		8,713
Deferred	-		-
OTHER LIABILITIES	272,752		272,752
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-		-
TOTAL LIABILITIES	**1,249,530**	**27,829**	**1,277,359**
EQUITY:			
SHAREHOLDERS FUNDS:	215,155		215,155
Capital	27,041		27,041
Retained earnings	129,478		129,478
Profit or loss attributable to owners of the parent	75,258		75,258
Interim dividends	(16,622)		(16,622)
ACCUMULATED OTHER COMPREHENSIVE INCOME	(69)		(69)
Items not subject to reclassification to income statement	-		-
Items that may be reclassified to profit or loss-	(69)		(69)
Foreign currency translation	*(69)*		(69)
MINORITY INTERESTS [NON CONTROLLING INTERESTS]	-		-
TOTAL EQUITY	**215,086**		**215,086**
TOTAL LIABILITIES AND EQUITY	**1,464,616**	**27,829**	**1,492,445**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

(Thousand of Euros)

ASSETS	01/01/2018 Circular 4/2017	Adjustments of reconciliation	01/01/2018 IFRS
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	711,426		711,426
FINANCIAL ASSETS HELD FOR TRADING:	353		353
Derivatives	353		353
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS NOT DESIGNATED FOR TRADING COMPULSORILY MEASURED AT FAIR VALUE THOURGH PROFIT OR LOSS	384		384
Equity Instruments	384		384
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-		-
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS AT FAIR VALUE THROUGH ACCUMULATED OTHER COMPREHENSIVE INCOME:	-		-
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
FINANCIAL ASSETS AT AMORTISED COST:	383,886		383,886
Loans and advances-	383,886		383,886
To Central Banks	6,508		6,508
To Credit institutions	344,616		344,616
To Customers	32,762		32,762
Memorandum items: Lent or delivered as guarantee with disposal or pledge rights	-		-
HEDGING DERIVATIVES	-		-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGE OF INTEREST RATE RISK	-		-
INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	-		-
Joint ventures			-
Associates	-		-
ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS	-		-
TANGIBLE ASSETS:	8,931	22,371	31,302
Property, plant and equipment – For own use	8,931	22,371	31,302
Memorandum items: other assets leased out under finance lease	-		-
INTANGIBLE ASSETS:	25,497	639	26,136
Goodwill	6,065	639	6,704
Other intangible assets	19,432		19,432
TAX ASSETS:	8,242	(288)	7,954
Current	7,571	(192)	7,379
Deferred	671	(96)	575
OTHER ASSETS:	308,534		308,534
Rest	308,534		308,534
NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE	-		-
TOTAL ASSETS	**1,447,253**	**22,722**	**1,469,975**
MEMORANDUM ITEMS			
Loan commitments given	-		-
Financial guarantees given	-		-
Other commitments given	53,877		53,877

LIABILITIES AND EQUITY	01/01/2018 Circular 4/2017	Adjustments of reconciliation	01/01/2018 IFRS
FINANCIAL LIABILITIES HELD FOR TRADING:	213		213
Trading Derivatives	213		213
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	-		-
Memorandum item: Subordinated liabilities	-		-
FINANCIAL LIABILITIES AT AMORTISED COST:	897,922	22,371	920,293
Deposits-	730,235		730,235
Credit institutions	278,137		278,137
Customers	452,098		452,098
Other financial liabilities	167,687	22,371	190,058
Memorandum item: Subordinated liabilities	-		-
HEDGING DERIVATIVES	-		-
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	-		-
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	-		-
PROVISIONS	-		-
TAX LIABILITIES:	4,456	(96)	4,360
Current	2,892		2,892
Deferred	1,564	(96)	1,468
OTHER LIABILITIES	272,306		272,306
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	-		-
TOTAL LIABILITIES	**1,174,897**	**22,275**	**1,197,172**
EQUITY:			
SHAREHOLDERS FUNDS:	272,312	447	272,759
Capital	27,041		27,041
Retained earnings	188,114		188,114
Profit or loss attributable to owners of the parent	86,157	447	86,604
Interim dividends	(29,000)		(29,000)
ACCUMULATED OTHER COMPREHENSIVE INCOME	44		44
Items not subject to reclassification to income statement	-		-
Items that may be reclassified to profit or loss-	44		44
Foreign currency translation	*44*		44
MINORITY INTERESTS [NON CONTROLLING INTERESTS]	-		-
TOTAL EQUITY	**272,356**	**447**	**272,803**
TOTAL LIABILITIES AND EQUITY	**1,447,253**	**22,722**	**1,469,975**

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018

(Thousand of Euros)

	31/12/2018 Circular 4/2017	Adjustments of reconciliation	31/12/2018 IFRS
INTEREST INCOME	2,118		2,118
Financial assets at fair value through changes in other comprehensive income	-		-
Financial assets at amortised cost	*2,118*		*2,118*
Remaining interest income	-		-
INTEREST EXPENSES	(1,527)		(1,527)
EXPENSES ON SHARE CAPITAL REPAYABLE ON DEMAND	-		-
NET INTEREST INCOME	**591**		**591**
DIVIDEND INCOME	-		-
FEE AND COMMISSION INCOME	1,333,535		1,333,535
FEE AND COMMISSION EXPENSES	(1,116,115)		(1,116,115)
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	140		140
Reclassification of financial assets from fair value with changes in other comprehensive income	-		
Reclassification of financial assets from amortised cost	-		
Other gains or (-) losses	*140*		*140*
GAINS OR LOSSES ON FINANCIAL ASSETS NOT HELD FOR TRADING DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	(352)		- (352)
Reclassification of financial assets from fair value with changes in other comprehensive income	-		
Reclassification of financial assets from amortised cost	-		
Other gains or (-) losses	*(352)*		*(352)*
GAINS OR LOSSES FROM HEDGE ACCOUNTING, NET	-		-
EXCHANGE DIFFERENCES, NET	75		75
OTHER OPERATING INCOME	5,099		5,099
OTHER OPERATING EXPENSES	(1,891)		(1,891)
EXPENSES FROM INSURANCE AND REINSURANCE CONTRACTS	-		-
GROSS INCOME	**221,082**		**221,082**
ADMINISTRATION COSTS:	(89,832)		(84,373)
Personnel expenses	(47,079)		(47,079)
Other administrative expenses	(42,753)	5,459	(37,294)
DEPRECIATION	(5,908)	(4,820)	(10,728)
PROVISIONS OR REVERSAL PROVISIONS	-		-
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF THE VALUE AND PROFIT AND LOSSES BY THE MODIFICATION OF CASHFLOWS OF FINANCIAL ASSETS NOT VALUED AT FAIR VALUE WITH	(404)		- (404)
Financial assets at amortised cost	*(404)*		*(404)*
NET OPERATING INCOME	**124,938**	**639**	**125,577**
IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS OF INVESTMENT IN JOINT VENTURES AND ASSOCIATES -	-		-
IMPAIRMENT OR REVERSAL OF IMPAIRMENT ON NON-FINANCIAL ASSETS	-		-
GAINS/(LOSSES) ON DERECOGNIZED OF NON FINANCIAL ASSETS, NET	*(7)*		*(7)*
NEGATIVE GOODWILL RECOGNISED IN PROFIT OR LOSS	-		-
PROFIT OR LOSS FROM NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE NOT QUALIFYING AS DISCONTINUED OPERATIONS	-		- -
OPERATING PROFIT BEFORE TAX	**124,931**	**639**	**125,570**
TAX EXPENSE OR INCOME RELATED TO PROFIT OR LOSS FROM CONTINUING OPERATION	*(38,774)*	- 192	*(38,966)*
PROFIT FROM CONTINUING OPERATIONS	**86,157**	**447**	**86,604**
PROFIT FROM DISCONTINUED OPERATIONS (net)	-		
PROFIT	**86,157**	**447**	**86,604**
Attributable to minority interest [non-controlling interest]	-		-
Attributable to owners of the parent	86,157	**447**	86,604

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Thousand of Euros)

	31/12/2018 Circular 4/2017	Adjustments of reconciliation	31/12/2018 IFRS
PROFIT RECOGNISED IN INCOME STATEMENT	86,157	447	86,604
OTHER RECOGNIZED INCOME (EXPENSES)	113		113
Items not subject to reclassification to income statement:	-		-
Actuarial gains and losses from defined benefit pension plans	-		-
Non-current assets and disposal groups of elements held for sale	-		-
Changes in fair value of the equity instruments valued at fair value with changes in other comprehensive income	-		-
Gains or (-) losses resulting from the accounting for hedges of equity instruments measured at fair value with changes in other comprehensive income, net.	-		-
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income (item hedged)	-		-
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income (hedging instrument)	-		-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-		-
Income tax relating to items not subject to reclassification to income statement	-		-
Items subject to reclassification to income statement:	113		113
Hedge of net investments in foreign operations (effective portion)	-		-
Foreign currency translation	161		161
Valuation gains or losses from currency translation taken to equity	*161*		161
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	(48)		(48)
TOTAL RECOGNISED INCOME AND EXPENSE:	**86,270**	**447**	**86,717**
Attributable to the parent company	86,270	447	867,717
Attributable to minority interest [non-controlling interests]	-		-

STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2018

(Thousand of Euros)

	Patrimonio Neto							
	Capital	Share Premium	Retained Earnings	Profit or loss atribuible to owners of the parent	Interim dividends	Accumulated other comprehensive income	Minority interests	Total equity
Ending balance at 31 December 2017	**27,041**	**-**	**129,478**	**75,258**	**(16,622)**	**(69)**	-	**215,086**
Adjustments due to errors	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted beginning balance at 31 December 2017	**27,041**	**-**	**129,478**	**75,258**	**(16,622)**	**(69)**	-	**215,086**
Total income/expense recognised adjusted to IFRS	-	-	-	86,604	-	**113**	**-**	86,717
Other changes in equity:	-	-	58,636	(75,258)	(12,378)	-	-	(29,000)
Dividend distribution	-	-	-	-	(29,000)	-	-	(29,000)
Transfers between total equity entries	-	-	58,636	(75,258)	16,622	-	-	-
ENDING BALANCE AT 31 DECEMBER 2018	**27,041**	**-**	**188,114**	**86,604**	**(29,000)**	**44**	**-**	**272,803**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2018

(Thousand of Euros)

	31/12/2018 Circular 4/2017	Adjustments of reconciliation	31/12/2018 IFRS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year	86,157	447	86,604
Adjustments to obtain the cash flows from operating activities-			
Depreciation and amortisation	5,908	4,820	10,728
Other adjustments	38,916	(5,459)	33,457
Profit adjusted	**130,981**	**192**	**130,789**
Net increase/decrease in operating assets:			
Financial assets held for trading	126		126
Financial assets not designated for trading compulsorily measured at fair value through profit or loss	(78)		- (78)
Financial assets at amortised cost	20,379		20,379
Other operating assets	(9,884)		(9,884)
	10,543		**10,543**
Net increase/decrease in operating liabilities:			
Financial liabilities held for trading	(127)		(127)
Financial liabilities at amortised cost	(84,303)		(84,303)
Other operating liabilities	(660)	192	(468)
	(85,090)	192	(84,898)
Collection/Payments for income tax	**(42,817)**		**(42,817)**
Total cash flow from operating activities	**13,617**	**-**	**13,617**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments-			
Tangible assets	(3,314)		(3,314)
Intangible assets	(22,343)		(22,343)
Investments in joint ventures and associates	-		-
Collections-			
	(25,657)		(25,657)
Total cash flow from investing activities	**(25,657)**		**(25,657)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Investment-			
Dividends	(14,500)		(14,500)
Collections-			
Total cash flow from financing activities	**(14,500)**		**(14,500)**
EFFECT EXCHANGE RATE CHANGES	**75**		**75**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**(26,465)**		**(26,465)**
Cash and cash equivalents at beginning of year	737,891		737,891
Cash and cash equivalents at end of the period	711,426		711,426
MEMORANDUM ITEMS			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:			
Cash	18		18
Cash equivalents at central banks	345,281		345,281
Other financial assets	366,127		366,127
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**711,426**		**711,426**

Allfunds Bank Group

Consolidated Directors' Report for the year ended 31 December 2019

Allfunds Bank Group

The consolidated financial statements of the Allfunds Bank Group ("the Group") for 2019 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 2019

In 2019 the Group obtained net profit amounting to EUR 68,480 thousand, up 20.92 % on the previous year. Fee and commission income was the largest revenue item. It increased by 3.87% in net terms due to the decline in the margin obtained on fees and commissions received from investment fund management companies and fees and commissions assigned to the Bank's customers, offset partially by the increase in the volume of assets under management compared with 2019.

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

Geographical Area	Millions of Euros
Continental Europe, except Spain and Portugal	249,082
Spain and Portugal	110,929
UK and Ireland	48,262
Latin America	8,632
Middle East	8,798

If only the Spanish market is considered, the Group's share of the volume traded in the market for foreign collective investment undertakings (CIUs) was 49% at 31 December 2019.

The foreign CIU market in Spain had increased by 19% to EUR 201,000 million at 2019 year-end, compared with EUR 168,000 million at 2018 year-end. Outside the Spanish market, the 34% share of the Italian market at 31 December 2019 was also noteworthy.

Economic environment

The rate of growth of the world economy declined in 2019, and has now reached 2.9%, a percentage that represents a slowdown from the 3.7% of 2018 that constituted the highest global growth rate recorded since 2011. At worldwide level, the forecast for growth in 2020 and 2021 is for a slight increase to 3.3% and 3.4%, respectively.

The continual downward revisions of estimates are due mainly to the unexpected negative results in economic activity in certain emerging economies, especially India. The uncertainty regarding commercial policies, the various geopolitical tensions and the worsening social discontent in various emerging economy countries have continued to erect barriers to global economic activity, mainly in the second half of 2019.

Despite everything, the global economy continued its expansionary trend, although the expansion depends to a considerable extent on avoiding a fresh escalation of commercial tension between the US and China and on the continued containment of the economic repercussions of the social discontent and geopolitical tensions mentioned above. In the advanced economies, the projections show a growth rate of 1.6% both for 2020 and for 2021, with a downward revision of this figure due mainly to lower economic growth in the US, in the euro zone and in the UK, and to cutbacks in other advanced economies in Asia, in particular Hong Kong, as a result of the protests that took place in 2019.

It is estimated that growth in the euro zone will be more moderate and will remain at 2019's 1.2% in 2020 and 2021. The outlook for the economy in the European Union is for stable but moderate growth over the next two years, thus maintaining the longest period of expansion since the launch of the euro. In the UK, growth is expected to stabilise at 1.4% in 2020 and rise to 1.5% in 2021, assuming an orderly departure from the European Union followed by a gradual transition to a new economic relationship with the rest of the EU, following the Brexit of 31 January 2020.

The forecast for growth in the US is for a slowdown in the rate of growth to 2% in 2020 and then 1.7% in 2021 as the tax stimulus is wound down and the country returns to a neutral fiscal stance, and as a result of the decline in momentum resulting from stagnation and the relaxation of financial conditions.

The Japanese economy is predicted to grow moderately by up to 0.7% in 2020. The improvement in the growth rate for 2020 takes into account the boost expected to be generated by the stimulus measures adopted by the Japanese government in 2019. Growth is expected to fall to a rate of 0.5% in 2021 as the impact of the fiscal stimulus starts to dissipate.

The Asian emerging economies are expected to grow at rates ranging from 5.6% in 2019 to 5.8% in 2020 and 5.9% in 2021. The downside, as we have already stated, relates to the downward revision of the projection for growth in India, where domestic demand slowed down more than expected. Growth in China is expected to fall slightly from 6.1% in 2019 to 6.0% in 2020 and 5.8% in 2021. The partial dismantling of previous tariffs and the halting of the application of other tariff increases, which are envisaged as a "first stage" of the trade agreement with the US, will probably alleviate cyclical weakness at short term; however, the as yet unresolved controversies surrounding economic relations between the US and China, and the necessary strengthening of internal financial regulations will continue to hinder Chinese economic activity.

Growth in the emerging and developing economies in Europe in 2020 and 2021 will be stronger than previously estimated, at a rate close to 2.5%, with across-the-board dynamic growth in Central and Eastern Europe.

The projection in Latin America is for growth to rebound in the next few years from 0.1% in 2019 to 1.6% in 2020 and 2.3% in 2021. The revisions are due to cuts in the outlook for growth in Mexico in 2020 and 2021, due, among other reasons, to the continued weakness of investment, and to a significant downward revision in the forecast for Chile, a country affected by social tension in the last few months of 2019. These revisions are partially offset by an upward revision of the forecast for 2020 for Brazil, as a result of a considerable improvement following the approval of the pension reform, among other reforms implemented.

Growth in the Middle East, North Africa, Afghanistan and Pakistan region is expected to remain at a moderate level of 2.8% in 2020 and then spike to around 3.2% in 2021. Many factors weigh down the outlook for the region: weakened growth in oil production, significant geopolitical tensions, social discontent and deep civil conflicts.

A slight fall in interest rates is expected over the next two years, according to the latest forecasts. In the euro zone, 12-month EURIBOR will stand at 0.22 pp in 2020 and 0.10 pp in 2021. The US federal funds rate will rise to levels of 1.75% in 2020 and 2% in 2021.

In general terms, inflation has been contained in the last few months in the most advanced economies and has slowed down even further in most emerging market economies due to the weakening of demand, which led to reductions in prices of metals and energy, which put a lid on the inflation rate.

Growth outlook

The outlook for global GDP growth is 3.3% and 3.4% for 2020 and 2021, respectively. However, these projections are exposed to a series of risks, due mainly to the tension in trade relations and the forecast of more moderate growth in India. Besides, these outcomes depend to a large extent on the avoidance of a fresh escalation of trade tensions between the US and China, and of a no-deal Brexit, and on the continued containment of geopolitical tensions and of the social discontent that emerged in various countries in 2019.

Economic activity in the euro zone continues to be marked by high levels of economic and political uncertainty. The foundations supporting growth in the area are still fragile and are underpinned to a considerable extent by monetary policy action. This diagnosis is reflected in the macroeconomic projections for the area, which anticipate a stable growth trend for the area as a whole, albeit slower than previous projections, with growth rates of 1.2% in 2020 and 2021. Furthermore, the countries in the European Union are subject to the additional, prolonged uncertainty regarding the estimated projections of UK growth in the next two years and how the UK's new economic relations with the rest of the European Union following Brexit might affect that growth.

Turning to Spain, GDP growth is expected to be higher than the euro zone average in 2020 and 2021, at around 1.6% and 1.5%, respectively, leading growth in the euro zone compared with the countries immediately behind, such as the Netherlands, with 1.3% in both years, France, with 1.1% in 2020 and 1.2% in 2021, Germany, with 1.1% in both years, and Italy with 0.3% and 0.6% in 2020 and 2021, respectively.

The emerging and developing economies were tested by difficult external conditions in the last few months of 2019, amidst a scenario of increasing trade tensions, oil price volatility, geopolitical tensions and social discontent. These economies are expected to expand by 4.4% in 2020 and 4.6% in 2021, compared with 3.7% in 2019.

Notwithstanding the above, due to the appearance of the COVID-19 Coronavirus in China in January 2020 and its recent global expansion to a large number of countries, there has been a drop in planned investment activity, and it is not possible to assess whether and to what extent this situation will continue in the future.

Transaction performance

In 2019 our main aims focused on the following:

- Development of our digital ecosystem, improving the range of services for customers and management companies (Data & Analytics, Trading & Execution, Research & Regulatory Solutions).

- Launch of new tools and complete restyling of our digital platform: Allfunds Connect, MiFID & regulatory tech services, Telemetrics, Nextportfolio, digital on-boarding of management companies.

- Continuous investment in new technologies: Blockchain, APIs.

- Inorganic growth through significant acquisitions: NFM, CS Invest Lab, Fundinfo.

- Consolidation of our position in core markets and expansion in Central & Nordic Europe and Asia: The number of new commercial agreements entered into rose to 77 in 2019, giving 682 at year-end, with the Bank now having customers operating in 51 different countries.

- Extension of the range of funds available to our distributor customers by entering into new agreements with the most important management companies in the world: 120 management companies obtained fully automated access to the platform, which had a total of 1,641 management companies and 87,343 investment funds at 2019 year-end.

- Constant investment in our fund and ETF platform, augmenting the levels of automation and reliability of the services provided 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 43.9% compared to 45.5% in 2018.

- The CIU channel, comprising funds of funds, open-end investment companies (SICAVs) and pension funds, represented 20.7% of the total traded volume compared to 21% in 2018.

- The percentage of structured products, which include investment funds as underlying, remains at 0.2% as in 2018.

- The insurance channel remains at the 24.4% of the total traded volume compared to 24% in 2018.

- Lastly, the channel corresponding to Omnibus accounts represented 10.7% of the intermediated volume compared to 9.4% in 2018.

Consolidated balance sheet

As of December 31, 2019, the commissions pending collection and payment amount to EUR 354,228 and 297,944 thousand, respectively, which means an 13.88% increase in collections and an 11.34% increase in payments with respect to fiscal year 2018, respectively.

At December 31, 2019, the total amount of the Group's assets amounted to EUR 1,974,718 thousand, which represents an increase of 34.34% with respect to 2018 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 773,598 thousand, increasing by 8.84% compared to the end of the previous year.

Intangible assets, amounted to 237,435 thousand euros, assuming an increase of 808.46% with respect to the previous closing. This is mainly due to the goodwill generated and the intangible assets derived from the acquisition of Fintech Partners, S.L., Allfunds Investlab AG and Allfunds Sweeden AB, and the greater investment in computer developments.

Tangible assets (furniture, IT equipment and facilities), net of amortization, amounted to EUR 28,248 thousand , representing a decrease of 9.76%.

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, 2019, in these accounts amounts to EUR 959,740 thousand, increasing by 31.42% 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 42.00% with respect to the end of 2018. As of December 31, 2019 amounts to EUR 124,715 thousand.

Earnings

The net profit obtained by the Group amounts to EUR 68,480 thousand at the end of the year, being 25.52% lower than at the end of the 2018 financial year.

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

	Thousand of Euros
Allfunds Bank, S.A.U.	55,370
Allfunds Bank International, S.A.	6,843
Allfunds International, Schweiz AG	24,854
Allfunds Bank Brasil Representaçoes LTDA	35
Fintech Partners, S.L.	197
Finametrix, S.L.U.	781
Nextportfolio, S.L.U.	(23)
Allfunds Investlab AG	22,262
Allfunds Sweden AB	4,069
Allfunds Hong Kong Limited	(348)

Net interest income decreased 272.42% in respect to 2018 to EUR up to a negative amount of EUR 1,019 thousand as a result of the lower returns obtained due to the reduction in interest rates.

Net fee and commission income amounted to EUR 225,828 thousand, which represents a decrease of 3.87% compared to 2018. The 82% in 2019 and 84% in 2018 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 128,693 thousand, 52.53% more than in 2018. 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 recognised on the Bank's balance sheet.

At 31 December 2019, the volume of customer funds intermediated amounted to EUR 425,703 million, which represents a 22.09% decrease.

Share capital and treasury shares

As of December 31, 2019, the Bank's share capital amounted to EUR 48,028,290, represented by 1,600,943 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 2019, no transactions were carried out on own shares or treasury stock.

Research and development policy

The year 2020 will focus mainly on the following three lines:

- Ensuring all M&A operations, making integration as effective as possible and impacting as little as possible on day-to-day operations.

- Continue to explore cloud initiatives and what solutions we can place in this paradigm.

- Continue to create digital solutions for our clients and managers.

Staff

The main data in this connection are disclosed in Note 22.1 to the accompanying consolidated financial statements.

Financial risk management policies

The main risks arising from the Bank's activity are the following: operational risk, liquidation, liquidity, credit, interest and market risk. The Entity has established a series of procedures to identify, evaluate, monitor, manage, mitigate and validate these risks that respond to risk aversion established by the Bank's Board of Directors as the highest governing body.

For this purpose, general management provides the Group with the human and technological resources it needs in order to develop risk management best practices.

The actions carried out by the Group with regard to the management of risks are described in Note 27 to the Annual Accounts Report.

Outlook

The Bank's management policy for 2020 includes the following aims:

- Continue with the increase in the number of clients, the intermediated volume and the percentage of market share in the commercialization of foreign UCIs in the different markets in which they have a presence.

- Consolidation of the range of services not associated with the intermediation business related to our digital ecosystem.

- Integration of the acquisitions and businesses completed in 2019 (NFM, CS InvestLab, Fundinfo) in the Bank's technological environment.

- Completion of the purchase of the BNP Group's third-party fund distribution business and the integration thereof in the Bank's IT platform (opening of new offices in Paris and Warsaw).

- Bosting commercial activity in the Asian markets (mainly Singapore, Hong Kong and Taiwan), supported by the branch in Singapore.

- Obtainment of a brokerage license in the SFC's financial markets in Hong Kong.

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 2019 was 29 days, which was less than the maximum period established in the applicable legislation (see Note 13.3).

Events after the reporting period

Allfunds Hong Kong Limited

On 4 February 2020, Allfunds Hong Kong Limited increased capital by HKD 10,000 thousand (EUR 1,165 thousand). As a result, at that date the share capital of Allfunds Hong Kong Limited amounted to HKD 17,000 thousand (EUR 1,973 thousand) and was represented by 1,000 fully subscribed and paid shares of HKD 17 thousand (EUR 1,973) par value each.

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.

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

Therefore, at the date of authorisation for issue of these financial statements, it is premature to make a detailed evaluation or quantification of the possible impacts that COVID-19 will have on the Allfunds Bank Group, due to the uncertainty of its consequences in the short, medium and long term.

In this regard, there is currently a drop in the Allfunds Bank Group's foreseeable activity in terms of its assets under administration and the related fees in the first few months of 2020, and it is not possible to evaluate whether this situation will continue, and to what extent, in the future.

However, the directors and management of Allfunds Bank, S.A.U. have conducted a preliminary assessment of the current situation, based on the best available information. As a result of the considerations discussed above, this information may be incomplete. The following aspects of the results of this assessment are worthy of note:

- Liquidity risk: it is foreseeable that the general situation of the markets may lead to an overall increase in liquidity constraints in the economy, as well as a contraction in the credit market. In this connection, the Allfunds Bank Group has sufficient liquidity (see Note 6) and the capacity to obtain financing from its sole shareholder, which, together with the implementation of specific plans for the improvement and efficient management of liquidity, will enable these constraints to be overcome.

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

- Risk of changes in certain financial aggregates: the factors mentioned above, together with other specific factors, may lead to a decrease in the amounts of relevant headings for the Allfunds Bank Group in the next financial statements, such as "Fee and Commission Income" and "Fee and Commission Expenses", or of the off-balance sheet resources under administration, although it is not yet possible to reliably quantify their impact, taking into account the aforementioned difficulties and restrictions.

- Risk of measurement of assets and liabilities: a change in the future estimates of the off-balance sheet resources managed by the Allfunds Bank Group could have an adverse impact on the carrying amount of certain assets (goodwill, other assets, loans and advances - customers) and on the need to recognise certain provisions or other types of liabilities. As soon as sufficient and reliable information becomes available, the appropriate analyses and calculations will be made to allow, if necessary, the re-measurement of those assets and liabilities. In this regard, Note 9 includes a sensitivity analysis (prior to the appearance of COVID-19) of the possible impacts on the impairment tests of changes in some of the basic assumptions of the models used to prepare them.

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

Lastly, it should be noted that Allfunds Bank S.A.U's directors and management are constantly monitoring the evolution of the situation in order to successfully address any possible impacts, both financial and non-financial, that may arise.

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

In the context of the transaction with Credit Suisse AG described in Note 1.e, on 26 March 2020 Allfunds International Schweiz AG took control of a newly established Swiss company called Credit Suisse InvestLab 2 AG (to which Credit Suisse AG transferred the distribution agreements with fund managers and sub-distribution agreements with fund distributors) by acquiring all of the company's shares in exchange for LHC3 Plc, has delivered to Credit Suisse AG 9% (additional holding) of LHC4 (UK) Limited following the increase in its share capital after obtaining the corresponding regulatory authorisations, which mainly correspond to authorisations, verifications or no objections from the regulatory bodies (Swiss Financial Market Supervisory Authority (FINMA)); European Central Bank, Bank of Spain and Swedish Financial Supervisory Authority (SFSA)).

As a consequence of the above, on the same date, as a result of the satisfaction of the purchase price of the shares in Credit Suisse InvestLab 2 AG by LHC4 (UK) Limited from Credit Suisse AG by way of delivery of the additional holding, LHC4 (UK) Limited (sole shareholder of Liberty Partners, S.L.U) grants a loan in the amount of EUR 190 million to Allfunds International Schweiz AG, at which the shares in Credit Suisse InvestLab 2 AG subject to transfer have been valued.

This loan was provided as a non-cash capital increase from LHC4 (UK) Limited to Liberty Partners, S.L.U. (the sole shareholder of Allfunds Bank, S.A.U.) and simultaneously as a non-cash capital increase from Liberty Partners, S.L.U. to Allfunds Bank, S.A.U. Finally, Allfunds Bank, S.A.U. has made a contribution to reserves to Allfunds International Schweiz AG, which led to the termination of the original loan at that time.

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

The capital increase of Allfunds Bank S.A.U. with a non-monetary contribution and dated 26 March 2020 was carried out through the issue of 175,713 new shares with a value of 30 euros and a share premium of 1,051.30 euros per share. Consequently, the Bank's share capital at that date amounted to EUR 53,300 thousand, represented by 1,776,656 registered shares of EUR 30 par value each and a share premium of EUR 353,741 thousand, fully subscribed and paid, with identical economic and voting rights, with Liberty Partners, S.L.U. as the sole shareholder.

This business combination has resulted in the acquisition by the Allfunds Group of net assets amounting to EUR 100 thousand and, consequently, goodwill of EUR 189,900 thousand.

	Thousands of Euros
Consideration transferred to Credit Suisse AG	190,000
Less- Fair value of the net assets acquired	(100)
Goodwill arising in the business combination	**189,900**

The factors that constitute goodwill are intangible assets that were not individually measured at the date of preparation of these financial statements and the Group will proceed to perform the purchase price allocation process in conjunction with the first phase of the transaction (see Note 1-e).

Dividends

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

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

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

Non-financial information report

The Statement of Non-Financial Information is attached as an appendix to the Directors’ Report (see Appendix IV).

Appendix IV

Non-financial Information Report

STATEMENT OF NON-FINANCIAL INFORMATION

2019

Contents

1. Introduction

This document is the statement of non-financial information of Allfunds, an international financial group comprising its parent company Allfunds BANK, S.A.U., and all its subsidiary financial institutions, branches and representative offices, which together with the Bank constitute the Allfunds Group (hereinafter, "Allfunds"). The statement of non-financial information is prepared in accordance with and in compliance with Law 11/2018 of 28 December, which amends the Commercial Code, the Revised Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regards to non-financial information and diversity.

2. Objective

The objective of this document is to comply with Law 11/2018 of 28 December, which amends the Commercial Code, the Revised Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regards to non-financial information and diversity, specifically Article 1 and point 6 thereof. And in this sense, it contains sufficient and necessary information to understand the evolution, results and situation of Allfunds, and the impact of its activity with regards to, at least, environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as with regards to staff, including the measures that, where appropriate, have been adopted to promote the principle of equal treatment and opportunities between women and men, non-discrimination and inclusion of persons with disabilities and universal accessibility.

The consolidated statement of non-financial information has been prepared in accordance with the contents of current commercial legislation and refers to the period from January to December 2019.

In addition, the drafting of this statement of non-financial information takes into account the recommendations of prestigious international initiatives in the field of social responsibility, such as:

- Global Reporting Initiative (GRI) standards and guidelines for sustainability reporting.
- The seven principles of social responsibility set out in ISO 26000[3].
- Sector analysis based on the study of statements of non-financial information, social responsibility reports and sustainability reports of companies in the sector.
- The Sustainability Yearbook 2019. RobecoSAM.
- Relevant issues identified through national and international press analysis.

3. Organisational context

3.1. Business model

- **Business environment and markets in which it operates.**

Allfunds administers and distributes funds from third-party financial institutions, offering the possibility of choosing any investment fund, at any time, and in any form. Allfunds is an automated brokerage platform supported and managed by the best fund analysis team to cover all investment and marketing needs within the financial sector.

Allfunds is Europe's leading investment fund brokerage platform thanks to its ability to provide the investment industry with exclusive solutions in four areas:

- Hiring, custody and fund management solutions.
- Information tools, marketing support and state-of-the-art tools.
- Investment solutions and fund analysis.
- Regulatory compliance.

Important information about Allfunds
• Presence in **four continents**, **45** different **countries**.
• **685 customers.**
• Collaboration with **1,641 investment fund managers.**
• More than **€601 billion** in **assets under intermediation**.
• **10 times higher** than the average European platform in terms of volume of assets
• More than **1,641funders** and supply from more than **87,343 funds**.
• Transactions with **18 different currencies** and the availability of **35** different fund **domiciles**.
• Settlement of **540 billion per year**, **14.4 million transactions** per year and work with **149** different **administrators**.
• Number of **transactions managed**: 15,226,403.

- Number of **dividends paid/reinvested**: 945,893.
- Number of **payments made** in either cash or live accounts: 1,969,938.
- Number of **stock transfers settled**: 630,943.
- Total amount of **settled transactions**: €230,584,587,795.64
- **Number of transfer agents** (different) with whom orders are exchanged: 177.

Acquisitions and agreements 2019

Nasdaq Broker Services AB

Allfunds successfully completed the purchase of Nasdaq Broker Services (Allfunds Sweden), previously owned by the Nasdaq Group in October 2019.

With this operation, Allfunds consolidates its presence and leadership in the Nordic countries. The acquisition of Allfunds Sweden's customer base has boosted Allfunds' presence in the Nordic countries, benefiting existing customers with value-added solutions, increased efficiency and advanced technology.

These customers will join Allfunds' distribution network in the region, which already includes entities in Sweden, Norway, Finland, Denmark, Iceland and the Baltic countries. This agreement will benefit local financial institutions that are increasing outsourcing relationships with specialised and global-scale providers, fostering efficiency, leveraging state-of-the-art technology and increasing service supply to meet industry challenges.

With the closing of the deal, Allfunds officially has an office in Stockholm.

Credit Suisse InvestLab

Allfunds incorporated Credit Suisse InvestLab, one of the world's leading B2B fund platforms, in September 2019 to combine Credit Suisse's open architecture investment fund activities with Allfunds.

The combined business is set to distribute more than 78,000 funds and ETFs to over 700 distributors in 45 countries and an asset under management of more than €500 billion.

Research business of Fundinfo AG

Allfunds acquired the fund analysis business (ifunds) from Fundinfo AG in July 2019. With this acquisition, Allfunds strengthens its data management activity and also its ESG analysis capacity.

This transaction is part of Allfunds' strategic plan to consolidate its position as a leading provider of fund analysis for institutional investors.

Allfunds Business model

An exclusively B2B comprehensive service delivery approach.	Customised solutions for open architecture companies.	Global/local offer that complies with current standards and regulations worldwide.
Exceptional fund information services.	Analysis of independent funds.	Leading platform for contracting funds.

Allfunds was created in 2000 and today offers the largest fund distribution network worldwide and access to the largest pool of investment funds and ETFs in the world.

Allfunds' **mission** is to transform the WealthTech world. The company wants to create value for its customers by motivating them with a unique combination of scale, experience and digital mindset.

The **vision** is to make Allfunds the leading WealthTech company in the market dedicated to customer experience, innovation and digital solutions.

Allfunds' centres are located in 10 countries worldwide - Spain, Italy, the United Kingdom, Brazil, Colombia, Chile, the United Arab Emirates, Luxembourg, Switzerland and Singapore.

OFFICE	ADDRESS
MADRID EUROPA III, PLANTA 3, Portal 1/ A	Calle San Rafael nº1, Local A, planta 3º Portal 1º Alcobendas
MADRID PADRES DOMINICOS	Calle Padres Dominicos 7, Avenida de Burgos 201
ITALY - MILAN BRANCH	Via Bocchetto 6
UAE- DIFC DUBAI REPRESENTATION OFFICE	The Gate Building, West Wing, 4th Floor
LONDON- UK BRANCH - LEASE AGREEMENT	6th Floor at 2 Fitzroy Place, 8 Mortimer Street, London W1T 3JJ
SWITZERLAND - Allfunds INTERNATIONAL SWITZERLAND LTD	BAHNHOFSTRASSE 13, 8001 Zurich
CHILE - CHILE REPRESENTATION OFFICE	Edificio Torre Alto el Golf de Avenida Vitacura numero 2; 1969; Comuna de Las Condes. [Oficina 1202; piso 12/ Estacionamientos números 229, 249, 261, 262 y 322]
BOGOTA - COLOMBIA REPRESENTATION OFFICE	Oficina 808, Carrera 9-Número 115-06 y 115-30- Edificio Terra Firme-Bogota
SINGAPORE - SINGAPORE BRANCH - LEASE AGREEMENT	6 Battery Road, 15rh Storey, Singapore.
SAO PAULO - BRAZIL BRANCH - LEASE AGREEMENT	Rooms 101 and 102 Edificio Spazio, Sao Paulo, Estado de Sao Paulo, Rua Tabapua, no. 1227, Bairoo Iraim Bibi.
FINAMETRIX S.L.U.	Pintor Sorolla 5 (Valencia, Spain)
Allfunds HONG KONG LIMITED	20 F, ONE INTERNATIONAL FINANCE CENTRE, 1 HARBOUR VIEW STREET, CENTRAL, Hong Kong, China
LUXEMBOURG - Allfunds BANK INTERNATIONAL, S.A.	30, Boulevard Royal L-2449, Luxembourg

Allfunds' consolidated turnover in 2019 (sales and services) was 1,333,118 thousand euros.

- ## Organisation and Structure

The organisational structure of the Allfunds is laid out as follows:

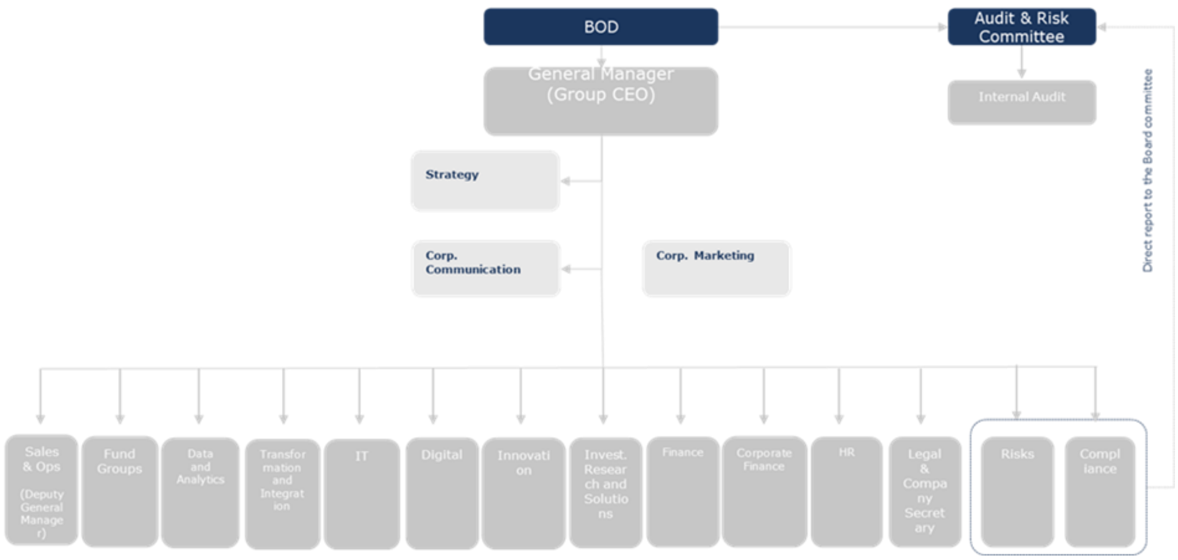

Illustration 2.- Organisation chart of the Business Group.

The structure of the group's governance is as follows:

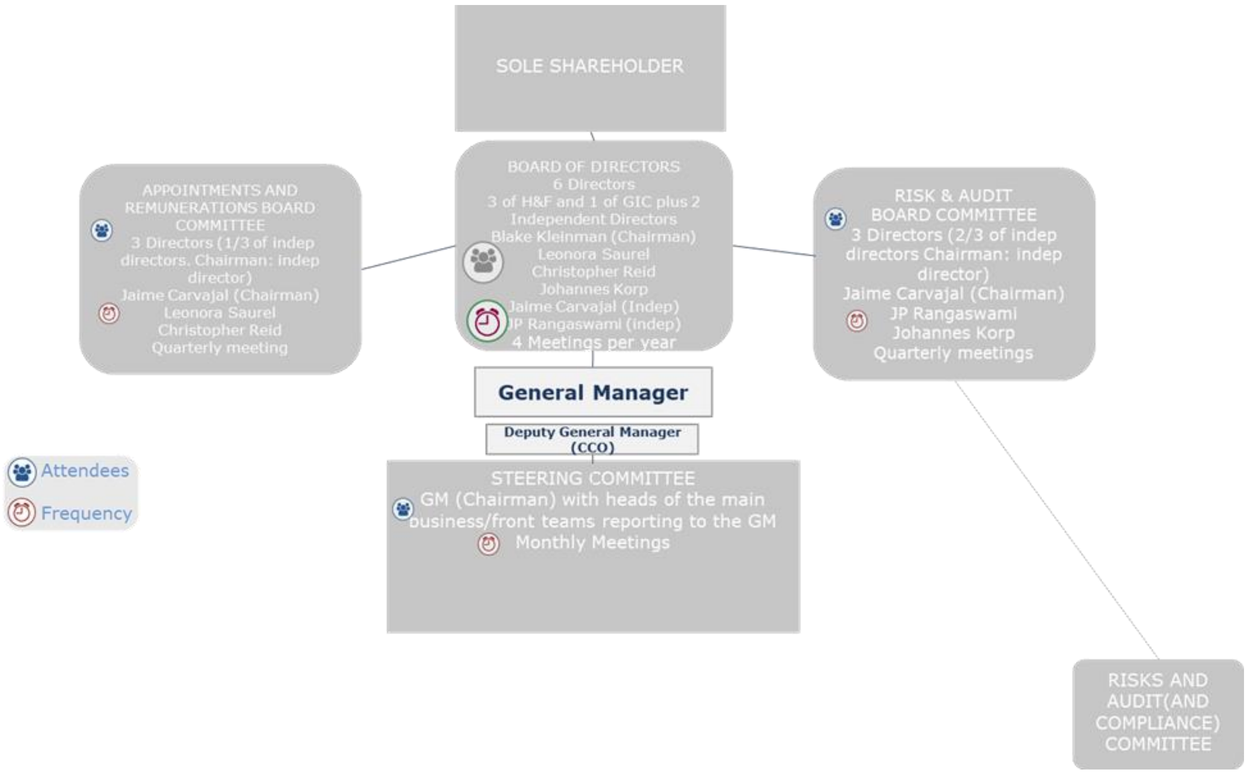

Illustration 3 - Allfunds' Corporate Governance Structure

Allfunds Bank S.A.U. is the head of a financial group whose sole shareholder is the holding company Liberty Partners, S.L.U, a company controlled by the venture capital companies Hellman & Friedman and GIC.

The Allfunds Board of Directors is made up of 6 members, who do not hold executive positions in the company, of which 4 represent the venture capital companies and the other 2 are independent directors with the aim of seeking balanced management in decision-making in the highest board of directors. Each director is entitled to one vote in decision-making processes.

Allfunds activities are organised according to process maps as follows:

Illustration 4. Process map

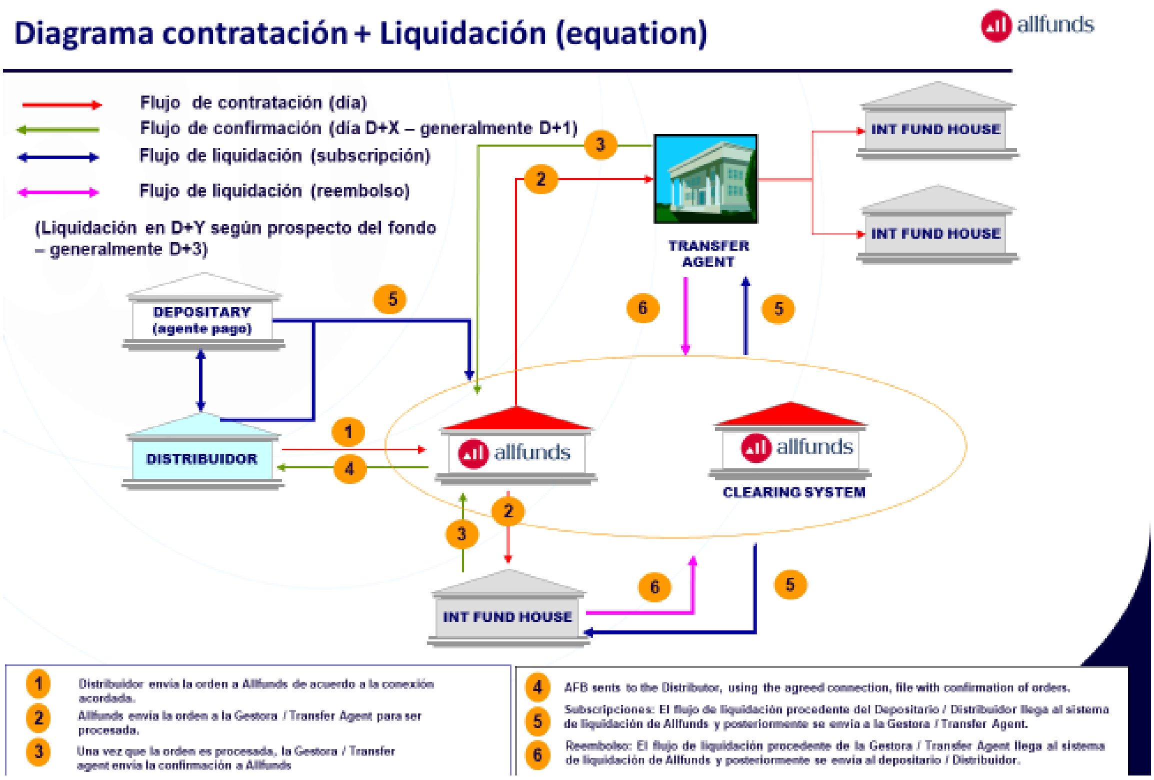

Illustration 5. Process map

- **Objectives and strategies**

The strategic lines and objectives of Allfunds during 2019 include:

- Continuing to increase the number of customers, the volume brokered and the percentage of market share in the marketing of foreign CIUs in the various markets in which it is present.
- Encouraging the use of other investment instruments such as ETFs, instruments that are very attractive among passive management investors.
- Increasing presence in new markets considered strategic in the Bank's business plan (United Kingdom, Benelux, Nordic countries and Central Europe).
- Continuing commercial activity in the Asian markets (mainly Singapore, Hong Kong and Taiwan), supported by the recent opening of the Singapore branch.
- Opening representative offices in new markets in order to achieve a greater market share and provide better service to customers who demand more local attention.

- **Main factors and trends that may affect future development of Allfunds.**

Allfunds is a financial institution that offers access to investment funds in an efficient manner and is therefore subject to the main trends and constraints of the investment fund market and the financial sector. Investor appetite for investing and saving in financial assets is critical to understanding the evolution and sensitivity of the business.

The evolution of the financial markets determines the value of Allfunds' business portfolio, which can rise and fall depending on the market valuation of the different financial instruments.

The dynamics of the investment fund industry also have a direct impact on our platform, with relevant trends such as pressure on margins, digitalisation, the proliferation of passive management and regulation.

There are other commercial factors to take into account such as the attractiveness of investment funds compared to other instruments distributed by financial institutions. This is an important factor in assessing the potential development of Allfunds' business. The appetite of the various institutions for investment in third-party investment funds is even more acute as Allfunds' business is based on an extended range of funds and investment solutions with third-party providers.

3.2. Policies

Allfunds has the clear aim of integrating sustainability, ethical and social strategies and contributions to sustainable development into its corporate governance in a global and transversal manner. This is why the company has a code of conduct based on Allfunds' values, which inspires the policies, procedures and behaviour of all people working in or on behalf of Allfunds.

Allfunds' **General Code of Conduct**, which aims to ensure professional, ethical and responsible behaviour by the Allfunds Group and all its employees, executives and members of its board of directors in the course of their activities, as a basic element of its corporate culture, which is based on the training and personal and professional development of its employees, executives and members of its board of directors. This code refers to the ethical principles and guidelines of conduct that should guide Allfunds' actions, as well as the duty to comply with external and internal regulations in force at all times:

- Customer relationship values. At all times we must act in the best interests of the customer, with due honesty, impartiality and professionalism, guaranteeing fair treatment of the customer. Applying principles of trust and transparency and promoting integrity and respect.
- Employee relationship values. Equal opportunities and non-discrimination; respect for people; teamwork, management style; reconciliation of work and personal life; prevention of occupational hazards; environmental protection; collective rights.
- General conduct guidelines. Compliance with regulations and ethical behaviour; non-competition; responsibility and professionalism and appropriate risk management; free competition; digital switch-off.
- Guidelines for conduct in specific situations. To avoid conflicts of interest, applying due control of information and confidentiality, as well as measures for the prevention of money laundering and financing of terrorism and corrupt behaviour, among other issues.

Finally, the Allfunds complaint channel is an essential part of this code as one of the processes established to ensure effective enforcement of applicable regulations and guidelines. This channel is also a means of helping all employees to report any non-compliance they observe or become aware of.

Allfunds' main compliance policies include:

- Regulatory Compliance Policy. Compliance with the regulations by Allfunds is a task for all Group employees. That is why regulatory compliance must be part of the organisation's culture.
- Conflict of Interest Management Policy. This establishes the criteria and measures for prevention and management that make it possible to assess and mitigate or prevent actual and potential conflicts between the interests of Allfunds and its customers or the private interests of its employees and executives with the interests of the customers.
- Anti-Corruption and Gift and Invitation Policy. This sets out the criteria to be followed by employees, executives and members of its board of directors in any of their professional relationships with Allfunds, to ensure compliance with anti-corruption regulations and to promote ethical criteria and values, especially in the area of gifts, invitations, commissions, remuneration, income, advantages, discounts or benefits.
- Regulatory Compliance and Criminal Risk Prevention Policy. This seeks to prevent and avoid the criminal and reputational risk that may be caused by the commission of any illegal, criminal or other act contrary to the ethical values of the Entity. The policy shows the strong commitment of Allfunds and its Board to combat these acts. Based on this policy, a Criminal Compliance Model or Corporate Defence Model has been created.
- Anti-Money Laundering and Anti-Terrorist Financing Manual. This defines the measures implemented in the organisation to manage and prevent the risk of money laundering and financing of terrorism.
- Privacy Policy. This establishes a single framework for defining privacy and personal data protection, where it undertakes to protect and treat all personal data, always ensuring compliance with the various regulations and laws applicable in this area.

- **Asset Protection Policy.** This establishes appropriate controls aimed at ensuring that customers' property rights are safeguarded when safeguarding their assets.
- **Best Execution and Order Management Policy.** This defines the measures adopted for the correct management of customer orders and those required to obtain the best possible result in the execution of the orders, depending on the financial instrument in question.

All these policies have been approved by the Board of Directors and are regularly reviewed and updated (usually annually). The Compliance Department is responsible for supervising the performance of the organisation in accordance with the policies, and must report to the Board of Directors, through the Audit and Risk Committee, on the results of its controls.

Allfunds also has a **Corporate Social Responsibility Policy** approved in its latest version on 21 March 2018, and available to all Allfunds stakeholders on its website.

This Policy is inspired by the regulations applicable in each of the countries in which the entity operates, as well as by the best practices set out in international conventions and protocols, codes of conduct and internationally applicable guidelines on social responsibility such as ISO 26000:2010 and the Principles of the United Nations Global Compact.

Within this framework of social responsibility, Allfunds establishes its general principles of action, its position and commitments in the following five areas:

- Ethics and good governance.
- Respect for Human Rights.
- Active listening to stakeholders.
- Vocation and value creation.
- Environmental protection.
- Social commitment.

Compliance with the corporate social responsibility policy is ensured through internal good governance processes led by the Board of Directors and the management team. In particular, this corporate social responsibility policy is supervised both by the Marketing & CSR promotion area and by the Risk and Audit Committee.

The Allfunds Solidarity Fund is governed by the **Investment Policy of the Solidarity Fund**. This is based on the principle of good faith, to be applied rigorously in all global aid projects using voluntary donations from employees and from the company itself.

Allfunds also has a number of policies that demonstrate the organisation's commitment in various specific areas such as the protection of fundamental rights, as well as the development and progress of its employees. The internal policies for managing people include:

- **Remuneration Policy**. Its objective is to create a high performance culture focused on continuous improvement, achievement of objectives and customer service, where employees are rewarded and recognised for their achievements, efforts, performance, involvement and commitment, measured through competencies (knowledge, skills and attitudes) and by setting objectives, which allow for adequate attraction, management and retention of talent.
- **Training and Development Policy**. This establishes how to manage learning and development in a coherent and fair manner. It includes talent and knowledge

management. This policy is drafted in 2019 and is expected to be approved by the Board of Directors in 2020.

- **Equality and Diversity Policy**. This sets out the Allfunds commitments to respect the principle of equal opportunities between women and men, as well as non-discrimination from any perspective other than gender. This policy was drafted in 2019 and opened the process of diagnosis and elaboration of the company's equality plan and is expected to be approved by the Board of Directors in 2020.

3.3. Policy outcome

Allfunds has an internal control system to monitor the policies described in the previous section. During 2019, thanks to the level of implementation and the control system of the company's policies, the results of the corporate policies described throughout this document confirm that there are no relevant social, environmental, ethical or good governance risks.

Furthermore, beyond the establishment and monitoring of appropriate standards of conduct, compliance with policies and regulatory compliance advocated by the compliance system, Allfunds develops internal control mechanisms that respond both to the regulations in force for financial institutions and to the company's interest in achieving the highest level of excellence in its management. The Allfunds internal control system is based on three lines of defence as outlined below.

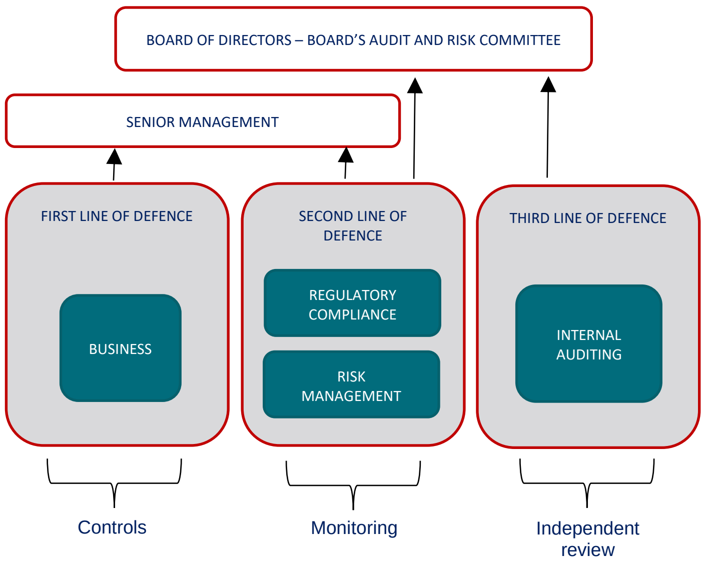

Illustration 6. - Representation of the internal control system for compliance with obligations.

Allfunds' first line of defence, within the business and support departments, is to establish the appropriate controls to meet its obligations arising from its activities.

The Risk and Compliance areas, acting as a second line of defence, monitor activities as explained in the following section.

Internal Auditing. Allfunds has an Internal Audit unit located in Madrid and Luxembourg that audits all the company's offices. The responsibility of the Internal Audit team is to provide the

Board of Directors and Senior Management with a reliable and independent assessment of the effectiveness of the controls designed to mitigate the significant risks affecting the business, the proper functioning of good governance, risk management and the controls in place to mitigate actual and potential risks.

Internal control of financial information. The Allfunds Board of Directors is responsible for financial and non-financial reporting and for the existence of an appropriate internal control system for the same.

Certifications. ISAE 3402 Type II standard. Allfunds is audited annually under the ISAE 3402 Type II standard to ensure the quality of outsourced managed hosting solutions.

3.4. Risk and Compliance. Due Diligence Procedure

Risk management at Allfunds, as a business and strategic approach in a socially responsible company, seeks to prevent, minimise and mitigate possible negative impacts arising from its activity, in order to reduce the uncertainty arising from potential threats within the area in which it operates.

In this sense, at Allfunds, risk management is one of the main pillars of the company's strategy. Therefore, senior management recognises and promotes the appropriate and efficient definition, evaluation, control and monitoring of the risks assumed by the organisation during the course of its activities.

The ultimate responsibility for risk management lies with the Board of Directors, which annually reviews the Risk Appetite Framework that determines the type of different risks that the entity considers reasonable to assume in the development of its business strategy. It also determines the key metrics and indicators for monitoring and management, including measures of solvency, liquidity, concentration, profitability, non-performing loans and other non-financial risks, among other variables. For each metric, a target, tolerance and limit is set, which would trigger corrective action if it were exceeded.

Risk management

Risk management consists of identifying and measuring direct and indirect risks, as well as potential and emerging risks, determining Allfunds' appetite for the identified risks and deciding whether to accept, avoid, mitigate or transfer them. And finally to gain resilience, gain competitive advantage and identify new business opportunities, as well as to create a *modus operandi* when it comes to assessing and preventing the risks identified within Allfunds.

Table 1. Main types of risks considered by Allfunds	
Financial risks	**Non-financial risks**
• Credit/counterparty risk	• Operating Risk
• Market risk	• Technological risk
• Interest rate risk	• Third-party risk (outsourcing)
• Exchange rate risk	• Regulatory compliance risk
• Liquidity Risk	• Reputational risk
• Concentration Risk	• Behavioural risk
	• Legal risk
	• Environmental risk • Money laundering and financing of terrorism risk

To identify potential threats, the risk and compliance areas have tools to manage those risks and provide security against them to all internal and external audiences of the company. In addition, there is an ethical stance to determine how to react to a threat and what values are behind each decision making process.

The identification, evaluation and control of financial and non-financial risks that may affect the performance and reputation of the company are set out in the Allfunds risk map, with the Risk and Audit Committee and the Internal Risk and Audit Committee[1] being responsible for updating, monitoring, managing, mitigating and validating them in accordance with the risk appetite established by the Board of Directors.

The function of the Internal Risk and Audit Committee and the Risk and Audit Committee is to ensure that the entity's risk exposure is within the tolerance established by the Board of Directors. The main objectives of the Risk Committee are therefore to define, administer and monitor compliance with the organisation's risk management policies.

The Risk Management area (including the Technology Risk team), together with the Compliance area, contributes to business sustainability by prudently managing the following risks, both at the level of the parent company and at that of the branches, subsidiaries and local representative offices.

- Credit/counterparty risk.
- Market risk.
- Interest rate risk.
- Exchange rate risk.
- Liquidity risk.

[1] Allfunds has a Risk and Audit Committee that reports directly to the Board of Directors and an internal Risk and Audit Committee that reports to Management.

- Concentration risk.
- Operating risk.
- Technological risk.
- Third-party risk (outsourcing).
- Regulatory compliance risk.
- Reputational risk.
- Behavioural risk.
- Legal risk.
- Environmental risk.
- Money laundering and financing of terrorism risk.

Given the type of activity carried out by Allfunds, the main risks are operational risk, including technology risk, as well as reputational risk.

The above aspects are developed in more detail within the Prudential Relevance Report available on the Allfunds public website.

Risk control measures

The risk management model at Allfunds is based on three lines of defence, meaning that the entire organisation is involved in managing and controlling risk.

However, the Risk Unit has controls to detect incidents, of which the Risk and Audit Committee is informed, as well as a Crisis Management Committee as a fundamental element in decision-making.

Specifically, Allfunds has a Mitigation Management Procedure aimed at identifying and managing the mitigation measures needed to reduce operational risk.

In addition, Allfunds has a Recovery Plan with a twofold objective: to provide the institution with tools to detect and manage a possible substantial deterioration in its financial position and entry into crisis, and to identify and analyse possible measures to be taken to bring its financial position, solvency and liquidity back to a desirable situation.

The Recovery Plan is subject to a specific governance framework involving different bodies of the entity, including the Board of Directors, Management Committee, Finance Department, Risk Department, Internal Audit Department, Crisis Management Committee, Risk and Audit Committee and Internal Risk and Audit Committee. The Recovery Plan is integrated within the Allfunds governance and closely linked to the governance of the Risk Appetite Framework (RAF).

Below are the people responsible for managing each of the main risks affecting Allfunds.

Financial risks	Those responsible for prevention and management
• Credit/counterparty risk	• Risk department
• MARKET RISK	• Risk Department
• IRRBB RISK	• Risk Department
• OPERATING RISK	• Risk Department
• LIQUIDITY RISK	• Finance Department, Risk Department and Operations Department.

Table 2. - Main risks and those responsible for the risk

Other risks	Those responsible for prevention and management
• CONCENTRATION RISK	• Finance Department, Risk Department and Operations Department.
• TECHNOLOGICAL RISK	• Technological Risks Department.
• THIRD-PARTY RISK (OUTSOURCING)	• Legal Department, Compliance Department, Risk Department, IT Security Department.
• REPUTATIONAL RISK	• Compliance Department (Prevention of Money Laundering).
• COMPLIANCE RISK	• Compliance Department (Regulatory compliance).
• LEGAL RISK	• Legal Department.

Table 3.- Main risks and those responsible for the risk

Compliance monitoring programme

This is based on the analysis of regulatory and behavioural risks in order to ensure compliance with regulations and internal policies, as set out in various rules and the guidelines of the European Banking Authority and the European Securities and Markets Authority. The results are periodically presented to the Board's Audit and Risk Committee.

The programme aims to ensure that the internal policies, procedures, standards, codes of conduct applicable to its activity, organisation and control measures remain effective and appropriate to prevent, detect, correct and minimise the risk of non-compliance that could lead to penalties, material, financial or reputational losses. Through the Compliance programme, we seek to promote behaviour in accordance with regulations and ethical values, applying a comprehensive vision, to prevent and identify possible regulatory breaches and mitigate them.

The phases developed for the implementation of this programme have been:

(i) Evaluation of the applicable regulations, both at the global level of the Group and at the local level, for the activities carried out by Allfunds and the specific regulatory requirements.

(ii) Identification of the risk inherent in each regulatory requirement.

(iii) Assignment of mitigating controls and control owner (first line of defence in business and support areas), at the local, entity and global levels.

(iv) Execution of regular monitoring of the correct design and effectiveness of controls. In the first step, surveys are conducted in the business and support areas for self-assessment, and in the second step, the Compliance department reviews the evidence and checks the controls.

(v) Definition of action plans for inefficient controls and supervision of their development.

The following diagram shows the phases developed in this programme in 2019.

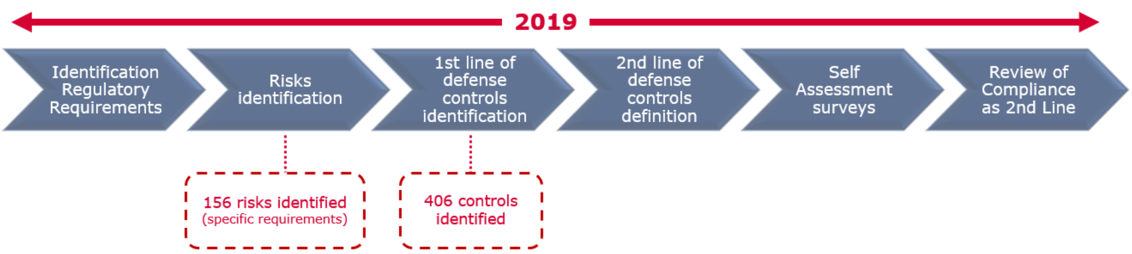

Illustration 6.- Phases of the compliance monitoring program.

Prevention of Money Laundering and Financing of Terrorism

In accordance with the provisions of Law 10/2010 on the Prevention of Money Laundering and the Financing of Terrorism, of 28 April, updated by Royal Decree-Law 11/2018, of 31 August, which transposes Directive (EU) 2015/849 of the European Parliament and of the Council, of 20 May (known as the Fourth AML/CFT Directive), Allfunds has a Manual for the Prevention of Money Laundering and Financing of Terrorism, which sets out the guidelines for action and due diligence measures implemented throughout the Group, and is managed and coordinated by the AML/CFT Unit within the Compliance Department.

The pillars on which the model is based include:

(i) Measures at the beginning of commercial relations with customers, through the application of due diligence and analysis of each customer. Also, before starting commercial relations in each geography, a country analysis is carried out.

The approval of new customers is made by the Customer Acceptance Committee, chaired by the General Manager and assisted by the Compliance management and the members of the AML/CFT Unit, the Risk department management, and the Legal and Commercial departments. The committee presents the analyses made of each customer by both the AML/CFT Unit and the Risk Department, as well as the commercial reasons. This committee also approves new countries in which to establish customer relations.

(ii) Customer monitoring measures. Allfunds has established the following tools for this purpose: daily screening of customer data, comparing it with international lists of sanctions and embargoes, periodic analysis of customer due diligence, daily screening of money flows, controls and alerts based on customer transactions, and on-site visits and reviews of higher-risk customers or in major risk areas.

Criminal Risk Prevention

In accordance with the Spanish Criminal Code and Circular 1/2016, on the Criminal Responsibility of the Legal Person, of the State Attorney's Office, companies must have robust models for the prevention of criminal risks adapted to their activity.

As a result, and in line with its compliance culture, Allfunds has a Criminal Compliance Model implemented through the Regulatory Compliance and Criminal Risk Prevention Policy and its development manuals and guides, as well as a methodology from the Supervisory and Control Body whose tasks correspond to the Compliance Department.

As mentioned above, the Regulatory Compliance and Criminal Risk Prevention Policy sends a clear message to all Allfunds' executives and employees, as well as to third parties who have dealings with the company, opposing the commission of any illegal, criminal or other acts and their commitment to combat such acts and to prevent any deterioration in the image and reputation of Allfunds. During 2019, this message has been reinforced through specific training plans for employees in terms of behaviour guidelines and criminal risk prevention models, including practical cases to make the message more pragmatic.

Among the bodies that favour an adequate control environment, we highlight (i) the Board Committees, the Audit and Risk Committee and the Remuneration and Appointments Committee, (ii) the Audit and Risk Committee through which the Global Head of Compliance, as the Supervisory and Control Body, reports to management on the conclusions of the Corporate Defence model and (iii) the Customer Acceptance Committee and the AML/CFT Internal Control Body.

Allfunds opts for a sustainability perspective based on environmental risk management and the environmental education of employees to evaluate, avoid, reduce and mitigate the environmental risks and impacts of the activities carried out by the company.

For this reason, during 2019, it created an environmental assessment procedure to identify and evaluate its environmental aspects and their associated impacts, and to control and monitor them.

4. Environmental issues

4.1. Global Environment

Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety, environmental assessment or certification procedures.

Environmental responsibility is a prerequisite and unavoidable condition for the survival and prosperity of human beings, which is why the management of environmental aspects is an important issue within the company's social responsibility. Allfunds takes responsibility for the environmental impacts of its activities throughout their entire life cycles, and in each and every region in which it operates.

Allfunds identifies its environmental aspects and the impacts associated with its service provision according to its environmental assessment procedure. The main environmental aspects identified, and their impacts include:

Process / Activity	Aspect	Impact
Lighting of the installations and supply of equipment	Electricity consumption (kWh)	Exhaustion of natural resources
Cleaning, human consumption and domestic use	Water consumption (m^3)	Exhaustion of natural resources
Paper use in the office	Paper consumption (sheets)	Exhaustion of natural resources
Paper printing in the office	Toner consumption (units)	Resource depletion through consumption of raw materials
Bulb replacement or end of life of bulbs	Fluorescent waste generation (units)	Environmental pollution, land use
Paper use and printing in the office	Paper and cardboard waste generation (kg) Toner waste generation (units)	Pollution from waste management, land use
Packaging waste, containers	Generation of plastic and packaging waste (kg)	Environmental pollution, land use

Obsolete or damaged equipment	Generation of WEEE waste (units)	Environmental pollution, land use
Kitchen, dinning-room and pruning waste	Generation of organic waste	Pollution from waste management Landfill filling
Use of office equipment	Alkaline battery generation (kg)	Environmental pollution, land use
Office activities	Noise emission to the atmosphere	Air pollution and health conditions
General office toilet use	Discharge of urban waste water or domestic water (m^3)	Water pollution.

Table 4.- Environmental aspects and impacts.

Allfunds includes a commitment to the environment in its General Code of Conduct, as follows: "The persons covered to the Code, within the scope of their competence, must actively and responsibly undertake to preserve the environment, respecting legal requirements and following the recommendations and procedures established by Allfunds to reduce the environmental impact of their activities and promote sustainable development."

And the following environmental commitments in its Corporate Social Responsibility Policy:

- Prevent pollution by making reasonable use of resources and establishing actions to gradually minimise it.
- Contribute to climate change mitigation and sustainable resource use by combining or replacing the use of non-renewable resources with renewable resources in key areas such as materials and facilities use and water.
- Establish environmental criteria in the selection of suppliers and encourage environmental responsibility actions while waiting for Allfunds' input.
- Measure, record and report with transparency on the company's main environmental indicators.

Furthermore, in relation to its decision-making and activities, it applies a preventive approach so that it does not become involved in projects where there are indications of a threat of serious or irreversible damage to the environment or human health.

Allfunds assesses the occupational risks of each of its business lines and activities. The effects of these risks on health are recorded annually in its annual report on preventive activity, as well as in the results provided in section 5.3 of this report.

The resources dedicated to the prevention of environmental risks

Allfunds has a general services department that monitors environmental aspects and proper waste management, and a Marketing & CSR department and is responsible for coordinating the company's social responsibility activities. The maintenance of the facilities, which has no significant impact on the environment, is subcontracted to external companies.

The total resources allocated to environmental risk prevention in 2019 were €164,001. The breakdown of these resources dedicated to the prevention of environmental risks is as follows:

- Resources allocated to salaries of people directly involved in the prevention of environmental risks related to the percentage of exclusive allocation to this duty: €12,000
- Resources allocated to the maintenance of facilities with environmental impact: €132,692.08
- Resources allocated to waste management: €12,349
- Resources allocated to the implementation of environmental management procedures: €6,960.

Allfunds has not received any fines or environmental sanctions during 2019.

The application of the precautionary principle, the amount of provisions and guarantees for environmental risks.

The principle of environmental precaution at Allfunds is articulated through its procedure for environmental aspects, its corporate social responsibility policy and the commitment to the environment in its General Code of Conduct.

Since Allfunds considers the environmental impacts of its business lines to be insignificant, it has no provisions or guarantees to deal with the possible materialisation of its environmental risks.

4.2. Pollution

During 2019, Allfunds has conducted a study of all its workplaces in order to calculate its carbon footprint. In some of the centres it has not been possible to calculate the emissions derived from electricity consumption, since this is included in the rental costs. Even so, the calculation of the carbon footprint includes the energy consumption of most of the major Allfunds centres according to the number of employees. The result of the carbon footprint calculation for all its centres is as follows:

Table 5.- Emissions in tonnes of CO_2 equivalent			
Allfunds centres	**Scope 1 (t CO_{2eq})**	**Scope 2 (t CO_{2eq})**	**Scope 1+2 (t CO_{2eq})**
MADRID	0.00	364.36	364.36
MILAN	4.88	24.39	29.27
ZÜRICH	4.27	-	4.27
LUXEMBOURG	0.00	38.15	38.15
SINGAPORE	0.00	9.53	9.53
CHILE	56.26	-	56.26
COLOMBIA	1.19	-	1.19
LONDON	0.00	-	0.00
DUBAI	1.91	-	1.91
HONG KONG	0.00	-	0.00
TOTAL	**68.51**	**436.43**	**504.94**

Scope 1 corresponds to direct emissions. These include:

- Fuel consumption in buildings (natural gas and diesel boilers).
- Leakage of fluorinated refrigerant gases in air-conditioning/refrigeration equipment (gas refilling carried out in such equipment).
- Vehicle fuel consumption.

Scope 2 is indirect emissions due to electricity consumption in buildings.

During 2019, Allfunds established measures to reduce carbon emissions at its Madrid centre:

- There are twelve solar panels for the production of hot water and for the reduction of electricity consumption. From July to December 2019, electricity consumption has been reduced by 9,314.15 kW.
- All the lighting is Dali and can be regulated by the FUDOMO BMS building management programme.
- During 2019, the property of the building started a process to obtain a LEED GOLD-SILVER certification (Leadership in Energy and Environmental Design). It is a green and sustainable construction programme that requires objective evidence that specific requirements have been met in the areas of sustainability, efficiency in the use of water, energy, air, materials and resources, indoor environmental quality, locations and linkages, environmental awareness and education, and design innovation.

Allfunds' London office building is ISO 14001 certified for environmental management, and its environmental policy includes a commitment to achieve zero net carbon emissions from its UK workplaces by 2030. To achieve this objective, the short-term goal is to integrate zero net carbon emissions into the services of all the buildings it manages and the implementation of sustainable and innovative practices in the workplace.

Several work centres have terraces with various types of plants to absorb carbon dioxide:

- Madrid: 1,525.6 m^2 of ivy (hedera) and yew (taxus baccata) bushes.
- Luxembourg: on the 6th floor there are 28 m^2 of boxwood (Buxus sempervirens) and on the 7th floor, 118 m^2 of boxwood and shrubs.
- Milan: on the 6th floor there are 820 m^2 of olive, lavender and boxwood trees, and on the 7th floor, 140 m^2 of shrubs.

During 2019, no environmental measurements or measures to prevent, reduce or repair noise or lighting pollution have been made because the assessment of environmental aspects has determined them to be of a non-significant nature. In any case, Allfunds complies with the Municipal Ordinances of the locations where the workplaces are located regarding noise and light pollution in Spain, and other legal provisions in the rest of the countries.

4.3. Circular economy and waste prevention and management

Allfunds does not carry out actions to promote the circular economy beyond recycling and reuse of the waste generated. By 2020, it plans to use garden waste to produce compost, as well as to obtain LEED certification in its Madrid centre.

Allfunds' activities generate paper and cardboard, plastic and organic waste, toner, alkaline and fluorescent batteries and obsolete computer equipment.

Allfunds has contracts with authorised waste managers for the correct collection and management of paper, cardboard and oil waste at its Madrid centre. In the other centres, responsibility for the proper management of waste is transferred to the building's property.

As far as actions to combat food waste are concerned, only the Madrid centre has a kitchen and dining-room. Leftover food is usually distributed among the workers of the organisation. For next year, new actions, also related to LEED certification, will be studied. Even so, it is not a relevant event or one that has a significant impact on the organisation, nor does it influence the assessments and decisions of stakeholders.

4.4. Sustainable use of resources

Water consumption comes from the general public sewage system where Allfunds is present. Allfunds calculates the total water consumption and for each of its workplaces where it has a meter, since, in most centres, water consumption is included in the cost of renting the buildings occupied by Allfunds.

Total water consumption in 2019 at the Madrid and Singapore centres was 3,963.40 m^3 and average consumption per person was 34.68 m^3 (out of a total of 284 workers). By 2020, it is planned to change the water outlets for employees' showers in the Madrid centre, to reduce consumption and control the water flow per second (m^3/s).

Allfunds records and monitors the paper consumption of all its workplaces. Total paper consumption in 2019 was 9,549,019.00 pages. In accordance with its privacy policy and the Allfunds digitisation process, it is expected that paper consumption will be minimised in the future.

The buildings do not have boilers, so there is no fuel consumption for the thermal comfort of workers in the workplace.

Allfunds offers its employees a fleet of 26 vehicles, four of which are hybrids. In addition, as a measure to promote the transition to electric cars, Allfunds has 9 electric vehicle chargers in the Madrid centre.

With regard to electricity, Allfunds consumes energy from the general electricity network and in the Madrid centre energy is generated and consumed by twelve solar panels, thanks to which electricity consumption has been reduced, from July to December 2019, by 9,314.15 kW. In Madrid, the environmental impact of our electricity depends on the energy sources used to generate it. On a scale from A to G where A indicates minimum environmental impact and G the maximum, and considering that the national average value corresponds to level D, the energy supplied by VIVE ENERGÍA has the value of carbon emissions C.

Allfunds has calculated the electricity consumption of all its workplaces where there is an individual meter and where it has access to the data, and this is not included in the rental cost (Madrid, Milan, Luxembourg and Singapore). Electricity consumption in 2019 was 1,061,635.06 kWh and the average per worker was 2831.03 kWh (out of a total of 375 workers).

4.5. Climate change

During 2019, Allfunds has conducted a study of all its workplaces in order to calculate its carbon footprint. This information is set out in section 4.2 Pollution.

Allfunds has long-term goals set for the reduction of greenhouse gas emissions. These include:

- Changing the chemicals used in their gardens for less polluting ones.
- Installing plants on the terraces inside London and Zurich.
- Trying to quantify the emissions from electricity consumption in centres where no data is available, in order to subsequently reduce such consumption.

4.6. Protection of biodiversity

Allfunds does not carry out specific measures to preserve or restore biodiversity, as all of its workplaces are located in cities or urban areas where biodiversity is not affected or where impacts on natural protected areas are not generated.

5. Social and staff issues

5.1. Employment

a) Total number of employees by sex, age, country and professional classification.

The criteria used to create the professional classifications throughout this report is: i) administrative: without university qualification, ii) technical: with university qualification; and iii) executives: members of the Board of Directors, a group identified by banking regulation, and certain regional and area directors, according to consolidated annual accounts as of December 31.

COUNTRY	No. of employees Total	Age ranges (years)			Executives		Administrative workers		Technicians	
		<30	30-50	> 50	Men	Women	Men	Women	Men	Women
Brazil	**1**	0	1	0	1	0	0	0	0	0
Chile	**3**	1	2	0	1	0	0	1	0	1
Colombia	**4**	4	0	0	1	0	0	0	1	2
Hong Kong	**2**	0	2	0	1	0	0	0	0	1
Italy	**60**	8	45	7	1	1	0	0	20	38
Luxembourg	**31**	1	29	1	6	2	0	1	10	12
Singapore	**16**	0	15	1	1	0	0	1	8	6
Spain	**324**	71	229	24	13	4	3	6	189	109
Sweden	**5**	1	4	0	1	0	0	0	1	3
Switzerland	**23**	3	14	6	3	0	0	1	13	6
Arab Emirates	**3**	0	2	1	1	0	0	1	0	1
United Kingdom	**44**	8	33	3	5	0	0	1	11	27
Overall total	**516**	97	376	43	35	7	3	12	253	206

Table 6.- Total number of employees by sex, age, country and professional classification.

b) Distribution of employees by sex, age, country and professional classification.

COUNTRY	No. of employees Total	Age ranges (years)			Executives		Administrative workers		Technicians	
		<30	30-50	> 50	Men	Women	Men	Women	Men	Women
Brazil	**1**	0.0%	100.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chile	**3**	33.3%	66.7%	0.0%	33.3%	0.0%	0.0%	33.3%	0.0%	33.3%
Colombia	**4**	100.0%	0.0%	0.0%	25.0%	0.0%	0.0%	0.0%	25.0%	50.0%
Hong Kong	**2**	0.0%	100.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	50.0%
Italy	**60**	13.3%	75.0%	11.7%	1.7%	1.7%	0.0%	0.0%	33.3%	63.3%
Luxembourg	**31**	3.2%	93.5%	3.2%	19.4%	6.5%	0.0%	3.2%	32.3%	38.7%
Singapore	**16**	0.0%	93.8%	6.3%	6.3%	0.0%	0.0%	6.3%	50.0%	37.5%
Spain	**324**	21.9%	70.7%	7.4%	4.0%	1.2%	0.9%	1.9%	58.3%	33.6%
Sweden	**5**	20.0%	80.0%	0.0%	20.0%	0.0%	0.0%	0.0%	20.0%	60.0%
Switzerland	**23**	13.0%	60.9%	26.1%	13.0%	0.0%	0.0%	4.3%	56.5%	26.1%
Arab Emirates	**3**	0.0%	66.7%	33.3%	33.3%	0.0%	0.0%	33.3%	0.0%	33.3%
United Kingdom	**44**	18.2%	75.0%	6.8%	11.4%	0.0%	0.0%	2.3%	25.0%	61.4%
Overall total	516	18.6%	73.5%	7.9%	26.4%	0.8%	0.1%	7.1%	25.0%	40.6%

Table 7.- Distribution of employees by sex, age, country and professional classification.

c) Total number of employment contract modalities

	Technicians			Administrative workers			Executives			
Type	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**	**TOTAL**
Under 30 years of age	**60**	**30**	**90**	**2**	**2**	**4**	**1**	**0**	**1**	**95**
Indefinite	**60**	**29**	**89**	**2**	**2**	**4**	**1**	**0**	**1**	**94**
Full Time	60	29	89	2	2	4	1	0	1	94
Part Time	0	0	0	0	0	0	0	0	0	0
Temporary	**0**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
Full Time	0	0	1	0	0	0	0	0	0	1
Part Time	0	0	0	0	0	0	0	0	0	0
Between 30 and 50 years old	**192**	**147**	**339**	**0**	**10**	**10**	**23**	**6**	**29**	**378**
Indefinite	**192**	**147**	**339**	**0**	**10**	**10**	**23**	**6**	**29**	**378**
Full Time	192	147	339	0	10	10	23	6	29	378
Part Time	0	0	0	0	0	0	0	0	0	0
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Full Time	0	0	0	0	0	0	0	0	0	0
Part Time	0	0	0	0	0	0	0	0	0	0
Over 50 years old	**17**	**13**	**30**	**1**	**0**	**1**	**11**	**1**	**12**	**43**
Indefinite	**17**	**13**	**30**	**1**	**0**	**1**	**11**	**1**	**12**	**43**
Full Time	17	13	30	1	0	1	11	1	12	43
Part Time	0	0	0	0	0	0	0	0	0	0
Temporary	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Full Time	0	0	0	0	0	0	0	0	0	0
Part Time	0	0	0	0	0	0	0	0	0	0
TOTAL:	**269**	**190**	**459**	**3**	**12**	**15**	**35**	**7**	**42**	**516**

Table 8.- Total number of employment contract modalities.

d) Distribution of employment contract modalities

	Technicians			Administrative workers			Executives			
Type	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**	**Man**	**Woman**	**Total**	**TOTAL**
Under 30 years of age	**11.63%**	**5.81%**	**17.44%**	**0.39%**	**0.39%**	**0.78%**	**0.19%**	**0.00%**	**0.19%**	**18.41%**
Indefinite	**11.63%**	**5.62%**	**17.25%**	**0.39%**	**0.39%**	**0.78%**	**0.19%**	**0.00%**	**0.19%**	**18.22%**
Full Time	11.63%	5.62%	17.25%	0.39%	0.39%	0.78%	0.19%	0.00%	0.19%	18.22%
Part Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Temporary	**0.00%**	**0.19%**	**0.19%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.19%**
Full Time	0.00%	0.19%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.19%
Part Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Between 30 and 50 years old	**37.21%**	**28.49%**	**65.70%**	**0.00%**	**1.94%**	**1.94%**	**4.46%**	**1.16%**	**5.62%**	**73.26%**
Indefinite	**37.21%**	**28.49%**	**65.70%**	**0.00%**	**1.94%**	**1.94%**	**4.46%**	**1.16%**	**5.62%**	**73.26%**
Full Time	37.21%	28.49%	65.70%	0.00%	1.94%	1.94%	4.46%	1.16%	5.62%	73.26%
Part Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Temporary	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Full Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Part Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Over 50 years old	**3.29%**	**2.52%**	**5.81%**	**0.19%**	**0.00%**	**0.19%**	**2.13%**	**0.19%**	**2.33%**	**8.33%**
Indefinite	**3.29%**	**2.52%**	**5.81%**	**0.19%**	**0.00%**	**0.19%**	**2.13%**	**0.19%**	**2.33%**	**8.33%**
Full Time	3.29%	2.52%	5.81%	0.19%	0.00%	0.19%	2.13%	0.19%	2.33%	8.33%
Part Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Temporary	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Full Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Part Time	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL:	**52.13%**	**36.82%**	**88.95%**	**0.58%**	**2.33%**	**2.91%**	**6.78%**	**1.36%**	**8.14%**	**100.00%**

Table 9.- Distribution of employment contract modalities.

e) Average annual number of indefinite contracts, temporary contracts and part-time contracts by sex, age and professional classification

This information is not relevant since, as can be seen in the table above, the frequency of part-time and temporary contracts is minimal.

f) Number of dismissals by sex, age and professional classification.

Type	Man	Woman	Total
Executives	**2**	**1**	**3**
Under 30 years of age	0	0	0
Between 30 and 50 years old	1	0	1
Over 50 years old	1	1	2
Administrative workers	**0**	**0**	**0**
Under 30 years of age	0	2	2
Between 30 and 50 years old	0	2	2
Over 50 years old	0	0	0
Technicians	**9**	**4**	**13**
Under 30 years of age	3	2	5
Between 30 and 50 years old	6	1	7
Over 50 years old	0	1	1
Total:	**11**	**5**	**16**

Table 10.- Number of dismissals by sex, age and professional classification.

g) The average salaries and their evolution broken down by sex, age and professional classification or equal value.

The salaries include fixed remuneration, variable remuneration and company contributions to the employee pension plan. Due to confidentiality issues and not distorting the results, we have excluded the Top-4 managers, as well as modified the age ranges. Data is expressed in thousands of euros.

	Average Remunerations 2019			Average Remunerations 2018		
Type	Man	Woman	Total	Man	Woman	Total
Executives	**€213**	**€237**	**€225**	**€195**	**€237**	**€216**
Under 40 years of age	€183	€246	€215	€185	€246	€215
Over 40 years old	€244	€228	€236	€206	€227	€216
Technicians	**€74**	**€72**	**€73**	**€57**	**€57**	**€57**
Under 40 years of age	€56	€56	€56	€43	€42	€42
Over 40 years old	€93	€87	€90	€70	€73	€72
Administrative workers	**€24**	**€65**	**€45**	**€18**	**€60**	**€39**
Under 40 years of age	€23	€46	€35	€11	€40	€25
Over 40 years old	€26	€84	€55	€26	€79	€52
Total:	**€104**	**€125**	**€114**	**€90**	**€118**	**€104**

Table 11.- Average salaries and their evolution broken down by sex, age and professional classification or equal value.

h) Wage gap, remuneration for equal or average jobs at company.

The calculation of the wage gap has been made taking into account the average remuneration of women minus the average remuneration of men divided by the average remuneration of men. The average salary gap of society using this formulation is -16%.

i) The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings schemes and any other payment broken down by gender.

For reasons of confidentiality and non-distortion of the results, we have excluded the Top-4 executives and modified the age ranges. Data are expressed in thousands of euros.

	Average Remunerations 2019	
Executives and Directors	**Man**	**Woman**
Under 40 years of age	€183	€247
Over 40 years old	€247	€228
Total:	**€247**	**€228**

Table 12.- Average remuneration of directors and executives.

j) Disconnection policies.

Allfunds includes a section on digital switch-off within its General Code of Conduct, as follows: "The mobile devices that can be assigned to employees are intended to provide flexibility and facilitate work activity through information technology and in addition to other work tools (computer or otherwise). Allfunds wishes to encourage the sensible and intelligent use of such devices. Therefore, unless it is strictly necessary for justified business or urgent reasons, or the specific characteristics of the job so require, employees are not expected to attend to work requests received through such devices during rest periods."

k) Employees with disabilities

In 2019, Allfunds was employing 7 people with special needs in two of the countries in which it operates. (5 people in Spain and 2 in Italy).

The percentage of people with special needs in relation to the average workforce in 2019 in Allfunds is 1.36% in total. In Spain it is 1.54%, and in Italy 3.33%.

Allfunds has a certificate of purchase dated December 2019 granted by the Special Employment Centre CADEMADRID as a non approved alternative for compliance with the General Disability Act. This is why in 2019 it completes its contribution to the inclusion and integration of people with disabilities in the workplace compared to other special employment centres for the amount of 23,861.26 euros, equivalent to 1.23%, thus complying with the General Disability Act, with more than 2% of people with special abilities hired (1.54%+1.23%=2.77%).

5.2. Organisation of work

The working hours and shifts of the people who work at Allfunds are marked, apart from the current legislation and the collective agreement, by the needs of the customers according to their activity. In this sense, Allfunds has established office hours at all its centres, with the following being the most common opening times:

- From Monday to Thursday: 8-hour day, with flexibility in terms of start and end time of 2 hours, depending on the time work is started, which will be from 8 a.m. to 10 a.m. There is one hour for lunch, between 1.30 p.m. and 3.30 p.m.
- On Fridays: 6.5-hour day, with flexibility in terms of start and end time of 2 hours, depending on the time work is started, which will be from 8 a.m. to 10 a.m. Workers have 30 minutes or one hour for lunch, at their own discretion, between 1.30 p.m. and 3.30 p.m.

The total number of hours of absence during 2019, calculated in an aggregate way in all countries, was 26,497.50 hours.

The measures of Allfunds aimed at facilitating the enjoyment of conciliation and promoting co-responsibility by both parents are time flexibility and digital disconnection. Additionally, it includes the reconciliation of work and personal life within its General Code of Conduct.

5.3. Health and safety

Allfunds fulfils its responsibility to provide a safe and healthy working environment for its employees by applying the regulations in force in each country in which it operates. In particular, in Spain, in accordance with Articles 10 and 14 of Royal Decree 39/1997, Allfunds adopts a third-party prevention service (SPA) as a preventive modality, which takes on the specialities of health and safety at work, industrial hygiene, ergonomics, applied psychosociology and health surveillance. Despite the fact that all the activities related to health and safety in the workplace are included in the preventive reports that the SPA carries out annually, the most important milestones in health and safety during 2019 include:

- The updating of occupational risk assessments due to the move to the new facilities in the Madrid centre.
- Installation of defibrillators. Throughout 2019, the decision was made to install defibrillators in all Allfunds offices regardless of the number of workers, size and location. Its aim is to offer the greatest protection and means to the employees and thus set up safe and healthy working spaces.

No Health and Safety Committees have been set up in Allfunds, although it has had two workers' representatives in Luxembourg since April 2019.

In 2019, there were 4 accidents with sick leave at Allfunds. The following table shows the breakdown of accident types and frequency and severity rates by sex:

Type	Man	Woman	Total
No. of accidents	2	2	**4**
Frequency rate (no. of accidents/no. of hours worked*10^6)	1.03	1.03	**2.06**
Severity index (no. of days off/no. of hours worked*10^3)	0.075	0.075	**0.15**
Occupational diseases	0.00	0.00	**1.00**
Frequency rate (no. of diseases/no. of hours worked*10^3)	0.00	0.00	**0.00**
Severity index (no. of days off/no. of hours worked*10^3)	0.00	0.00	**0.00**

Table 13.- Occupational accidents 2019 and frequency and severity rates.

Allfunds does not hold positions in the organisation that are classified as being at high risk of accidents and/or illness related to its activity.

5.4. Social relations

In Luxembourg, since April 2019, there has been worker representation. In the other countries, Allfunds organises its social dialogue with workers through direct communications with the Human Resources Department and the Regulatory Compliance Unit, which are articulated through its communication channels and mailboxes made available to workers (regulatorycompliance@allfunds.com and through the intranet in the Whistleblowing Channel section).

80.45% of Allfunds employees are covered by collective agreements since not in all countries where Allfunds operates there are collective agreements. The various collective agreements are detailed below:

- In Madrid, Banking Agreement. Including 272 employees.
- In Valencia, Valencia Office Agreement. Including 52 employees.
- In Italy, Contratto Collettivo Nazionale di Lavoro peri quadri direttivi per il personale delle aree professionali (dal 1° alla 3°) dipendenti dale aziendecreditizie, finanziarie e strumentali). Including 60 employees.
- In Luxembourg, Collective Bargaining Agreement for Bank Employees. Including 31 employees.

Allfunds complies with the health and safety requirements included in its collective agreements. In addition, it complies with the provisions of the occupational risk prevention legislation that applies to it. The balance of the entire occupational health and safety management carried out by Allfunds, including the balance of the collective agreements, is evidenced by the number of occupational accidents and diseases and their associated accident rates.

5.5. Training

Allfunds has a policy and annual training plan for staff. The total number of training hours per professional category and type of training provided in Allfunds during 2019 was:

Type	Mandatory training	Languages	Technology	No. of training hours
Administrative workers	59	123	0	**182**
Technicians	1958	4376	220	**6,554**
Executives	126	309	8	**443**
Total:	**2143**	**4808**	**228**	**7,179**

Table 14.- Number of training hours 2019.

5.6. Universal accessibility for people with disabilities

The interior spaces of the Allfunds offices are adapted for people with disabilities, in compliance with current regulations. There are entries suitable for use by everyone and there are toilets adapted for people with disabilities in most centres. For the property of the building in the centre of Madrid, there has been a process for getting an accessibility certificate for the facilities under way since 2019. The ultimate goal is that the environment should not be a constraint on people.

In its General Code of Conduct, Allfunds includes a section on equal opportunities and non-discrimination, which states that it is a basic principle of Allfunds to provide the same opportunities of access to work and professional promotion, always ensuring that there is no discrimination based on gender, sexual orientation, race, religion, family background, nationality, age, disability, language, marriage status or social condition, political ideology, political or union membership or any other characteristic not objectively linked to working conditions or whose consideration for this purpose is prohibited by applicable legislation. It also has an equality and diversity policy.

5.7. Equality, non-discrimination and diversity management

Allfunds has had more than 250 employees since the end of 2018, and in accordance with the Law 3/2007 for effective equality between women and men, in 2019 it selected an external consultant to carry out the advice for the design and negotiated preparation of the Allfunds Equality Plan. As of 31 December 2019, Allfunds has a situation diagnosis from which it will deploy its commitment and actions to respect the principle of equality between women and men.

Allfunds has an equality and diversity policy which is drawn up in 2019 and is scheduled for approval by the Board of Directors in 2020, and its CSR policy includes a commitment to ensure that equal treatment and opportunities for employees, suppliers, customers, and anyone else with whom Allfunds has contact or who may have an impact are not discriminated against or nullified.

Allfunds includes in its General Code of Conduct a section on respect for people, where it is included that harassment and abuse whether sexual, work or personal, intimidation, lack of respect and consideration or any type of physical or verbal aggression are unacceptable and will not be permitted or tolerated at work. In addition, it indicates how to act in the event of having knowledge of these cases.

6. Respect for human rights

For human rights due diligence and prevention of the risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible human rights abuses, Allfunds has:

- A Compliance system, led by the AML Internal Control Body and the Risk Committee in which Allfunds Management participates, which meet quarterly. Additionally, the Compliance Department reports to the Board's Risk and Audit Committee on a regular basis.

- Corporate social responsibility policy, which includes a commitment to contribute to the effective practice of fundamental labour rights in each and every country where Allfunds employs people. These rights include the elimination of all forms of forced or compulsory labour, the effective abolition of child labour and equal opportunities and access to promotion and career, training and any social benefits provided by the company.

- A General Code of Conduct, which includes a section on respect for the internationally recognised rights of union membership, association and collective bargaining, as well as the activities conducted by organisations representing employees, in accordance with the duties and competencies legally attributed to them, with whom they will maintain a relationship based on mutual respect in order to promote open, transparent and constructive dialogue to consolidate the goals of social harmony and employment stability.

- Supplier Code of Conduct, which aims to align its decision-making process based on its leadership, ethical and socially responsible values, in accordance with the seven principles of social responsibility included in ISO 26000: accountability, transparency, ethical behaviour, respect for the interests of stakeholders, respect for the rule of law, respect for international standards of behaviour and respect for human rights.

The Regulatory Compliance Unit coordinates the training of Allfunds employees on conduct (alignment with ethical standards and principles of conduct that must be considered by Allfunds employees) & Corporate Defence (knowledge of Allfunds' corporate defence model, the list of potential criminal offences that could affect the company's activity, the existence of appropriate channels for reporting unethical or illegal behaviour), Prevention of Money Laundering and Financing of Terrorism (knowledge of the detection and prevention measures in place), Privacy (knowledge of the measures required in data and information processing) and Regulations applicable in the field of the securities market.

Allfunds provides its staff with channels for consulting and/or reporting cases where non-compliance with the General Code of Conduct is detected or suspected (through regulatorycompliance@allfunds.com and the Whistleblowing Channel on the Allfunds intranet, both managed through the Regulatory Compliance Unit).

In addition, Allfunds has a generic communication channel for third parties in the contact section of the Allfunds website.

During 2019, at Allfunds there were no complaints for human rights violations, so it has not been necessary to take measures to mitigate, manage and repair possible abuses.

7. Fight against corruption and bribery

Allfunds has a compliance system based on internal codes of conduct and policies. In addition, it has a compliance monitoring program with two main pillars, the first one according to the Corporate Defence model and the second one through the analysis of regulatory risks. In addition, there is a complaints channel available to all employees via the Intranet. Specifically, to prevent corruption and bribery, Allfunds has established the following protocols:

- Allfunds' General Code of Conduct, which includes a section on gifts, commissions or financial facilities, stating that it is forbidden to deliver or accept any kind of income, fee, gift or invitation not authorised by the procedures established by Allfunds to obtain an advantage from one's position in the group for one's own benefit.

- Anti-Corruption and Gift and Invitation Policy, which clearly sets out the criteria and principles of action to be followed by its employees in any of their professional relationships with Allfunds, in order to ensure compliance with the Anti-Corruption Regulations and specifically with regard to gifts, invitations, commissions, remuneration, income, advantages or benefits, which are mandatory and additional to the General Code of Conduct.

To combat money laundering, Allfunds has a Manual for the Prevention of Money Laundering and the Financing of Terrorism, which contains the concepts, guidelines and directives that employees must observe when carrying out their activities.

8. Information about the company

8.1. The company's commitments to its stakeholders and sustainable development.

Allfunds' commitment to sustainable development is reflected in its CSR policy. Among these commitments to sustainable development, Allfunds' impact on local development is of note, as 90% of its purchases are local.

Allfunds has the Allfunds Solidarity Fund, which is an aid channel whose functional goal is to contribute to social development and carry out social work for the benefit of people. It involves a strong commitment to improving the local communities in which Allfunds operates, as well as in many other places of need through the generation of funds that are donated in accordance with guidelines and regulations. Donations can come from various parties: directly from Allfunds, from Allfunds employees, from sponsors of solidarity events and from private individuals (customers and people working in Investment Fund Managers).

Only projects submitted by entities under Law 49/2002 on the tax system for non-profit organisations and tax incentives for patronage, legally constituted, that pursue general interest purposes are studied. Allfunds has an Allfunds Solidarity Fund policy, which sets out the following guidelines and criteria when selecting a project or making a donation:

- There is a Solidarity Fund Committee to ensure an objective and consensual choice of project selection.
- The selection of the global projects takes into account the security criteria by analysing each proposed project in depth.
- Operations that do not respond to community or aid work will be avoided.
- The Solidarity Fund Committee will present an annual report detailing the projects financed in the year and the amounts donated.

Donations made by Allfunds during 2019 included:

Table 15. Donations made by Allfunds 2019

Foundations	Donations
Hospital Niño Jesús de Madrid	€3,494
Fundación A LA PAR	€6,000
Unoentrecienmil Foundation	76.313
Prodis Foundation	€2,500
Noor Dubai Foundation	€2,500
Save The Children Foundation	€2,000
CESAL Foundation	€5,040
Fundación Esteban. G. Vigil	€14,512
Fundación Khanimambo	€10,000
Deepak Foundation	€9,771
Fundación Madrina	€20,000
Fundación Pequeño Deseo	€20,000
AFANIC Foundation	€3,000
Fundación CRIS Contra el cáncer	€6,339
Total:	**€181,469**

In addition, through the Allfunds Solidarity Fund, Allfunds contributes to social development and carries out social work for the benefit of people. During 2019 two social volunteering actions have been carried out, one in Chile with the Coanil Foundation and the other with Fundación A LA PAR in Madrid.

Allfunds' stakeholders, their communication channels and type of established dialogue is as follows:

STAKEHOLDER GROUPS	COMMUNICATION CHANNELS											
Customers	E-MAIL	TELEPHONE NO.	FACE-TO-FACE MEETINGS	VIDEO CONFERENCE	SOCIAL NETWORKS	WEBSITE	FAX	MAILINGS	EVENTS AND CONFERENCES	ADVERTISING	INTRANET	COLLABORATIVE TOOLS (TEAMS, SKYPE, WHATSHAPP, ETC.)
Employees	X	X	X	X	X	X	X		X	X		X
Providers	X	X	X	X	X	X		X				
Regulators	X	X	X	X	X	X		X				
Board of Directors	X	X	X	X		X						X
Press	X	X	X		X				X			
Shareholders	X	X	X			X		X				
Investment Fund Managers	X	X	X	X	X	X		X	X	X		
Associations and Foundations	X	X	X	X	X	X		X	X	X		

Table 16. Stakeholders and communication channels

In relation to communication with stakeholders, Allfunds has a communications protocol that requires that all media requests be coordinated through the Department of Communications, and that all press releases be sent to the Department of Communications for review and approval.

During 2019, Allfunds has made the following sponsorships:

- Spain: Expansión-Allfunds Investment Fund Awards. Teatro Real de Madrid.
- Dubai: Fund Forum Conference
- Colombia: Fiap Asofondos
- Singapore: Hubbies
- Chile: FIAP
- Luxembourg: Farad Forum
- UK: Goodacre

The total cost of these sponsorships was 192,818 euros.

Allfunds belongs to the following associations:

- AEB, Spanish Banking Association.
- Findatex, Financial Data Exchange Templates.
- INVERCO, Association of Collective Investment Institutions and Pension Funds.
- ALFI, Association of the Luxembourg Fund Industry.

8.2. Subcontracting and suppliers

Allfunds has a supplier approval and evaluation procedure, which sets out the guidelines and principles to be considered as acceptable in the process of selecting new suppliers for the supply of any type of product or service. This process takes into account the alignment of the supplier with Allfunds' values and ethical principles of good governance and corporate social responsibility.

Within this procedure there is a supplier approval questionnaire, to ensure the supplier's commitment to and compliance with applicable legislation in terms of Corporate Defence, money laundering and the fight against the financing of terrorism and corporate social responsibility. This procedure also complies with the UK's Modern Slavery Act 2015, and is mandatory for any supplier wishing to be part of the Allfunds supply chain.

necessary to determine the acceptance or otherwise of the provision of a service by a supplier.

This procedure includes the express and documented acceptance of the Supplier Code of Conduct, and a document must be signed as an acknowledgement of receipt of the Code of Conduct. The commitments of action and conduct included in said Supplier Code of Conduct include:

- All laws and regulations of the country where the activities take place will be complied with.
- Human rights will be respected and their importance and universality recognised, and they must be applied in an indivisible manner in all countries, cultures and situations where the company operates. That the rights set out in the Universal Declaration of Human Rights will be respected and promoted within their supply chain.
- No contribution will be made to modern slavery under any circumstances.
- Suppliers shall not engage in or benefit from forced or compulsory labour and must comply with the International Labour Organization Conventions on forced labour.
- The right of employees to associate freely will be respected.
- At a minimum, wages and working hours must comply with the laws, rules and standards applicable in that regard in the country in question, including minimum wages, overtime and maximum working hours.
- No child labour will be used and, specifically, ILO standards will be complied with.
- Suppliers shall not discriminate against or support discrimination based on race, social or national origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age, or any other condition that may cause discrimination.
- Suppliers must treat all their workers with dignity and respect.
- Suppliers shall respect the right of their workers to a minimum wage and shall ensure that wages always meet, as a minimum, legal or industry standards and are sufficient to meet the basic needs of workers and also allow for certain discretionary spending.
- Suppliers must comply with legislation prohibiting human trafficking and with all applicable local regulations in the country or countries in which they operate, including, but not limited to, the Modern Slavery Act 2015.
- Suppliers must not, under any circumstances, participate in any form of corrupt practice (such as theft, fraud, conspiracy to defraud, blackmail, participation in a criminal organisation or money laundering activities).
- All employees shall be provided with good occupational health and safety conditions.

- Activities shall be carried out with respect for the environment and in compliance with all relevant legislation of the country concerned.

During 2019, Allfunds has not carried out supplier supervision systems or audits, because it has not been considered that there is a risk of non-compliance with the Supplier Code of Conduct.

8.3. Consumers

Taking into account the definition of a consumer as a person who consumes goods and products in a market society, Allfunds does not have specific measures for the health and safety of consumers, as it is a service company that does not in any way directly or indirectly affect the health and safety of its customers, who cannot be consumers.

Allfunds has a procedure for the management of customer complaints and claims. Its aim is to establish the institution's practices in the management of complaints from customers and users of Allfunds' financial services and to comply with the requirements established by current legislation, specifically those laid down in the regulations on payment services and those transposed into Spanish alternative customer dispute resolution legislation.

Allfunds has channels available for the communication of complaints and claims by customers (atencionalcliente@allfunds.com) and a register of customer claims and complaints with details of their type, description, dates of receipt and response, financial impact if applicable, response to the customer and status, including response and resolution times.

Allfunds received a total of two customer claims and one complaint during 2019. The claims were related to the incorrect calculation of withholding tax and a difference in the units of the share settlements, causing rejections in the refund orders. And the complaint was related to the delay in sending out the calls for the voting meeting. All claims and complaints were properly addressed, followed up and properly closed as of the date of this non-financial statement.

8.4. Tax information

The profits after taxes obtained by Allfunds in 2019 amount to 68,479,927.47 euros, and the breakdown by country is as follows:

Jurisdiction	Result after Taxes (thousands of euros
Spain	33,764
Italy	29,511
Luxembourg	6,843
United Kingdom	-2,113
Singapore	-4,901
Switzerland	18,443
Brazil	-8
Hong Kong	-348
Sweden	4,068
Total	**85,614**
Consolidation adjustments	-16,779
Consolidated Allfunds Group	**68,480**

Table 17.- Benefits after taxes by country

Taxes on profits paid during 2019 amount to 14,074,841.53 euros.

In 2019 the Centre for the Development of Industrial Technology ("CDTI") of the Ministry of Economy, Industry and Competitiveness awarded a grant of 196,571.41 euros to Allfunds Bank SAU for the Blockchain Platform R&D project. The grant has not been paid out as at 31.12.2019 and its payment, which will take place during the financial year 2020, is subject to the documentary justification of the expenditure incurred in the project.

VERIFICATION REPORT

REQUIRED UNDER

LAW 11/2018

Amending the Commercial Code, the consolidated text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, with regards to non-financial information and diversity.

Company: Allfunds Group

Date: 6 March 2020

Gabinete de Asesoría Empresarial

Company	Allfunds BANK, S.A.U., and all its subsidiary financial institutions, branches and representative offices, which together with the Bank constitute the Allfunds Group (hereinafter, "Allfunds").
Report submitted for verification	Consolidated Non-Financial Information Statement identified as 2019 for the Allfunds Group.
Report edition	2019, first version.

On-site verification dates	5 and 6 March 2020

Date of final edition of this Report	20 April 2020

Verifiers	Rut Ballesteros Gil - Social and Compliance Auditor accredited by APSCA with number 21703198.

Confidentiality
All the information, data and documents to which **CAVALA Gabinete de Asesoría Empresarial, S.L.** has had access during the verification process are totally confidential and have been used exclusively for the purposes of verification.

CONTENTS

1 Scope

The purpose of this report is to describe the system followed in verifying the information included in the non-financial information statement of Allfunds BANK, S.A.U., and all its subsidiary financial institutions, branches and representative offices, which together with the Bank constitute the Allfunds Group (hereinafter, "Allfunds"), in accordance with the requirements of Law 11/2018 applicable to the organisation, containing the results obtained and the recommendations detected for future consideration.

The verification carried out has been based on the indications established in the applicable law itself in its various articles, as well as on the principles of quality and content of non-financial reporting laid down by Law 11/2018, whether national frameworks, European Union frameworks (Eco-Management and Audit Scheme (EMAS) adapted to our legal system through Royal Decree 239/2013 of 5 April), or international frameworks (United Nations Global Compact, the United Nations Sustainable Development Goals, the Paris Agreement on Climate Change, the Guiding Principles on Business and Human Rights that implement the United Nations framework to "protect, respect and remedy", the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the International Organization for Standardization's ISO 26000, the International Social Responsibility SA8000, the International Labour Organization's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the GRI Sustainability Reporting Standards.

The methodology followed is governed by the internal procedures of CAVALA Gabinete de Asesoría Empresarial, S.L. (hereinafter, CAVALA), based on conventional auditing and sampling techniques which provide sufficient reliability as to the veracity of the information and its relevance as a basis for the professional judgement of the verification team.

The purpose of the verification is to check:

- ✓ The veracity of the information presented, the traceability of the data and the reliability of the contents.
- ✓ The level of quality and representativeness of the data and information, and the sources on which they are based.
- ✓ The adaptation to the content required by Law 11/2018 through the necessary issues to be included in a defined system of indicators.

2 Declaration of Independence

The contents and opinions expressed in this validation report are the sole responsibility of CAVALA.

The CAVALA staff members who have carried out this verification process have acted with total independence, and there are no links that could have influenced their work or the conclusions obtained.

The verification team assigned by CAVALA has the necessary experience and competences to carry out the verification of the report according to the indicated standards and has checked the necessary evidence to guarantee the adequacy of the report.

3 Summary of the activities carried out

The verification process has been completed as of the date of publication of this report, and the activities carried out are summarised below:

1. Documentary verification of the non-financial information statement (NFIS) and planning of on-site verification.
2. On-site verification of evidence according to a conformity assessment sampling system.
3. Interviews and requests for clarification, where appropriate.
4. Editing of verification report.
5. Drafting of the verifier's opinion.

3.1 Management Units and Departments interviewed.

Íñigo Diez Bartolomé - Financial Director.

Inés Guerrero Maldonado - Global Maketing & SCR Director.

Ofelia Nieto Rodríguez - Talent & Development Manager - Corporate.

Ana Blázquez Carbarjal -HR Generalist.

María De la Fuente Bernardo - HR.

Elena Díaz Latorre - Head Of Compliance.

Pilar Rodríguez de Rivera - Senior Compliance Officer & DPO.

Xavi Boquet Jofre - HR.

Alberto Rodríguez Del Olmo - INTERPRODIS (International maintenance contract - external staff member).

Inés Melón Izco - INTERPRODIS (International maintenance contract - external staff member).

Marina Rodríguez Maroto - Global Facilities.

Miguel Angel Martínez Barral - Controller.

Daniel Vidal Pérez-Campoamor - Financial Officer.

Jorge Berrocal Fontaned - Financial Officer.

Marta Mansilla Calvo - Tax Advisor.

3.2 Additional documentation analysed

N/A.

4 Analysis of the stakeholder participation process

ALLFUNDS GROUP reports on pages 39 of the NFIS 2019 on the communication it carries out with its stakeholders. The stakeholders identified are customers, employees, suppliers, regulators, the Board of Directors, the press, shareholders, investment fund managers, and associations and foundations. However, no express information is given on the involvement of these stakeholders in the preparation of the non-financial report.

OM: Create a system of relations with stakeholders and carry out an exercise of materiality in matters of social responsibility with them.

5 Verification content. Indicators

Below is the information subject to verification in accordance with Law 11/2018.

GROUP'S BUSINESS MODEL	
Business environment	The business environment of the ALLFUNDS GROUP is informed between pages 4 and 7 of its NFIS 2019. Economic data and data on work centres and activity are verified. Verified: Number of clients and Number of operations managed with management control.
Organisation and Structure	Pages 7 and 8 of NFIS 2019 report on the organisation and structure of the ALLFUNDS GROUP and its Corporate Governance. The information has been verified with the current organisation chart published on the intranet and extranet at the end of 2019, since the new structure dated 28/02/2020 is currently published.
Markets in which it operates	The market where the ALLFUNDS GROUP operates is detailed on page 4 of the ALLFUNDS GROUP's NFIS 2019. Data are verified for the 45 different countries in which it operates.
Objectives and strategies	Page 10 of the ALLFUNDS GROUP's NFIS 2019 reports on its objectives and strategies. The objectives are verified through an interview with the company's strategic plan collaborator (Financial Director).
Main factors and trends that may affect its future development	Page 10 of the ALLFUNDS GROUP's NFIS 2019 reports on the main factors and trends that may affect its future development. The objectives are verified through an interview with the company's strategic plan collaborator (Financial Director).
POLICIES	
Environmental	Page 23 of NFIS 2019 reports on the ALLFUNDS GROUP's commitment to environmental protection. Although this commitment is linked to section 2.2.7 ENVIRONMENTAL PROTECTION of the General Code of Conduct, and to the Group's Corporate Social Responsibility policy. The CSR Policy dated March 2018 published on the website has been verified. OBS: ALLFUNDS GROUP does not have a specific environmental management policy but it does have commitments to protect the environment in its Code of Conduct and its Social Responsibility Policy. OM: Create a specific environmental management policy for the ALLFUNDS GROUP.
Human rights	Page 12 of the NFIS 2019 reports on the ALLFUNDS GROUP's commitment to respect for human rights. Although this commitment is linked to the Group's Corporate Social Responsibility policy. The CSR Policy dated March 2018 published on the website has been verified. OBS: ALLFUNDS GROUP does not have a specific human rights policy but it does have commitments to protect human rights in its Code of Conduct and its Social Responsibility Policy. OM: Create a human rights policy for the ALLFUNDS GROUP. Page 37 of the ALLFUNDS GROUP's NFIS 2019 reports that there have been no complaints of human rights violations. OM: Assess the company's adherence to the Global Compact.

Fight against corruption and bribery. Code of Ethics	Pages 11 and 37 of the ALLFUNDS GROUP's NFIS 2019 report on the company's mechanisms for fighting corruption and bribery. The existence of a compliance system, its codes of conduct and policies have been verified. General Code of Conduct version 3 approved by the Board of Directors in August 2019. Anti-corruption policy and gifts and entertainment, in its version 2 approved by the Board of Directors in May 2018.
Staff management	Page 13 of the ALLFUNDS GROUP's NFIS 2019 reports on the policy provision for remuneration, training and development, equality and diversity. The existence of the remuneration policy approved by the Board of Directors on 28/11/19 has been verified. In addition to the drafting without approval of the policies on training and development, and equality and diversity. OM: Create an integrated employment policy that includes all phases of the employee's experience from application to termination.
DUE DILIGENCE PROCEDURES. Risk Management. Short-, medium- and long-term impacts and risks identified in relation to the group's activities. Measures taken.	
Environmental	On page 20 of the NFIS 2019 it is reported that the ALLFUNDS GROUP has a procedure for the identification and evaluation of environmental aspects. The existence of this procedure has been verified. 2019.
Human rights	Page 36 describes the performance of ALLFUNDS GROUP with regard to human rights due diligence. Page 40 of the NFIS 2019 reports on the existence of a procedure to enforce the UK Slavery and Trafficking in Persons Act. OM: Create a procedure for remediation in case of human rights violations.
Fight against corruption and bribery. Code of Ethics	Page 37 of the ALLFUNDS GROUP's NFIS 2019 reports on the company's mechanisms for fighting corruption and bribery. The existence of a compliance system, its codes of conduct and policies have been verified. General Code of Conduct version 3 approved by the Board of Directors in August 2019. Anti-corruption policy and gifts and entertainment, in its version 2 approved by the Board of Directors in May 2018. Verified: General Privacy Policy, in its version 2 approved by the Board of Directors in August 2019. Conflict of Interest Policy, in its version 2 approved by the Board of Directors in November 2019. Guide to the supervision and monitoring of compliance and criminal risk prevention regulations, version 1, approved by the Board of Directors in March 2018. Manual of regulatory compliance and prevention of criminal risks special report, version 1, approved by the Board of Directors in March 2018. Manual of regulatory compliance and prevention of criminal risks general report, version 1, approved by the Board of Directors in March 2018. Policy on Regulatory Compliance and Prevention of Criminal Risks, version 1, approved by the Board of Directors in March 2018.

Staff management. Equality Plan Measures	Page 35 of the ALLFUNDS GROUP's NFIS 2019 reports on the company's situation regarding respect for the principle of equal treatment and opportunities between women and men. The existence of an assessment of the equality situation and the existence of a drafted but not approved equality and diversity policy has been verified. While the CSR Policy specifies a commitment to equal treatment. The CSR Policy posted on the extranet has been verified. OM: Ensure compliance with Law 3/2007, of 22 March, on effective equality of women and men, as well as Royal Decree-Law 6/2019, of 1 March, on urgent measures to guarantee equal treatment and opportunities for women and men in employment and occupation. OM: Provide information on other staff management procedures or human resources that the company has.
ENVIRONMENTAL INDICATORS. Comparable, material, relevant and reliable.	
Current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety.	In chapter 4 on environmental issues (pages 23 and 26) of the NFIS 2019, ALLFUNDS GROUP reports on the environmental implications of the activity (consumption of natural resources, waste generation, land occupation, etc.). The evaluation of environmental aspects carried out in 2019 has been verified. Page 33 of the ALLFUNDS GROUP's NFIS 2019 reports on the effects on people's health and safety at work. Chapter 5.3 has been reviewed. Pending verification of the existence of the annual report of the Unilave prevention service.
Environmental assessment or certification procedures	On pages 24 of the ALLFUNDS GROUP's NFIS 2019, reference is made to the certifications (ISO 14001) held by the London workplace of the ALLFUNDS GROUP in this city. Pages 20 and 21 provide information on the procedure for evaluating the environmental aspects of the ALLFUNDS GROUP. This procedure has been verified. Page 25 of the NFIS 2019 reports that ALLFUNDS GROUP is contributing in its centre in Madrid (calle Padre Dominicos 7) to obtain LEED certification. The start of the certification work has been verified.
Resources dedicated to the prevention of environmental risks	Page 22 of the ALLFUNDS GROUP's NFIS 2019 reports on the total economic and organisational (human) resources dedicated to the prevention of environmental risks. The amounts allocated to facility maintenance and those dedicated to the implementation of environmental management procedures have been verified.
Application of the precautionary principle	Page 23 of the ALLFUNDS GROUP's NFIS 2019 reports on the application of the precautionary principle which is articulated through its procedure on environmental aspects, its corporate social responsibility policy, and the General Code of Conduct. The existence of the three documents has been verified.
Number of provisions and guarantees for environmental risks	OBS: Page 23 of the ALLFUNDS GROUP's NFIS 2019 informs and justifies why ALLFUNDS GROUP has no provisions or guarantees for environmental risks.
Pollution: ATMOSPHERE Measures to prevent, reduce or repair carbon emissions that seriously affect the environment.	The organisation indicates on pages 23 and 24 of the NFIS 2019 that ALLFUNDS GROUP has calculated its carbon footprint, and further describes the measures taken in 2019 to prevent, reduce or repair carbon emissions affecting the environment. The carbon footprint calculation and LEED certification start-up measure have been verified. OM: Certify and register the carbon footprint in the carbon footprint registry, offset and carbon dioxide absorption projects. Ministry of Ecological Transition and Demographic Challenge.
Pollution: NOISE Measures to prevent, reduce or repair emissions.	OBS: The organisation indicates on page 24 of the NFIS 2019 that ALLFUNDS GROUP does not carry out measures to prevent, reduce or repair emissions, since after evaluation, the generation of noise pollution is not a significant environmental aspect.

Pollution: LIGHT Measures to prevent, reduce or repair emissions.	OBS: The organisation indicates on page 24 of the NFIS 2019 that ALLFUNDS GROUP does not carry out measures to prevent, reduce or repair emissions, since after evaluation, the generation of light pollution is not a significant environmental aspect.
Circular economy and waste prevention and management: -Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste. -Actions to combat food waste.	Pages 24 and 25 of the ALLFUNDS GROUP's NFIS 2019 reports on the company's prevention, recycling and reuse measures, as well as the measures it has in place to combat waste. The measure for beginning the LEED certification, and the management of the oil carried out by the authorised manager RESEAVE, have been verified.
Sustainable use of resources: WATER Water consumption and water supply in accordance with local constraints.	Page 25 of the NFIS 2019 reports on water consumption and water supplies, as well as on the ALLFUNDS GROUP's direct water use prevention and efficiency measures. The calculation carried out, compared with the consumption bills from Madrid and Singapore, has been verified.
Sustainable use of resources: RAW MATERIALS Consumption of raw materials and measures taken to improve the efficiency of their use.	Page 25 of the NFIS 2019 reports on the consumption of raw materials by the ALLFUNDS GROUP. -Paper, verified paper consumption figure. Clean tables policy and digitalisation process. -Direct consumption of fuel from Allfunds owned vehicles at the employee's expense. -Hybrid vehicles. The number of vehicles included in the total vehicle fleet has been verified. As of 31 December 2019, according to verification with the Financial Office, there are 16 vehicles in Madrid and 9 outside Spain.
Sustainable use of resources: ENERGY Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies.	Pages 25 and 26 of the ALLFUNDS GROUP's NFIS 2019 reports on electricity consumption worldwide with limitations and restrictions on access to data in workplaces it occupies on a rental basis that does not have an individual consumption meter. The total consumption and consumption per worker calculations have been verified. OM: Improve the calculation of the carbon footprint by monitoring the mileage of vehicles made available to employees by ALLFUNDS BANK.
Climate change:	See Pollution verification comments: ATMOSPHERE.
Protection of biodiversity: Measures taken to preserve or restore biodiversity; impacts caused by activities or operations in protected areas.	OBS: Page 26 of the ALLFUNDS GROUP's NFIS 2019 reports that no measures are developed to preserve or restore biodiversity or impacts caused by activities or operations in protected areas, as no impacts are produced and buildings occupy urban spaces.
STAFF-RELATED INDICATORS. Comparable, material, relevant and reliable.	

Employment: 1. Total number and distribution of employees by gender, age, country and professional classification. 2. Total number and distribution of types of employment contract, annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification. 3. Number of dismissals by gender, age and professional classification. 4. Average salaries and their evolution disaggregated by gender, age and professional classification. 5. Wage gap. 6. Remuneration for equal or average jobs at company. 7. The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings schemes and any other payment broken down by gender. 8. Disconnection policies. 9. Employees with disabilities.	The ALLFUNDS GROUP's NFIS 2019 gives details of: - Total number and distribution of workers by country, age, gender and occupational classification (pages 27-28). Data from employees in Chile, Singapore and Sweden under 30 years of age have been verified. The number of women reported in Singapore with the professional category of director has also been verified. The total number of workers compared with HR's superDB has been verified. 516 workers OK. - The types of contracts envisaged are permanent and temporary, part-time and full-time. The total number of types of employment contract, annual average of permanent contracts, temporary contracts and part-time contracts in absolute value and percentage by age, gender and professional classification are reported (pages 29 and 30). The number and distribution of full-time permanent contracts of men and women under 30 years of age compared with HR's superDB have been verified. In compliance. - The number and distribution by gender, age, and professional classification of dismissals is reported (page 31). The number of dismissals of technicians, women in the three reported age ranges (-<30; 30-50;>50), has been verified. Data reviewed compared with HR's superDB, with conforming result. - The average payment for men and women is reported on page 31. The average payment per age is reported on page 31. The average payment per job classification is reported on page 31. The latter has been verified. OBS: The modification in the age ranges used for reporting average payment is justified on grounds of "confidentiality". The modified ranges are different from the age ranges recommended by GRI and those used throughout the ALLFUNDS GROUP's NFIS 2019. Alluding to the same justification, the average remunerations do not include the remunerations of the Top-4 executives. Page 31 provides information on the evolution of average remuneration by gender, age and professional classification due to the difficulty of obtaining data from previous years. OBS: The modification in the age ranges used to report the evolution of average payment is justified on grounds of "confidentiality". The modified ranges are different from the age ranges recommended by GRI and those used throughout the ALLFUNDS GROUP's NFIS 2019. Alluding to the same justification, the average remunerations do not include the remunerations of the Top-4 executives. - It is reported on page 32 that the wage gap is -16%. The data has been verified. - Average remuneration of directors and executives, including variable remuneration, and payment to long-term savings schemes on page 32. Calculation reviewed. OBS: The exclusion of the Top-4 executive remuneration from the calculation of the average remuneration of directors and executives is justified on grounds of "confidentiality". - On page 32, ALLFUNDS GROUP informs of the availability of a disconnection from work policy as set out in its General Code of Conduct. The disconnection from work policy in this General Code of Conduct has been verified. - Page 32 reports on employees with disabilities. The Allfunds Group's total employment inclusion rate in all the countries where it operates is 1.36%, in Spain 1.54% and in Italy 3.33%. Data reviewed compared with HR's superDB, with conforming result. The purchasing data have been reviewed through comparison with the certification of the A LA PAR Foundation to the value of €23,861.26. OM: Ensure compliance with the General Disability Act in Spain.

Organisation of work: - 1. Organisation of working time. - 2. Number of absence hours. - 3. Measures to facilitate the enjoyment of conciliation and to promote the co-responsibility of both parents.	Page 33 of the NFIS 2019 reports on the organisation of ALLFUNDS GROUP's working time and verified working hours. Page 33 of the NFIS 2019 reports on the number of absence hours that have occurred during 2019, a total of 26,497.50 hours. The data has been verified with internal HR information. Page 33 of the NFIS 2019 reports on measures to facilitate the enjoyment of reconciliation, as well as measures to promote the co-responsibility of both parents.
Health and safety: 1. Occupational Safety and Health conditions (OSH). 2. Occupational accidents, frequency and severity, disaggregated by gender. 3. Occupational diseases disaggregated by gender.	The ALLFUNDS GROUP reports on its occupational safety and health conditions on page 33 of its NFIS 2019. The concert number 2014-I0-29368 has been verified, for Univale's technical and health surveillance modalities signed on 1 January 2014. The information on installation of defibrillators (page 33) has been verified. The ALLFUNDS GROUP's NFIS 2019 reports on occupational accidents, their frequency and severity rates disaggregated by gender. The figures have been verified with Univale's progress report of 15/01/20. OM: Include indices of frequency and severity of the sector to compare and put in contexts of sustainability according to GRI the same indices of the ALLFUNDS GROUP. OM: Create an occupational risk prevention policy that reflects the commitment of senior management to the safety and well-being of employees, included in the general code of conduct (2.2.6.).
Social relations: 1. Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff; 2. Percentage of employees covered by collective bargaining agreements by country; 3. Assessment of collective agreements, particularly in the field of health and safety at work.	Page 34 of the ALLFUNDS GROUP's NFIS 2019 reports on the form of social dialogue established in Luxembourg since April 2019 and the other countries where ALLFUNDS GROUP has workers. The certificate of incorporation and appointment of the workers' representatives has been verified (2). The absence of social dialogue committees on occupational safety and health is reported. It is reported that there are no safety and health committees (page 34). Page 34 of the ALLFUNDS GROUP's NFIS 2019 reports that 80.42% of workers are covered by collective agreements. This data has been verified. Page 33 provides information on relevant health and safety actions for the year as a balance of the actions carried out in this area. Example, update of risk assessments on the occasion of the transfer to a new work centre at Calle Padre Dominicos 7, in Madrid. The risk assessment update has been verified.
Training: 1. Policies implemented 2. Hours of training by professional category.	Page 35 of the ALLFUNDS GROUP's NFIS 2019 reports on training hours by professional category. The data on language training hours for the category of technicians has been verified. Page 36 of NFIS 2019 reports that the training policy is drafted but not approved. The existence of implementation policies has been verified.
Universal accessibility for people with disabilities.	Page 35 of the ALLFUNDS GROUP's NFIS 2019 indicates that it is making adaptations to the posts to comply with accessibility measures. OM: Report on measures of universal accessibility of the services offered by the ALLFUNDS GROUP.

Equality: 1. Measures taken to promote equal treatment and opportunities between women and men. 2. Equality plans. 3. Measures taken to promote employment. 4. Protocols against sexual and gender-based harassment.	Page 35 of the ALLFUNDS GROUP's NFIS 2019 reports on the company's situation regarding respect for the principle of equal treatment and opportunities between women and men, and the possession of an equality plan. In 2019, the ALLFUNDS GROUP has only assessed the situation of equality, and an equality and diversity policy has been drafted but not approved. While the CSR Policy specifies a commitment to equal treatment. The CSR Policy posted on the extranet has been verified. Pages 35 and 36 report on the measures taken to promote equal treatment and opportunities between women and men and that the protocol against sexual and gender-based harassment is integrated into the ALLFUNDS GROUP's Code of Conduct. Page 35 reports on measures taken to promote employment.
Non-discrimination and diversity management 1. Integration and universal accessibility for people with disabilities 2. Diversity management policies 3. Non-discrimination policies	Page 35 of the ALLFUNDS GROUP's NFIS 2019 reports that it has an equality and diversity policy, when it has been verified that it has been drafted but not approved by the Board of Directors. The commitment in the Social Responsibility Policy to non-discrimination is reported on page 35 and 36, although there is also a commitment in the Code of Conduct that there is no specific policy on non-discrimination.
HUMAN RIGHTS INDICATORS. Comparable, material, relevant and reliable.	
Human rights due diligence procedures: -Prevention of the risk of human rights violations. -Measures to mitigate, manage and repair possible abuses.	Page 36 of the ALLFUNDS GROUP's NFIS 2019 reports on the existence of the system for the prevention of the risks of human rights violations, as well as the measures to mitigate, manage and repair possible abuses. The functionality of the communication channel has been verified. OBS: Page 37 informs and justifies the failure to take measures to mitigate, manage and redress possible human rights abuses as there have been no incidents in this regard. OM: Create a procedure and/or integrate into the existing system guidelines and measures to mitigate, manage and redress possible human rights abuses. Page 37 of the ALLFUNDS GROUP's NFIS 2019 reports that the number of cases or complaints of human rights violations was zero in 2018.
Management of complaints about human rights violations.	Page 37 of the ALLFUNDS GROUP's NFIS 2019 reports on the channel of communication of complaints, and that no complaints or violations of human rights have been received during 2019.
Promotion and implementation of the provisions of the International Labour Organization's fundamental conventions relating to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour.	Reported on page 36, block 6 Respect for Human Rights. See General Code of Conduct, Corporate Social Responsibility Policy. Supplier Procedure (Modern Slavery Act). Verified with conforming result.

INDICATORS RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY Comparable, material, relevant and reliable.	
Measures taken to prevent corruption and bribery.	Page 37 of the ALLFUNDS GROUP's NFIS 2019 reports on the system for preventing corruption and bribery. The existence of a compliance system, its codes of conduct and policies have been verified. General Code of Conduct version 3 approved by the Board of Directors in August 2019. Anti-corruption policy and gifts and entertainment, in its version 2 approved by the Board of Directors in May 2018.
Measures to combat money laundering.	Measures to combat money laundering are included in the Manual on the Prevention of Money Laundering and Financing of Terrorism reported on page 36. The existence of this manual of date of approval has been verified. (page 19). Its existence has been verified.
Contributions to foundations and non-profit organisations.	The amounts of the donations made are reported on page 38 of the NFIS 2019. Donations to the Hospital Niño Jesús in Madrid and the Unoentrecienmil Foundation have been verified.
INDICATORS RELATING TO COMPANY. Comparable, material, relevant and reliable,	
The company's commitments to sustainable development.	Page 37 of the NFIS 2019 reports that the company's commitments to sustainable development are found in the corporate social responsibility policy. The CSR Policy dated March 2018 published on the website has been verified. OM: Carry out a materiality work on the contribution of the ALLFUNDS GROUP to the SDGs, within the sustainability policy.
Impact of society's activity on employment and local development.	Pages 38 and 39 report on local development projects within the Solidarity Fund of the company ALLFUNDS GROUP. This 2019 solidarity fund has been verified. Section 5.1. Employment (page 27) of the NFIS 2019 reports on the employment impact of the ALLFUNDS GROUP. Section 8.4 on Tax Information (page 41) of the NFIS 2019 provides information on the payment of taxes by the ALLFUNDS GROUP. OM: Create a social impact indicator or social footprint of the ALLFUNDS GROUP in the world.
Impact of society's activity on local populations and the territory.	Pages 38 and 39 report on local development projects within the Solidarity Fund of the company ALLFUNDS GROUP. This 2019 solidarity fund has been verified. OM: Define an indicator of contribution or social footprint of ALLFUNDS GROUP in the world.
Relationships with local community actors and modalities of dialogue.	Page 39 of the ALLFUNDS GROUP's NFIS 2019 reports on the partnerships in which the organisation is involved. The collaboration agreement with ADECCO has been verified. OM: Include agreements and work done with universities, town halls, institutes.
Associations and sponsorships.	Page 39 of the ALLFUNDS GROUP's NFIS reports on the partnerships and sponsorships that the business group carries out. The associations at INVERCO and ALFI have been verified. The sponsorship of the Goodacre and Hubbies events has been verified.
Subcontracting and suppliers - Procurement policy including social, gender equality and environmental issues. - Supervision and audit systems and their results.	OBS: Page 40 and 41 of the ALLFUNDS GROUP's NFIS 2019 indicates the arrangement of purchasing and supplier management procedures. It has been verified that this procedure applies only to new procedures. OBS: Page 41 of the ALLFUNDS GROUP's NFIS 2019 reports that no supplier monitoring or audits have been carried out in 2019 as there is no estimated risk of non-compliance with the supplier code of conduct. OM: Create a supplier management structure to ensure social and environmental risk assessment of the supply chain, as well as identify priorities for implementing the SUPPLIER SELECTION PROCEDURE FOR ALLFUNDS GROUP.

Consumers: - Measures for the health and safety of consumers. - Complaint systems, complaints received and their resolution.	OBS: Page 41 of the ALLFUNDS GROUP's NFIS 2019 informs and justifies why measures for consumer health and safety are not available. On page 41 of the ALLFUNDS GROUP's NFIS 2019 provides information on the complaint system, complaints received and their resolution. The procedure and operation of the channel has been verified.
Tax information: - Benefits obtained country by country. - Taxes on benefits paid. - Public subsidies received.	On page 41 of the ALLFUNDS GROUP's NFIS 2019, information is provided on the consolidated profits obtained (€68,479,927.47) and on the profits paid during 2019 amounting to (€14,074,841.53), compared with the reconciliation sheet audited by Deloitte; public subsidies amounting to €196,571.41. OBS. The three figures provided have been verified against the financial statements that Deloitte is auditing during the NFIS 2019 verification.
Any other significant information.	No more significant information has been included.

6. Conclusions

The main results obtained are presented below:

Comments

- *This is the first non-financial report issued by the Allfunds Group under Law 11/2018.*
- *The calculations and presentation form of the information does not always use the GRI methodology.*
- *For reasons of confidentiality, the age ranges used to report average remuneration have been changed, as has the exclusion of the calculation of the Top-4 remuneration of ALLFUNDS GROUP executives.*
- *While the NFIS 2019 of the Allfunds Group was being verified, the annual accounts were being audited by Deloitte, S.L.*

Options for Improvement

• *Create a system of relations with stakeholders and carry out an exercise of materiality in matters of social responsibility of the Allfunds Group together with these stakeholders.*

• *Create a specific environmental management policy for the ALLFUNDS GROUP.*

• *Create a specific human rights policy for the ALLFUNDS GROUP.*

• *Value the company's adhesion to the Global Compact as a demonstration of its commitment to respect human rights, labour rights, environmental protection and the fight against corruption.*

• *Create an integrated employment policy and procedures, where useful, that include all phases of the employee's experience from application to termination.*

• *Although there is no risk of non-compliance, create a remediation procedure in case of violation of human rights as prescribed by SA8000.*

• *Ensure compliance with Law 3/2007, of 22 March, for effective equality of women and men, as well as Royal Decree-Law 6/2019, of 1 March, on urgent measures to guarantee equal treatment and opportunities between women and men in employment and occupation in Spain, and to extrapolate good practices to the rest of the countries.*

• *Certify and register the carbon footprint in the carbon footprint registry, offset and carbon dioxide absorption projects. Ministry of Ecological Transition and Demographic Challenge.*

• *Improve the calculation of the carbon footprint by monitoring the mileage of vehicles made available to employees by ALLFUNDS BANK.*

• *Ensure compliance with the General Disability Act in Spain, and extrapolate the good practices to the rest of the countries.*

• *Include sector frequency and severity indices to compare and put into sustainability contexts the same ALLFUND GROUP indices, as recommended by GRI.*

• *Create a specific occupational risk prevention policy that reflects the commitment of senior management to the safety and well-being of employees, included in the general code of conduct (2.2.6.).*

• *Expand the information offered about universal accessibility measures by focusing on the universal accessibility of the services offered by ALLFUNDS GROUP.*

• *Carry out a materiality work on the contribution of the ALLFUNDS GROUP to the SDGs (Sustainable Development Goals), within the sustainability policy.*

• *Create a social impact indicator or social footprint of the ALLFUNDS GROUP in the world.*

• *Value the agreements and work done with universities, town halls, and institutes, informing about them in the next NFIS.*

• *Create the supplier management structure sufficient to ensure social and environmental risk assessment of the supply chain, as well as identify priorities for implementing the SUPPLIER SELECTION PROCEDURE FOR ALLFUNDS GROUP based on compliance with the Modern Slavery Act 2015.*

7. Opinion on the Verification

Cavala Gabinete de Asesoría Empresarial, S.L.,

declares that as stipulated by

Law 11/ 2018

Non-financial information has been verified by the independent verifier Cavala Gabinete de Asesoría Empresarial, S.L., with respect to the structure, content and sources of information of

ALLFUNDS GROUP

And that as a result of this verification process **Cavala Gabinete de Asesoría Empresarial, S.L.**, states that:

- The content of the company's non-financial report **COMPLIES** with the requirements established in Law 11/2018 on this matter.

- Following the sample verification carried out, no issues have been identified that indicate that the information included in the report for the year from 1 January 2019 to 31 December 2019 contains material misstatements.

- The company has justified the non-inclusion of information, or the non-implementation of various non-financial policies or initiatives:

Specific environmental management policy, although the Allfunds Group has commitments to environmental protection set out in its Code of Conduct and its Social Responsibility Policy.

Specific human rights policy, although the Allfunds Group has commitments to protect human rights set out in its Code of Conduct and its Social Responsibility Policy.

Provisions and guarantees for environmental risks due to the lack of materiality and significance of this environmental risk.

Measures to prevent, reduce or repair noise emissions and light pollution, since after assessment, the generation of noise and/or light pollution is neither material nor significant.

Measures to preserve or restore biodiversity and impacts caused by activities or operations in protected areas, as there are no impacts in this regard. The Allfunds Group occupies urban spaces.

Monitoring activities and control audits of subcontractors and suppliers as no risk of non-compliance with the Allfunds Group's Supplier Code of Conduct was detected.

46930174P RUT Digitally signed by 46930174P RUT BALLESTEROS (R: B84855436) Date: 2020.04.20 19:02:42 +2'00'

Signed: Rut Ballesteros Gil
Head Validator
Cavala Gabinete de Asesoría Empresarial, S.L.

Issuing date 20 April 2020