

ANNUAL
REPORT
2019

BancaMarch

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CHAIRMAN'S STATEMENT

I would like to begin by expressing my utmost support and solidarity with everyone whose lives have been impacted by the Covid-19 pandemic. There can be no doubt that the effects of this crisis will define both 2020 and the years ahead; it will take immense effort and great discipline to overcome this period of uncertainty and pain whilst limiting the damage as much as possible.

In 2019, our 2017-2019 three-year plan came to an end. Over these three highly satisfactory years, we have managed to multiply our profit from banking activity by 1.6x. We completed this three-year period with extremely solid financial ratios, positioning Banca March as one of Europe's most solvent banks, with the lowest NPL ratio in Spain, the strongest liquidity levels and a robust, long-standing equity base. Underpinned by these robust financial foundations, Banca March will tackle the challenges of the current crisis with determination and commitment.

We have continued to drive and expand our business model, which is unparalleled in the Spanish financial system, and we have achieved a number of the challenges we set ourselves, all with a view to becoming Spain's leading provider of Private Banking, Wealth Management and Corporate

Advisory services. The Private Banking and Wealth Management business posted double-digit growth both in business volume and in customer numbers in 2019. In Corporate and Business Banking, we are now, by our own merit, the banking partner of choice for a substantial number of family businesses. We are leaders in alternative corporate financing solutions, thanks to the trust placed in our experience and responsiveness by an ever increasing number of family businesses.

All of these driving forces helped take Banca March's consolidated attributable profit for 2019 to 125.1 million euros, up 18.8% year on year.

Our commercial efforts have, at all times, been flanked by a clear commitment to digitalisation. We are rolling out an ambitious Digital Transformation Plan with technology and digitalisation investments in the pipeline worth a total of 75 million euros for the three-year period from 2018-2020. We are also transforming our traditional branches into business centres providing multichannel advisory services. This process of renovating and modernising our branch network stemmed from our desire to create open, comfortable spaces in which to provide our customers with tailored advisory and customer services using the latest technology.

As our guiding principle of shared growth demands, we ensure that our customers are at the very heart of everything we do. We are a specialist bank offering unique, tailored advisory services. Our core values and our overriding responsibility to society are rooted in the very essence of our activity. Our advisory services are always responsible, based on a long-term approach and in the customer's best interests. To ensure that is the case, it is crucial that we have the best team of professionals. This is an essential requirement which stems from our utter commitment to excellence. The technical quality of our managers, as evidenced by the independent surveys in which we participate, is underpinned by superior levels of training. Thanks to this excellent training, Banca March's managers are among the best-rated in the Spanish banking sector.

In addition to the outstanding results obtained, 2019 also saw two independent consultants applaud the excellent working conditions Banca March provides its professionals. We were the only bank in Spain to be certified as a "Great Place to Work" thanks to our management model and corporate culture. What's more, the independent consultant Top Employers Institute certified Banca March as a Top Employer 2019. The engagement and effort of each and every member of the Banca March team is absolutely crucial to our onward journey of ambition and constant improvement.

We are utterly convinced that our values, strategy and responsible, unique business model will allow us to achieve whatever we set our minds to, and emerge stronger than ever from the current economic and social situation.

Juan March de la Lastra
Chairman

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

Chairman

Mr Juan March de la Lastra
(executive)

Executive Vice Chairman

Ms Rita Rodríguez Arrojo
(executive)

Chief Executive Officer

Mr José Luis Acea Rodríguez
(executive)

Directors

Mr Juan March Delgado
(non-executive)

Mr Carlos March Delgado
(non-executive)

Mr Juan March Juan
(non-executive)

Mr Javier Vilardell March
(non-executive)

Mr Juan Carlos Villalonga March
(non-executive)

Ms Agatha Echevarría Canales
(independent)

Mr Albert Esteve Cruella
(independent)

Mr Moisés Israel Abecasis
(independent)

Mr Santos Martínez-Conde
Gutiérrez-Barquín
(non-executive)

Mr Vicente Moreno García-Mansilla
(independent)

Ms María Antonia Otero Quintas
(independent)

Company Secretary

Mr José Ignacio Benjumea Alarcón
(executive)

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Chairman
Mr Albert Esteve Cruella
(independent)

Members
Ms Agatha Echevarría Canales
(independent)

Mr Moisés Israel Abecasis
(independent)

Secretary
Mr José Ignacio Benjumea Alarcón
(executive)

REMUNERATION COMMITTEE

Chairman
Mr Vicente Moreno García-Mansilla
(independent)

Members
Mr Albert Esteve Cruella
(independent)

Mr Moisés Israel Abecasis
(independent)

Secretary
Mr José Ignacio Benjumea Alarcón
(executive)

AUDIT COMMITTEE

Chairman
Mr Vicente Moreno García-Mansilla
(independent)

Members
Ms Agatha Echevarría Canales
(independent)

Ms María Antonia Otero Quintas
(independent)

Secretary
Mr José Ignacio Benjumea Alarcón
(executive)

GLOBAL RISK AND TECHNOLOGY CHANGE COMMITTEE

Chairman
Mr Moisés Israel Abecasis
(independent)

Members
Mr Vicente Moreno García-Mansilla
(independent)

Ms María Antonia Otero Quintas
(independent)

Secretary
Mr José Ignacio Benjumea Alarcón
(executive)

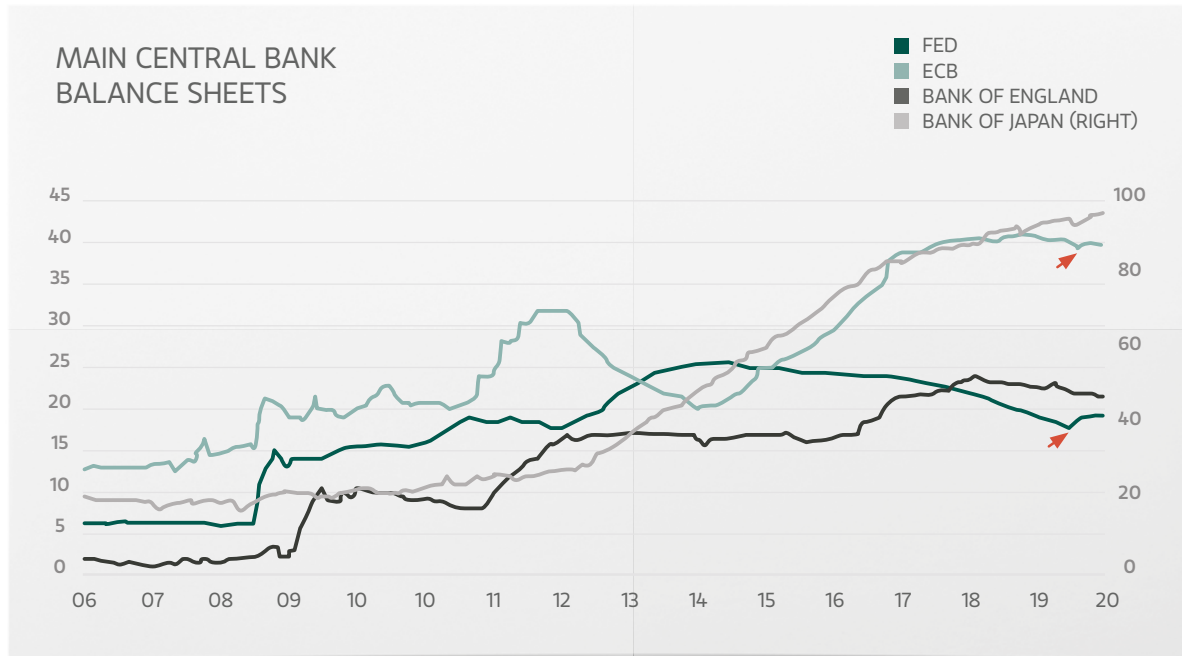


2019: THE YEAR CENTRAL BANKS TOOK CENTRE STAGE

Global GDP growth stood at 2.9% in 2019 – versus 3.6% in 2018 - the slowest rate since the global financial crisis of 2009. This economic slowdown came largely on the back of growing trade barriers and heightening political tensions. In the US, GDP growth totalled 2.3% versus 2.9% the year before, whilst eurozone GDP growth was down to 1.2% in 2019 from 1.9% in 2018. In Europe, the countries with more open economies and larger industrial components were hit hardest by the slowdown. Germany therefore chalked up growth of 0.6%, narrowly escaping recession in Q3, and Italy's economy grew by just 0.2%. Evidently, despite this low growth, both the world's largest economy and Europe were able to escape falling into recession in 2019, largely thanks to the shift in position by central banks.

Against this backdrop of geopolitical tension and stunted economic growth, central banks reactivated their accommodative monetary policies in 2019. After tapering stimulus measures in 2018, both the Fed and the European Central Bank (BCE) gradually shifted narratives over the early part of the year, rolling out new accommodative measures in the second half of 2019. In the Fed's case, the first step was to cut rates – three times as of 31 July – taking its target

range from 2.25% – 2.50% to 1.50% – 1.75%. Its next step was to swell its balance sheet by intervening in the money markets, which suffered certain periods of stress in mid-September. Across the pond, the ECB slashed its deposit rate by 10 basis points to -0.50% and resumed its asset purchase programme at a pace of 20 billion euros a month, for as long as necessary.



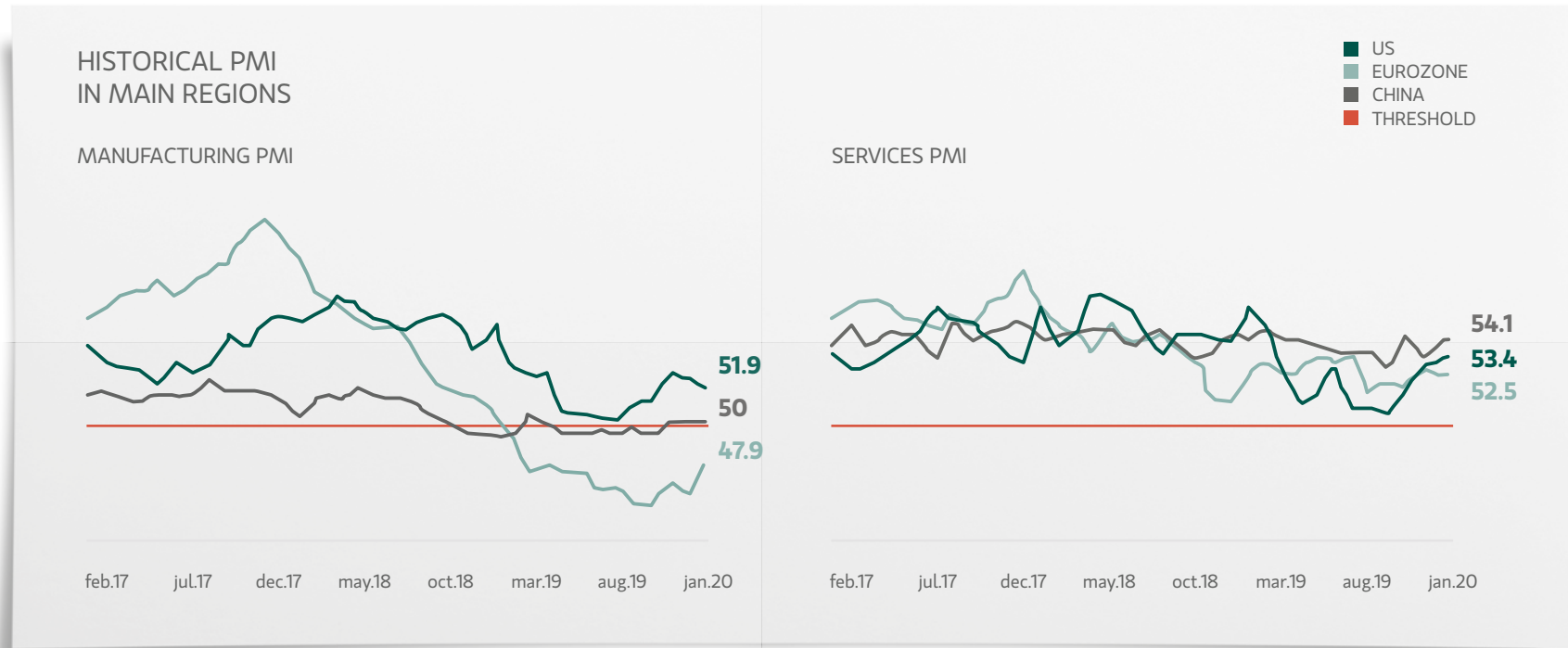
These events led to weaker industrial figures in the US and Europe than in 2018 and meant economic growth in 2019 was underpinned primarily by the resilience of the service sector. The US industrial sector outperformed its European counterpart; Germany was hit hardest by the trade war, and only started to recover in late 2019.

There were minimal hikes in inflation in 2019 in the main Western economies (US +1.8% and Eurozone +1.2%), despite the substantial rally in oil prices (+22.68% in 2019), new monetary stimulus measures and robust employment figures.

Unemployment hit a 50-year low in the US at 3.5%. Aggregate EU unemployment also continued to fall, closing near to 2007 lows at 7.4%. The strong labour market in both the US and Europe has therefore not yet been reflected in rising inflation.

In terms of geopolitics, one of the main sources of uncertainty in 2019 was the trade war between China and the US. Towards the end of the year, however, tensions between the two global powers began to ease, until eventually an initial trade pact saw both parties commit to rolling back tariffs. The US halved tariffs on Chinese goods worth 125 billion dollars from 15% to 7.5%, and China removed tariffs on US products worth 75 billion dollars. The pact allowed Trump to shelve the dispute with China momentarily and focus on campaigning for the presidential elections in November.

In Europe, meanwhile, acrimonious negotiations were underway between the UK and the European Union. Early 2019 saw Theresa May's attempts to reach an agreement with the EU Member States systematically rejected by the UK Parliament. This deadlock led the British Prime Minister to tender her resignation and call a general election. Those elections were won – by a landslide – by Boris Johnson's Conservatives. With the faith of the British public restored, the new government reached a withdrawal agreement with the European Union, which came into effect on 31 January 2020.



2019 was a year of substantial, high-profile geopolitical risk and this uncertainty filtered through tangibly to the real economy. However, thanks to the central banks, the main global economies were able to stretch the cycle and avoid a much-feared recession.

In conclusion, 2019 was a year of substantial, high-profile geopolitical risk, and this uncertainty filtered through tangibly to the real economy. Thanks to the central banks, however, the main global economies were able to stretch the cycle and avoid a much-feared recession.

SPAIN

Spanish economic growth tapered off in 2019. After recovering to pre-crisis (2008) levels in 2017, GDP growth tailed off to close 2019 at +2% year on year, four tenths of a percentage point lower than the growth registered the year before. The contribution to growth by components was balanced; domestic demand accounted for 1.5 pp and external demand contributed 0.5 pp (seven tenths of a point higher than in 2018).

Although the growth posted last year was more moderate, the decline in Spain was minimal compared with the country's main neighbouring economies. It is also important to highlight that the economic recovery after the 2009 crisis was accompanied by an improvement in the growth model. The Spanish economy closed last year less dependent on external financing; last year was the eighth consecutive year with a current account surplus. Also, private debt levels are now more contained, and are actually lower than the eurozone average.

The more negative aspect is Spain's struggle to adjust its public accounts and its failure to comply with the deficit targets agreed with Brussels (-2% of GDP). However, the cheaper cost of funding drove down Spain's public debt to 1.19 trillion euros, equivalent to 95.5% of GDP. This was a year-on-year decrease of almost 2 pp and is the lowest ratio of public debt to GDP since 2012, according to the Bank of Spain.



In the labour market, 2019 was the sixth consecutive year of net job creation. Based on Social Security registrations, a total of 384,373 new jobs were created in 2019, up by 2% year on year. The total number of contributors to the Social Security system closed last year at 19.4 million, completing a full recovery to the record high registered in 2007. According to the National Statistics Institute, the improvement in the unemployment rate tapered off slightly in 2019; it remained high and fell by just six tenths of a percentage point over the year, closing 2019 at 13.8%.

The data for the foreign sector outperformed expectations last year and despite the increase in global trade tensions and the recession in the industrial sector, the Spanish economy was able to uphold continued growth in merchandise exports. Exports of goods in 2019 as a whole grew by 1.8% to a new record high of 290.09 billion euros, whilst imports grew by 1% over the year. As a result, the trade deficit shrank over the course of the year by 5.5% to 31.98 billion euros.

A total of 83.7 million international tourists visited Spain over the year, an increase of 1.1% versus 2018.



The tourism sector chalked up another record year in Spain, with an increase in spending. A total of 83.7 million international tourists visited Spain over the year, an increase of 1.1% versus 2018. The increase in total spending, however, was even more encouraging, rising 2.8% year on year to a total of 92.28 billion euros. The three Spanish regions that accounted for the strongest visitor and spending figures were Catalonia, the Canary Islands and the Balearic Islands. As for the countries of origin of Spain's international visitors, the UK, Germany and France continue to account for the lion's share. However, given the slowdown in their respective economies, arrivals fell by 2.4% from the UK, 2.1% from Germany and 1.2% from France. On the flipside, the number of US tourists visiting Spain registered double-digit growth of 12.6%.

Finally, in terms of consumer prices, the economy continued to reflect the absence of inflationary pressure and the CPI rose by just 0.7% YOY in 2019, substantially less than the average increase of 1.7% the year before.



MARKETS

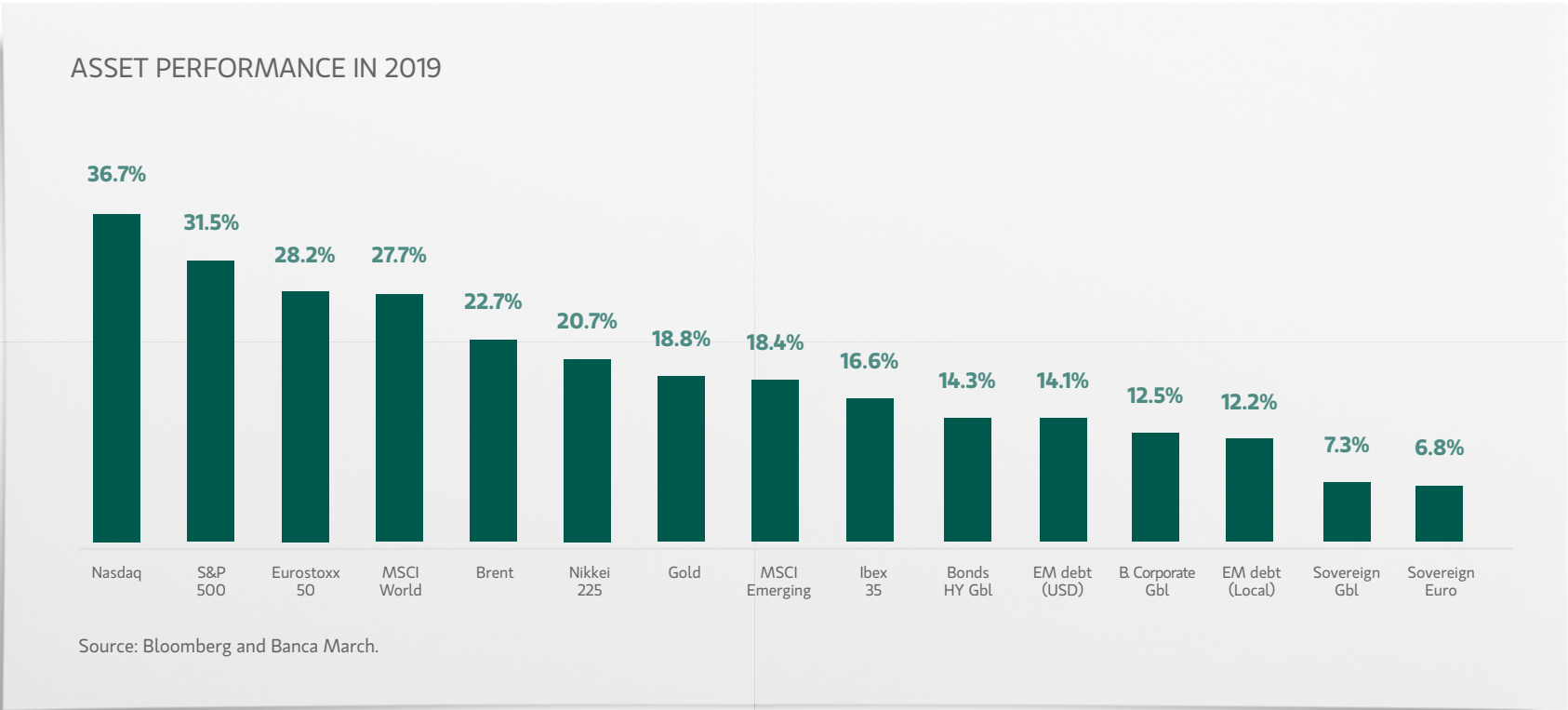
Stock markets put in an impressive performance across the board in 2019, clawing back the losses registered the previous year. The markets overlooked the uncertainty triggered by the trade war, the difficulties surrounding Brexit and weaker global economic growth and corporate earnings. The US indices performed particularly well, with gains of 28.9% for the S&P and 35.5% for the NASDAQ over the year. Europe saw excellent performances by the EuroStoxx 50 (+24.8%), the German DAX (+25.5%) and France's CAC (+26.3%), and less resounding but still positive gains for the FTSE 100 (+12.1%) and Spain's Ibex (+11.8%). Emerging market equities closed 2019 with impressive gains for the MSCI Emerging Markets (+15.4%) and China (+21%) indices.

The policy pivot by the Fed and the ECB in 2019, with a return to expansionary monetary policies, generated a positive performance by fixed income markets. Against this backdrop, the European and US sovereign indices posted gains approaching 7%.

As for credit, the US market outperformed, both in investment grade (+14.5%) and high yield (+14.3%). In emerging market fixed income, the sovereign index in dollars gained 14.1%, outperforming the local currency index, which gained 12.2%.

In the forex market, the euro lost ground against the dollar again in 2019. The stronger US economy, a rate spread that played in the US's favour and the lingering political risk in the eurozone all conspired to hamstring the euro, which lost 2.2% over the year. The pound sterling, however, gained ground on the back of increasing evidence of an agreed UK withdrawal from the EU. As a result, the pound closed the year up 6% versus the euro. Finally, the uncertainty triggered by trade tensions helped the yen secure its status as a haven, with the euro losing 3.2% against the Japanese currency. As for emerging market currencies, the Argentine peso remained in free fall after the change of government, losing around 60% of its value against the dollar. In Turkey, government meddling in central bank activity triggered further losses for the lira against the dollar, though less pronounced than in 2018.

Stock markets put in an impressive performance across the board in 2019, clawing back the losses registered the previous year.



In the commodity markets, crude outperformed, gaining 22.6% over the year to reach \$66/barrel. This rise in Brent prices, which redressed the losses sustained in 2018, came on the back of policies to cut oil output, spearheaded by OPEC and Russia, to achieve satisfactory levels for producer countries in response to fears over weaker demand due to the

economic slowdown. Tensions in countries like Iran, Iraq and Libya also supported this trend. Gold prices also closed 2019 with impressive gains, climbing 18% to \$1,522/ounce. The phase 1 trade deal between the US and China failed to topple gold from its safe-haven pedestal, as future phases of the negotiations are expected to generate further uncertainty.



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A SUCCESS STORY

Banca March is the only Spanish bank which is wholly family-owned, specialising in private banking, wealth management and corporate advisory services with a clear focus on family businesses and entrepreneurial families, and a business model rooted in prudence and long-term relationships.

The core value underpinning Banca March's business model is shared growth with all stakeholders: customers, professionals, shareholders and society as a whole.

Our engagement with society is rooted in our unwavering aspiration to excellence, and the rigour with which we undertake our financial advisory and wealth management activity.

Banca March, the parent company of one of Spain's top financial groups, emerged as Europe's most solvent bank in the two stress tests undertaken by the European Banking Authority (EBA) in 2010 and 2011. It currently has the lowest NPL ratio in the Spanish financial sector and one of the highest solvency levels in Europe.

Banca March's robust business model has been recognised by Moody's rating agency, which has rated the bank's long-term debt A3, one of the highest ratings in the Spanish financial sector and a better rating than Spanish sovereign debt, which is currently rated Baa1.

Banca March is one of the main shareholders in Corporación Financiera Alba, which has significant shareholdings in Naturgy (indirect), Acerinox, Indra, Ebro Foods, BME, Viscofan, Euskaltel and Parques Reunidos, among other companies.



Banca March is the only Spanish bank that is wholly family-owned, specialising in private banking, wealth management and corporate advisory services.



A UNIQUE BUSINESS MODEL

Banca March's unique business model is underpinned by four pillars: shareholder commitment, exclusive products and services, outstanding service quality and excellent professionals.

Our ambitions extend far beyond our income statement; we aspire to be a bank that offers cutting-edge services, with a customer-centric strategy, as part of a sustainable, long-term project. A bank that will only ever be satisfied with excellence.

Shareholder commitment

We are a wholly-owned family business founded in 1926, with the fourth generation currently at the helm.

Exclusive products and services

These include our Co-investment products, which are unique and inimitable in the Spanish financial sector

and virtually unparalleled at the European and global levels. These opportunities, which allow our customers to invest in the same projects as the bank does, are exclusive to Banca March.

Outstanding quality service

For three years straight, we have ranked at the top of the quality surveys in terms of the service provided by our managers and business centres. The results obtained in the Financial Sector Customer Satisfaction Benchmarking by the independent firm STIGA demonstrate that Banca March provides excellent quality customer service.

Excellent professionals

Banca March is one of the Spanish financial institutions that invests the most in training per employee, which translates to provide exceptional customer service. We are highly aware of the crucial importance of training, especially with a business model like our own, which is based on specialisation and advisory services. We strive for excellence, and we can only achieve that if our professionals have access to the best possible training.

Banca March has a unique business model that is inimitable in the Spanish financial sector and virtually unparalleled at the European and global levels.

FAITHFUL TO OUR VALUES

Throughout the nine decades of effort and dedication since the bank's foundation, Banca March has remained fully committed to a business philosophy based on Shared Growth with all stakeholders: customers, employees, shareholders and society as a whole.

The consolidation and success of this business model have been made possible by our long-term approach and our unwavering commitment to our core values: commitment, ambition, integrity, effort and rigour.

These values afford us the determination we need to face the substantial challenges ahead in the years to come, as we seek to achieve our most ambitious goals.

Commitment

The clearest reflection of our transparency and commitment are our Co-investment initiatives. At Banca March, we invite our customers to invest in projects that we consider to be compelling investment opportunities allowing for diversified portfolios. In other words, we share the benefit of our experience and knowledge to pool resources and ensure continued shared growth.

Ambition

After almost a century, we continue to be the only Spanish bank which is wholly family owned. That means that we are not constrained by the urgencies and fluctuations of the markets, as listed banks are, and can be guided exclusively by our customers' interests.

The service-based, highly-engaged approach to the management of everyday customer relations that tends to characterise family businesses is a top priority for our team.

The March family has been at the helm of the Group for four generations, and has remained fully committed to

Our business philosophy is based on shared growth for all stakeholders: customers, employees, shareholders and society as a whole.

a management style which is rooted in prudence. We specialise in seeking sustained returns over the long term, minimising the impact of market fluctuations and prioritising capital preservation.

Integrity

At Banca March, we build close, long-term relationships, which is why our managers are ranked among the best in the Spanish financial system.

Our advisory model eschews standard solutions and is based on an exhaustive understanding of our customers' needs and painstaking monitoring of their investments.

This tailored service requires our complete availability to our customers, but it also requires that we take the time to understand their needs and to explain our products and services with the utmost clarity and transparency. To ensure they are able to do so effectively, our managers each advise a very limited number of customers.

Effort

We have been working with the utmost effort and dedication for over 90 years, and are leaders in wealth management, private banking and corporate advisory. Throughout Banca March's history, our business

philosophy and degree of specialisation have been recognised with a variety of specialist banking awards and accolades. This specialist business model has been cemented with a strong range of exclusive products which set us apart from our peers, always in line with the philosophy of prudence, a long-term approach and shared growth that has inspired us since our inception.

Rigour

Banca March enjoys outstanding financial ratios underpinned by one of the strongest solvency positions in the whole of Europe, and its core capital stands at almost double the Spanish banking sector average.

As a family bank, our management criteria has always responded to a long-term approach, and as a result we have very limited debt ratios and a lending policy that has afforded us NPL ratios which are far lower than those of the rest of the banking sector.

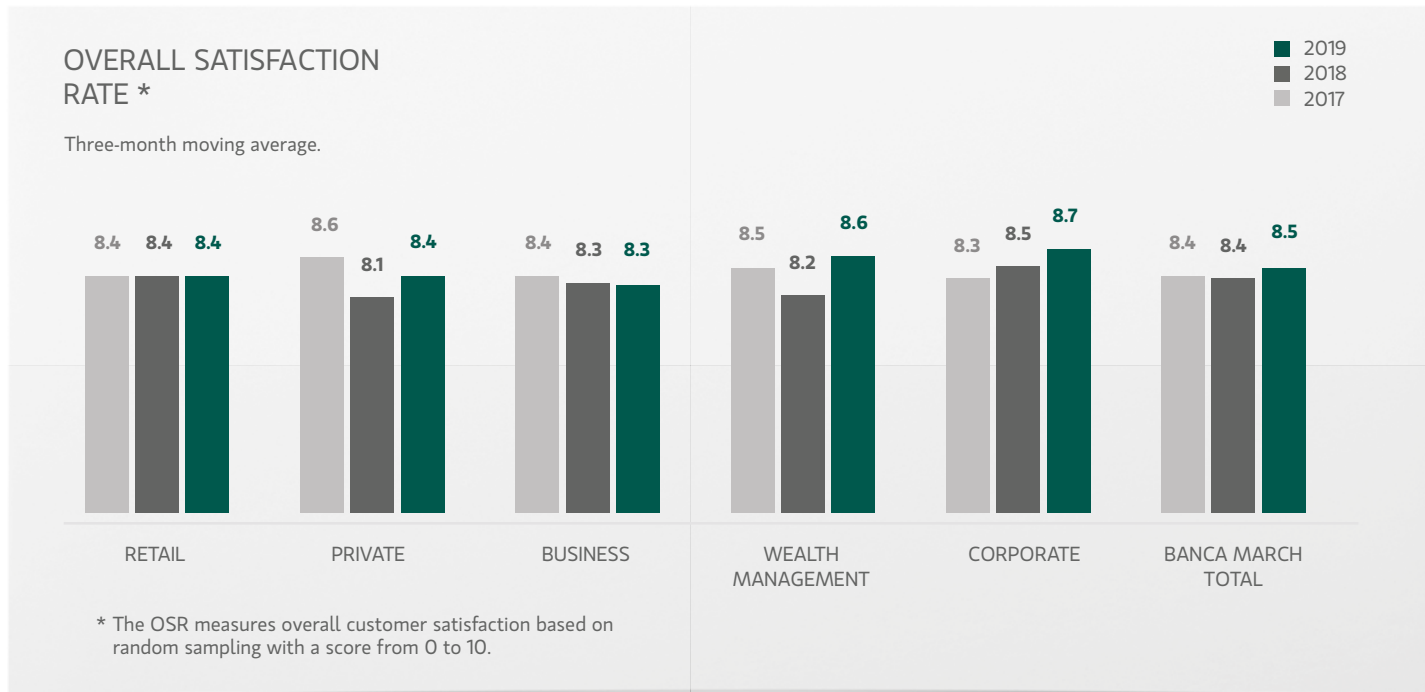
After more than 90 years of hard work and dedication, today we are leaders in wealth management, private banking and corporate advisory services.

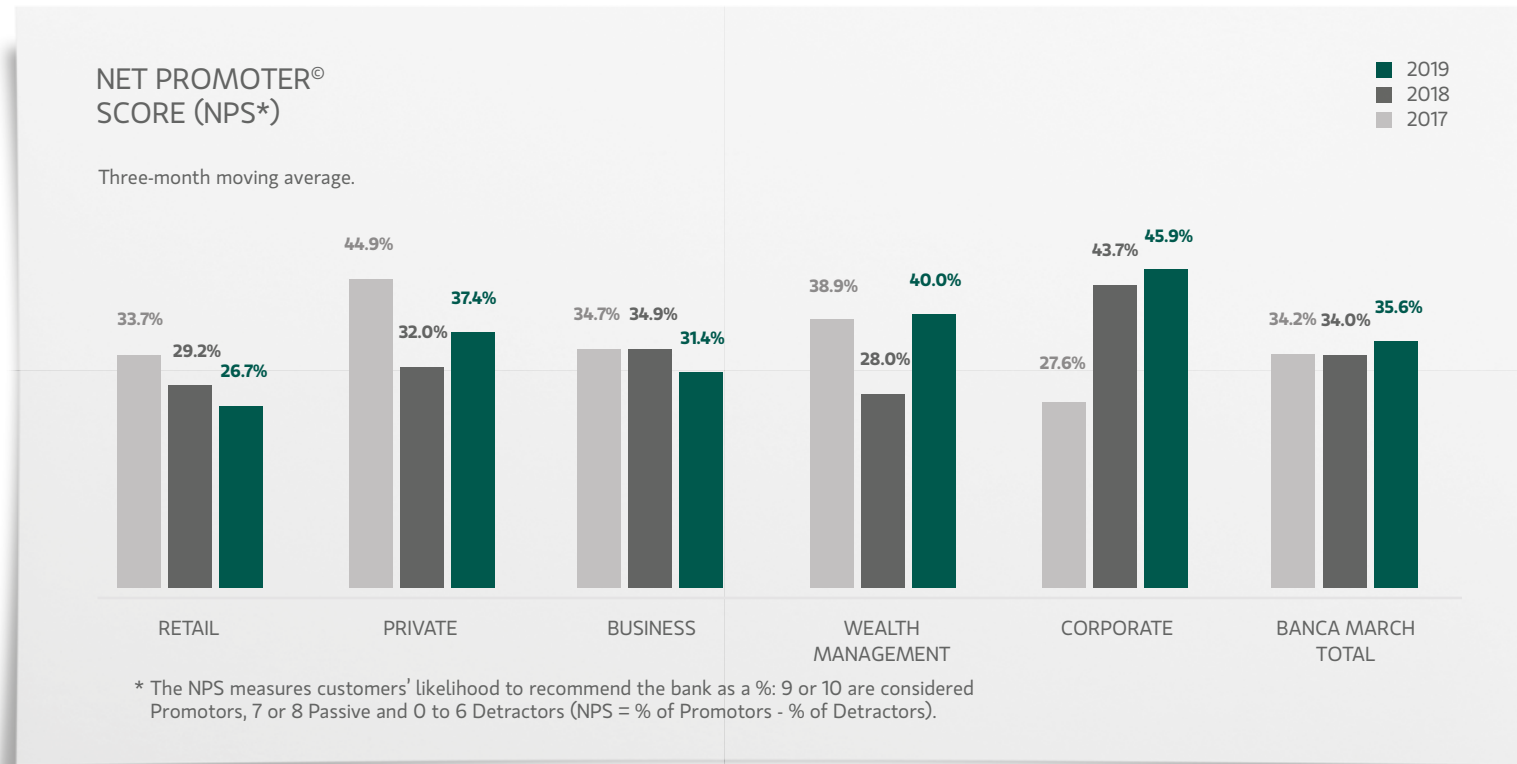
OUTSTANDING CUSTOMER SERVICE

At Banca March, we offer our customers tailored, specialist advice underpinned by long-standing relationships, always intended primarily to preserve and grow their assets.

The quality service we provide has afforded us excellent satisfaction ratings in quality surveys, including both our own internal surveys and the Financial Sector Customer Satisfaction Benchmarking undertaken by the independent firm STIGA.

As the graph shows, we have managed to maintain outstanding satisfaction levels for the last three years.





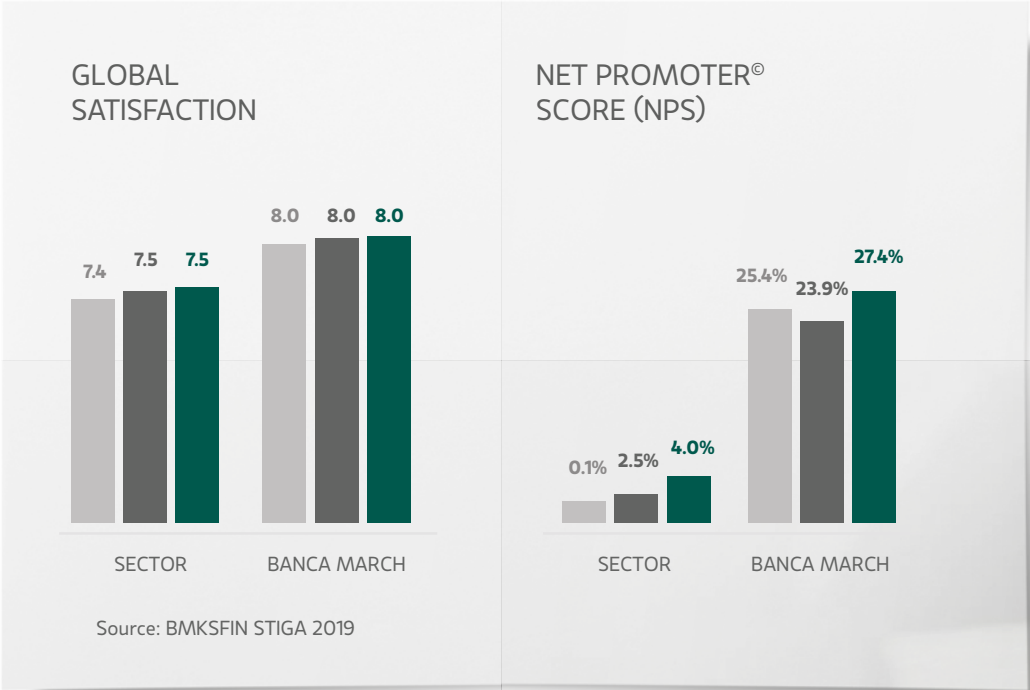
In terms of customer recommendations, Banca March's overall score has increased by 1.4 pp over the last three years, with a particularly positive evaluation of the most strategic segments for the Group.

In 2019, Banca March took part in the STIGA Customer Satisfaction Benchmarking for the third year running. This study allows for comparisons to be drawn between Banca March's results and the rest of the sector, identifying the bank's ranking for each attribute and revealing the leaders in each area. The results were outstanding, and once again confirmed our key strengths:

- Overall satisfaction with the service provided by our **managers**, with a score of 8.60 in 2019 versus a sector average of 8.41.
- Satisfaction with our **branches**, with a score of 8.81 versus a sector average of 8.02.
- **Relationship intangibles**, which customers evaluate based on their perceived degree of transparency, trust and personalisation. In this area, Banca March scored 7.89, versus a market average of 6.79.

- **Brand intangibles**, based on perceptions of the bank's solidity and solvency, modernity and social commitment. In this segment, Banca March scored 8.13, versus a sector average of 7.43.

The overall satisfaction index stood at 8.04 and our **net promoter score (NPS)**, which measures the likelihood of our customers recommending us, was 27.4%, both of which are above the sector average.



Our overall satisfaction and recommendation rates are 8.04 and 27.4%, respectively, both above the sector average.

COMMITTED TO SOCIETY

Banca March is utterly committed to effectively integrating ethical, social and environmental criteria into the performance of its financial activity. One of our key goals is to build a more profitable, sustainable business which is respectful of society and our environment.

To that end, in line with global best practices in CSR, Banca March has a robust corporate governance structure in place, under which the Board of Directors is the Group's highest decision-making body and must approve the Group's general policies and strategies, including in the area of sustainability, with no option for delegation.

Good Governance

At Banca March, we strive to compete in our sector with a unique business model based on best practices in Corporate Governance and on Shared Growth for all stakeholders; a model which adds

One of the key goals of Banca March is to build a more profitable, sustainable business that respects society and the environment.



value not only for our shareholders but also for our team of professionals, our customers and society as a whole. We believe that the academic community's contributions to the financial sector are of the utmost value.

Last year, Banca March worked with the specialist journal *Global Policy* to host the 1st Conference on Best Practices and Good Governance in the Banking Sector. The event was intended to facilitate a debate among experts of global renown on the key challenges faced by financial institutions, and *Global Policy* subsequently published a special edition of the journal featuring the reflections and conclusions drawn at the conference. This special edition, coordinated by Professors Myriam García-Olalla from the University of Cantabria and Camilo José Vázquez Ordás from the University of Oviedo, analysed the limitations and shortcomings in corporate governance at many banks on both sides of the Atlantic that became evident during the last financial crisis.

Next Generation

In 2019, Banca March launched Next Generation, an innovative, added-value discretionary management service based on megatrends. To create Next Generation, **Banca March identified a series of global trends that are shaping our society and economy, and built a specialised portfolio of funds to seek returns beyond the reach of traditional private banking services, investing in the megatrends of the future: industry 4.0., sustainability and demographics.**

The Banca March Product Area explained: "The global transformation currently underway has a huge impact on the way we live, work and interact. This deep, far-reaching change has a different pace, scope and impact than any we have ever seen before. Next Generation was created in response to the need to find new sources of returns; we believe the megatrends we have pinpointed currently offer unparalleled investment opportunities, especially over a long-term investment horizon. The idea behind this new discretionary management approach is to allow our customers to position themselves to benefit from



March A.M. donates 10% of its management fee to ocean recovery and conservation projects.

these changes and attract the younger generation of investors, who are key players in these megatrends and who demand innovative, added-value services.”

Through Next Generation, Banca March has also launched a new era of post-sale customer engagement, as investors have access to an exclusive programme of conferences, events and other activities with specialists, managers and experts in each of these megatrends.

Mediterranean Fund

In the second half of the year, March Asset Management (March A.M.), the Banca March Group’s asset manager, launched **Mediterranean Fund, an environmental impact fund that invests in two high-potential trends: the oceans as a source of wealth and the need for their conservation, and water as a scarce, indispensable resource for life on our planet. Both of these trends are in line with the United Nations’ Sustainable Development Goals for 2030.**

The social focus of this new fund is also reflected by March A.M.’s decision to allocate 10% of the management fees to projects for the recovery and conservation of marine resources. Investors in the Mediterranean Fund will therefore be contributing to initiatives to safeguard the marine ecosystem. In 2019, agreements were reached with two ocean conservation organisations: Save The Med and Oceana.

The various initiatives rolled out by Banca March in connection with the Mediterranean Fund to raise awareness include beach clean-ups at a range of Spanish coastal destinations. These events help protect the natural marine environment through a team effort, in a clear reflection of the fund’s philosophy, as well as promoting greater knowledge of the coastal ecosystem, beaches and dunes in the areas where the clean-ups have taken place.

With a view to enhancing awareness, Banca March has also produced a documentary with Atresmedia, featuring Roberto Brasero, a meteorologist from the Atresmedia Group, and Manuel Toharia, a scientist, meteorologist and scientific advisor from the Oceanogràfic de Valencia.

The Banca March Chair of Family Business

The Banca March Chair of Family Business, created in 2004, is fully funded by Banca March and cooperates with the University of the Balearic Islands (UIB), the Balearic Islands Family Business Association (ABEF) and the Family Business Institute (IEF). **The Chair of Family Business clearly exemplifies how we at Banca March perceive our responsibility and commitment to society, and emphasises the crucial importance of family businesses, which are a key driver of economic growth and sustainable employment and a great example of how to adapt to new, challenging market environments.** The range of services provided by the Chair include teaching on Family Business courses as an elective subject on a range of social science degrees, such as Business Administration,

Law and Tourism. Almost a thousand students have taken these electives, which featured contributions from invited family business leaders. The Chair also undertakes research into family businesses in the Balearic Islands, Spain and globally, with publications in the most prestigious academic journals. It also allows the University to forge close ties with the business sector through institutional events and specialist courses for family business leaders.

These events include the Annual Conference held at the University of the Balearic Islands (UIB). In 2019, the **12th Annual Conference of the Banca March Chair of Family Business** was held at the university. The event discussed the challenges facing Spanish agrifood family businesses, with Grupo Jorge as a featured guest.



The family business
is an indisputable motor
of economic growth
and sustainable
employment.

Corporate Volunteering

Banca March's core mission is to generate shared growth with its customers, professionals, shareholders and society. To help achieve that, the bank organises a range of initiatives, including Corporate Volunteering activities.

Banca March has risen to the challenge of promoting a strong commitment to society, organising a range of initiatives and providing the necessary conditions to allow all of our professionals to take part and bring their own ideas for social initiatives to the table. The overarching goal is to contribute to society, creating value alongside our various stakeholder groups and making social and environmental causes our own.

Throughout 2019, Banca March volunteers took part in the following initiatives in a range of different fields:

- **Financial education.** To harness the Banca March team's financial knowledge, the bank teamed up with the Spanish Banking Association (AEB) and the Junior Achievement Foundation to take part in the 2019 "Your Finances, Your Future" programme. A total of **67 professionals took part in the event at 14 education centres throughout Spain.** Our volunteers returned to the classroom, this time as teachers, to teach young people aged between thirteen and fifteen about financial education.
- **Society.** Banca March employees who have retired or taken early retirement cooperate once a year with an NGO. In 2019, they teamed up with "**Mallorca Sense Fam**" to carry out a food drive for the most disadvantaged members of society.
- The bank's team of professionals were also given the opportunity in 2019 to donate the hamper that Banca March gifts them every Christmas to **Caritas.** A total of **101 hampers were donated to the NGO,** helping to mitigate the difficulties of struggling families.

We promote a strong commitment to society, organising a range of initiatives and providing the necessary conditions to allow all of our professionals to take part and bring their own ideas for social initiatives to the table.

- **Integration.** At three volunteering sessions in Mallorca, Tenerife and Las Palmas, a group of professionals worked on beach clean-ups alongside a team of differently-abled people, in a clear reflection of Banca March's commitment to the environment and society.
- In Madrid, the singer and actress Miriam Fernández delivered a speech called Transform your Reality, where she shared her life story. Miriam was born with cerebral palsy, and broke down every barrier in her way until she achieved her dreams. The chat given by Miriam was organised in cooperation with the **Randstad Foundation**.
- Charity races. In 2019, the bank supported the participation of our professionals in a range of charity sporting events, such as the races against cancer held by the **Spanish Association Against Cancer (AECC)** in Palma and Madrid.
- Safe drinking water. Central services in Palma now only uses water from **Auara**, which invests 100% of dividends in taking drinking water to disadvantaged areas.
- Throughout 2019, a series of **blood donation initiatives** were carried out at the head offices in Palma and Madrid, to help people who rely on blood donations to save or improve their lives.



PEOPLE: THE HEART OF THE BANK

Banca March's incredible team of professionals is one of the cornerstones of our business model. The Human Resources area contributes to our goal of shared growth for customers, professionals and shareholders with policies that seek to harness the bank's potential as a high-performance, results-driven organisation underpinned by the ethical values of professionalism, expertise, meritocracy and responsible banking.

The various policies and activities rolled out by the area pursue a strategy with the following key priorities:

- Provide a motivating working environment where professionals can enhance and develop their abilities, trust the people around them and feel proud of their contribution and of belonging to the organisation.
- Facilitate and promote professional and personal development, equal opportunities and a strong work-life balance.
- Ensure that the efforts and conduct of our professionals is in line with the bank's corporate values, culture and strategy, reinforcing our priority business lines in the areas of private banking, corporate advisory services and wealth management.

Banca March's excellent team of professionals is one of the cornerstones of our business model.



The practical impact of these policies earned us recognition from the independent consultants Great Place to Work (GPTW) and Top Employers in 2019. Banca March is the only Spanish bank to have been certified a "Great Place to Work", thanks to its management model and culture of trust. The outstanding working conditions at the bank also secured us certification as a Top Employer, having complied with the consultant's exacting global and national standards.

The team

Banca March closed 2019 with a total workforce of 1,423 people, of whom 47.5% are women and 52.5% are men. The average age of the workforce is 43, and the average length of service is 13 years, although 60.7% of the team have been with the bank for less than 15 years.

Recruitment and selection

Banca March has consistently created jobs in recent years, recruiting new talent and professional profiles in keeping with the bank's areas of specialisation and the requirements of the fastest-growing areas, whilst also foregrounding the core values of commitment, rigour, effort, integrity and ambition.

In 2019, **120 people** joined the bank, 10 of whom are IT specialists brought in to step up the bank's digital transformation.

Internal turnover and promotions

Internal turnover contributes to professional growth and development, allowing employees to gain experience in a range of activities and take on different responsibilities throughout their careers, as well as covering HR needs across the various different areas of the bank. The professional experience of the Banca March team is the result of a learning process rooted in a true meritocracy, teamwork and creative ability.

Every member of the Banca March team has the chance to take part in internal turnover systems, which are based on the principles of equal opportunities, non-discrimination (by gender, nationality or disability, for example), equal treatment and respect for other people and their abilities.

Candidates are fully in control of their own decisions on their professional futures, and there are two key factors underpinning these opportunities for promotion and mobility: the ability to participate in internal turnover, and the guaranteed confidentiality of these processes.

To safeguard these two important guarantees, Banca March has made a technology platform available to 100% of the workforce featuring information on any vacancies, on which confidentiality is completely guaranteed.

BANCA MARCH HR INDICATORS

	2019	2018	2017
Number of professionals	1423	1401	1330
Average age (years)	43	42	42
Longevity (average years)	13	13	14
Average longevity (average longevity/ average age)	31%	31%	38%
Men	52.5%	51.9%	50.9%
Women	47.5%	48.1%	49.1%

TRAINING FIGURES

	2019	2018	2017	2016
Employees who have received training	100%	100%	100%	100%
Average number of hours' training per employee	90	88.7	117.2	90.9
Investment in training per employee (euros)	1,005	958.3	895.7	842.8
Number of different training activities	178	148	151	121
Average number of courses per employee	8.26	7.9	7.0	8.1
Total number of courses delivered	418	407	364	334

Training

Banca March's training policy is tailored to the needs of the business and aimed both at enhancing the performance of the bank's professionals in their current roles and at preparing them for internal promotion, as well as generating employee motivation.

Our training figures reflect a sustained, constant performance; 100% of the workforce has undergone training, with an average of 90 hours' training per person. Some 79% of training hours are performed through the eMarch Campus, the online training tool that has allowed us to optimise the number of courses delivered and better meet the specific needs of each area.

In 2013, the bank rolled out its new talent programme, Banca March New Talent. The initial phase is now complete, and **a total of 138 new professionals have now joined the team through the programme, including 36 in 2019**. This initiative was designed to promote the integration and engagement of these new hires, helping to instil Banca March's culture and values. It includes training, turnover and professional development activities which impact both the new employees' initial incorporation and their subsequent development.

Assessment processes

Individually assigned targets are revised annually. In addition, employees have skills assessments once a year to allow for an evaluation of their individual progress towards these targets. Employees undergo annual performance and skills assessments which are being honed and perfected constantly, covering variables such as attitude and quality of performance and based on a 360° performance appraisal method.

All members of the workforce participate in the 360° appraisal. The overarching goal is to ensure the professional development of our people. It provides an overview of the skills profile of each professional

in accordance with the skills model defined for Banca March and their suitability for the role, as well as identifying strong points and areas for improvement. After the appraisal, feedback interviews are carried out between the manager and employee and an annual action plan is designed.

The outcome of these appraisals is of the utmost importance in planning training activities, employee turnover and promotions. They also influence individual remuneration and help nurture, monitor and develop talent.

Remuneration

Banca March's remuneration model offers a competitive salary which links performance, conduct and achievements to pay, ensuring internal equity and gender pay equity. The bank's salary policy seeks to strike a reasonable balance between fixed and variable remuneration to adequately reward effort as well as incentivising performance, the achievement of business objectives and prudence in risk-taking.

At Banca March, 100% of the workforce receives variable pay to recognise their effort and reward the achievement of targets. In 2019, an incentive system was in place in line with the Strategic Plan for the 2017-2019 period, which responds to the commercial targets of each business segment. Achieving incentives is also a management and individual performance indicator.

Banca March's remuneration model offers a competitive salary which links performance, conduct and achievements to pay, ensuring internal equity and gender pay equity.



In 2015, Banca March began measuring the quality of internal and external service through a survey system, which has had an impact on the remuneration of the bank's professionals through the incentive system. In 2019, Banca March professionals had their quality bonuses benchmarked to the data from the internal and/or external quality survey.

Another measure which is available to the whole team is the Flexible Remuneration Plan. This remuneration policy allows any member of the bank's team,

completely voluntarily, to allocate part of their pay to buying certain products and services, securing not only an economic advantage on their purchase but also an increase in their net available pay due to the more favourable tax treatment of these products under personal income tax (IRPF).

This Flexible Remuneration Plan includes the following products:

- Health insurance.
- Childcare vouchers.
- Training.
- Transport passes.
- Language programmes.
- Vehicle leasing.
- Restaurant voucher cards.



At the end of 2019, 47.3% of the workforce allocated part of their salaries to the Flexible Remuneration Plan.

Employee benefits, wellbeing and recognition

The remuneration model is complemented with a range of employee benefits. Banca March offers study awards and grants for professionals or their families, group medical insurance and a corporate medical service, advantages in buying (15% discount on PSP) or trading allocated assets (2% fee over PSP), pension funds, life and accident insurance and meal vouchers.

The Human Resources area also strives to enhance the wellbeing of the bank's professionals and provide a healthy working environment, and is committed to ensuring that the health of Banca March's employees is a top priority for the bank. The bank also promotes employee participation in a range of sporting events, races and tournaments, as well as access to conferences and articles of interest on physical and mental health.

Banca March has developed a broad **Work-Life Balance Plan** to promote a health balance between our employees' home and work lives, based on the legislation in force and complemented by a range of voluntary improvement measures.

The search for a positive work-life balance is rooted in a social and corporate culture based on joint responsibility, trust, flexibility, respect and mutual respect.

Employee satisfaction

Banca March undertakes workplace climate surveys to gauge employee satisfaction levels and identify areas for improvement. Every year, the bank runs the survey created by the consultant Great Place to Work, and every two years a more complete internal survey called "Opina" is performed. The results of the survey show strong levels of employee engagement with the project and the company, as well as a strong perception of brand identity.

The Human Resources area also strives to promote the wellbeing of the Bank's professionals and provide a healthy working environment, and it is committed to ensuring that the health of employees is a top priority for the Bank.

Recognition

Banca March fosters a culture of recognition as part of our team's every day working lives. In recent years, the bank has rolled out various recognition initiatives in order to support top-down, bottom-up and lateral relationships within the organisation, promoting motivation and employee satisfaction.

Internal communication

Part of the HR area, Internal Communications works on ensuring agile, transparent communications to underpin efficient operations and help generate employee engagement with a project they know well and feel part of, to help achieve Banca March's business objectives. Internal communication is understood as a key tool for change and transformation, which allows for the active participation of the workforce in achieving the bank's business goals whilst also strengthening internal cohesion.

Innovation

Human resources seeks to promote a culture of innovation across all areas and levels, with a view to building the future of Banca March as a team, whilst also protecting the bank's own unique essence. A

At Banca March, internal and external recruitment processes are based on the merits, professional qualifications and skills of the candidates, whilst always ensuring inclusion and diversity.



range of tools have been set up to this end, including a collaborative, dynamic training platform and an innovation network where the team can share ideas, participate, vote and comment.

Anonymous whistleblowing hotline

This is a channel for communication intended to prevent, whilst observing the utmost confidentiality, any infractions within the organisation. The whistleblowing hotline is for reporting any irregularities or inappropriate conduct of a financial or accounting nature, or relating to control, internal auditing and particularly those stemming from any failure to comply with the law, the internal Code of Ethics and Conduct and/or the bank's internal regulations.

Diversity

Diversity within an organisation is a key driver of creativity and adds great value. At Banca March, internal and external recruitment processes are based on the merits, professional qualifications and skills of the candidates, whilst always ensuring inclusion and diversity.

Banca March is committed to providing a place of work where all professionals are treated fairly and with respect. A place where their development is supported and they are rewarded based on performance, with no discrimination on the basis of gender, race, age, nationality, sexual orientation, disability, language, political or religious ideology, political or trade union affiliation or any other circumstance which is not objectively related to the working conditions and does not contravene current regulations.

Banca March's **Equal Opportunities Plan** features all work-life balance measures available to all professionals and is overseen on a six-monthly basis by the Equal Opportunities Plan Monitoring Committee, along with the Trade Union and Company Representatives.

DIGITALISATION WITH SOUL

Innovation is allowing Banca March to transform its sales model to secure ever more loyal and digital customers, generating a more profitable, sustainable business model and always putting people's needs first.

In 2019, the non-profit organisation @asLAN, which comprises over 120 tech companies that share a passion for innovation, recognised the work of Banca March's IT team with **the Award for Private Sector CIOs**, applauding their clear contribution to promoting the deployment of digital infrastructure and providing support for applications and business processes.

These efforts in the field of digitalisation are intended to further Banca March's progress towards its core strategic objective: to be Spain's leading provider of private banking and corporate advisory services. To that end, **we are continuing to roll out our Digital Transformation Plan, which features an ambitious investment of 75 million euros over the 2018-2020 period.**

Banca March is also transforming its branches into business centres providing multichannel advisory services, which is already making it easier for customers to access the banking processes they require.

In mid-2019, the **Remote Banking** service was launched, with brand new functions to enhance customer experience. One of the most important new features was the inclusion of investment funds. Since 2019, customers have had the opportunity to perform all their fund transactions without leaving the remote banking environment and with complete browser uniformity, including a guided subscription, redemption and fund transfer service, with a virtual assistant on hand to support them through the entire process.

Banca March is transforming its sales model to secure ever more loyal and digital customers, generating a more profitable, sustainable business model and always putting people's needs first.

2019 also saw the launch of the brand **new App**, the cornerstone of the Digital Transformation strategy. The innovations and new features added include biometric access using fingerprints or facial recognition.

Half of all Banca March customers are active digital users, both on the website and the mobile app. Some 35% of digital banking is performed via the app.

Since 2018, Banca March customers can make digital payments using Google Pay and Apple Pay. The bank's latest innovation was the 2019 launch of the first ever **voice assistant with Smart Display for use in private banking.**

In addition, as part of the Digital Transformation Plan, Banca March's Technology Unit is rolling out a range of projects aimed at updating the bank's infrastructure, with a view to implementing cutting-edge, mature, flexible, reliable technology that facilitates and ensures the development and sustainability of the business, its digital transformation and its operating model. To this end, an agreement was signed with Telefónica in 2019 to optimise data management with cutting-edge technology. Within the scope of this project, which will run for five years, global telecoms leader Telefónica will provide Banca March with data storage, management and administration services at its tech hub TecnoAlcalá, which has secured Tier IV certification from the Uptime Institute. Telefónica

will also provide the platform, management and administration for Banca March's hyperconverged infrastructure and its operating system.

Among others, the core lines of the technology transformation process are focused on providing top-level cybersecurity solutions, updating communication lines to afford greater capacity and speed, acquiring next-generation server virtualisation solutions and quicker, more frequent IT backup solutions, updating the physical network of firewalls to reinforce information exit and entry points, adapting the architecture to receive cloud-based services from various suppliers and modernising workspaces.

In 2019 we launched remote banking, the new app and the first voice assistant as part of our digital transformation.

THE GROUP'S BUSINESS



Banca March

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KEY FIGURES

BANCA MARCH GROUP				
€m	2019	2018	Change	
KEY BUSINESS FIGURES				
Equity	1,947.3	1,807.8	139.5	
Off-balance sheet Assets under Management	12,818.1	12,113.3	704.8	
Loans managed	7,929.0	7,771.9	157.0	
Investments in affiliates	648.4	609.1	39.4	
Total assets	16,435.6	15,532.9	902.7	
RESULTS				
Net interest income	154.1	144.8	9.3	
Fee and commission income	319.0	323.0	-4.0	
Operating income	146.4	137.2	9.2	
Consolidated profit for the financial year	125.1	106.6	18.5	
Profit attributable to the Group	125.1	105.2	19.8	
CAPITAL ADEQUACY AND SOLVENCY RATIOS (%)				
Total capital ratio	16.15	16.02		
NPL ratio	1.83	2.56		
NPL coverage ratio	54.63	52.85		
Foreclosed assets coverage ratio	56.00	59.49		
NUMBER OF EMPLOYEES				
No. of employees	1,889	1,867		

BANCA
MARCH, S.A.

€m	2019	2018	Change
KEY BUSINESS FIGURES			
Equity	1,224.7	1,155.2	69.5
Customer deposits	10,878.0	10,479.4	398.6
Loans to customers	8,313.7	7,833.2	480.5
Total assets	13,783.9	12,913.8	870.0
PROFIT			
Net interest income	128.4	121.7	6.8
Gross income	301.6	305.3	-3.6
Operating income	117.7	133.4	-15.6
Profit for the financial year (*)	79.4	164.3	-84.9
NUMBER OF EMPLOYEES AND POINTS OF SALE			
No. of employees	1,423	1,401	
No. of branches	169	177	
No. of ATMs	470	432	

(*) Profit for the financial year 2018 includes extraordinary capital gains of 89.8 million euros from the sale of shares in Corporación Financiera Alba, prohibiting a like-for-like comparison of the two years' results.

BANCA MARCH GROUP

The structure of the Banca March Group is geared primarily to the undertaking of Banca March's banking activity, alongside Banco Inversis. The Banca March Group also delivers the insurance and asset management businesses. The Bank also owns a significant holding in Corporación Financiera Alba, one of Spain's largest industrial investment holding companies.

Banca March, the parent company, has been undertaking the Group's banking activity since 1926. Our business model, which is geared towards entrepreneurs, enterprising families and family businesses as well as wealth management services, is implemented through the bank's different specialist units: Wealth Management, Private Banking, Retail Banking and Corporate Banking.

The insurance business is delivered through March Risk Solutions (March R.S.) and March Vida. The management of collective investment undertakings is delivered through March Asset Management (March A.M.), March Gestión de Pensiones and Artá Capital.

In the first half of 2019, Banca March acquired 25% of the insurance broker March JLT Correduría de Seguros. This transaction increased Banca March's stake in the broker's share capital to 100%, clearly evidencing its commitment to the future development of the business, which it considers to be a strategic component of its activity. As it embarks on this new era, the insurance broker will undergo a change of name, becoming March Risk Solutions (March R.S.).



Our business model, which is geared towards entrepreneurs, enterprising families and family businesses as well as wealth management services, is implemented through the Bank's specialist units: Wealth Management, Private Banking and Corporate Banking.



Banca March also holds 100% of the shares in Banco Inversis, a Spanish market leader in global investment technology solutions and in outsourcing financial services to financial institutions, insurance providers and other operators in the investment product distribution business. Inversis provides investment services related to the execution, custody and settlement of securities (including investment funds), depository and administration services for investment and pension funds, and the distribution of the main international asset management houses' products via its fund platform.

The Group boasts a retail network of 169 branches, including one in Luxembourg. It has eight Wealth Management centres, located in the Basque Country, Valencia, Madrid, Catalonia, the Balearic Islands, the Canary Islands and Alicante, as well as the Madrid Expansion and Luxembourg branches. The Corporate Banking business line is delivered out of five locations in Palma de Mallorca, Madrid, Barcelona and Valencia. Through these branches –in addition to the specialist Private Banking offices– we offer unparalleled tailored advisory services to our clients.

Banca March's shareholders are Juan, Carlos, Gloria and Leonor March Delgado, who together own 100% of the bank's share capital; none of the shareholders exercises individual control, be it via share ownership or by any kind of agreement.

In addition, as referenced above, the Group holds a 15.02% stake in Corporación Financiera Alba, S.A., which undertakes stable, long-term investments in sector leaders including Acerinox, Naturgy, Ebro Foods, Indra Sistemas, Bolsas y Mercados Españoles, Viscofan, Parques Reunidos, Euskaltel and Cie Automotive.

The Group boasts a retail network of 169 branches, including one in Luxembourg.

BRANCH NETWORK BY BUSINESS LINE

	2019	2018
Retail and Private banking	155	162
Wealth Management	8	9
Corporate banking	5	5
International branches	1	1
Total branches	169	177

BRANCH NETWORK BY REGION

	2019	2018
Balearic Islands	96	101
Canary Islands	20	22
Catalonia	10	10
Valencia	10	10
Madrid	17	17
Andalusia	9	9
Zaragoza	1	2
Bilbao	2	2
San Sebastián	1	1
Vitoria	1	1
Logroño	1	1
Luxembourg	1	1
Total branches	169	177

FINANCIAL YEAR 2019

In 2019, Banca March posted attributable profit of €125.1 million euros, up 18.8% versus 2018.

The 2019 accounts reflect strong performances across all income streams - net interest income (+6.4%), gross income (+3.9%) and operating income (+6.7%) - as well as a substantial investment in technology and digitalisation, which will total 75 million euros upon completion of the 2018-2020 Digital Transformation Plan.

For the bank as a whole, the strength of the business is reflected by the growth secured in off-balance sheet assets (+11.2%), loans (+2.0%), deposits (+2.5%), equity (+7.7%) and total assets (+5.8%).

The Private Banking and Wealth Management business posted double-digit growth in business volume (+13.8%), customers (+17.9%), off-balance sheet AUM (+10.1%) and customer funds (+13.6%).

Banca March's business model continues to be underpinned by robust financial and capital ratios: the bank boasts the lowest NPL ratio in the Spanish financial sector – 1.83%, versus a sector average of 4.80%, according to the Bank of Spain– without having resorted to discounted portfolio sales. The bank's capital adequacy ratio (16.15%), LCR (528.26%), DTL (130.7%) and NPL coverage ratio (54.87%) are also among the strongest in the sector.

Banca March's consolidated net profit grew by 18.8% to 125.1 million euros.

2019 RESULTS

CHANGE VS 2018



**PROFIT FOR
THE YEAR**
+18.83%



125.06
€ MILLION

KEY FIGURES - BANKING ACTIVITY

2019 vs 2018



+6.39%
NET INTEREST
INCOME



+3.94%
GROSS
INCOME



+6.74%
OPERATING
INCOME



+18.83%
PROFIT FOR
THE YEAR

2019 RESULTS

KEY FIGURES - BANKING ACTIVITY



2019	Sector average
1.83% NPL RATIO	4.80% NPL RATIO



528.26% LCR	162.2%¹ LCR
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16.15% CET1 FL	12.20% CET1 FL
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¹ Financial sector LCR.
* Data at June 2019.

Source: Bank of Spain, Financial Stability Report.

In a sector that destroys jobs, Banca March continues to create them to ensure it always has the best teams.

In the Corporate Banking area, Banca March has cemented its strategy as a leader in banking services for family businesses and entrepreneurial families, specialising particularly in alternative financing, direct lending, customised treasury solutions and risk hedging. In Corporate Banking, lending grew by 8.2%, business volume by 8.6% and customer numbers by 10.5%.

In 2019, Banca March placed over 5.6 billion euros in short-term securities in capital markets, an increase of 63% versus the issuances undertaken in 2018. Specifically, Banca March dominated commercial paper issuances on the MARF, with a market share of around 50% of the total outstanding balance of securities issued.

The Banca March Group is a pioneer in the market, offering the sector's most comprehensive range of private banking solutions with compelling returns for all investor profiles: co-investment, value-added Discretionary Portfolio Management (DPM), alternative funds and themed funds.

The bank launched six new real economy co-investment projects in 2019. At the end of the year, a total volume of 770 million euros had been raised for investment in a range of fields including logistics, startups, care homes for the elderly and security, among others.

At December 2019, 2,236 Banca March customers had signed up to the added-value Discretionary Portfolio Management (DPM) service, accounting for total investments of 877.4 million euros. This is a reflection of the excellent uptake levels enjoyed by the service, particularly by Next Generation, which offers discretionary portfolio management based on megatrends for 700 customers, with 91.9 million euros under management.

March A.M., the Group's asset management business, has consolidated its leadership position in themed funds with the launch of Mediterranean Fund, an environmental impact fund that invests in companies with exposure to the oceans economy, as well as water use and treatment. The fund donates 10% of its management fee to projects for the recovery and conservation of marine resources. At December 2019, less than three months after its launch, the fund had 57.7 million euros under management.

In an industry where employment is falling, Banca March has continued to create new professional opportunities this year; to ensure it has the very best teams in place to support its tailored wealth management strategy and roll out the 2017-2019 Strategic Plan, the bank hired 120 professionals in 2019.



PRIVATE BANKING AND WEALTH MANAGEMENT

Banca March's specialist businesses cemented the bank's position as a leading provider of financial advisory and wealth management services. The Private Banking and Wealth Management areas posted double-digit growth over the year in business volume (+13.8%), customers (+17.9%), off-balance sheet AUM (+10.1%) and bank funds (+13.6%).

Over the 2017-2019 Three-Year Plan, profit from banking activity has multiplied by 1.6x, buoyed by the Private Banking & Wealth Management and Corporate Advisory areas, as the weighting of income from services as a proportion of ordinary income (66.8%) outstripped the weighting of net interest income.

These impressive results were made possible by the determination of Banca March and its team to stay a step ahead of the rest, offering the sector's most

comprehensive range of private banking solutions with compelling returns for all investor profiles: co-investment, value-added Discretionary Portfolio Management (DPM), alternative funds and themed funds.

Within the framework of MiFID II, part of Banca March's core strategy is to offer its own products whilst also affording its customers the opportunity to invest alongside the bank in co-investment initiatives. However, Banca March operates, de facto, as an independent company; it offers a full catalogue of investment services, applies an open architecture approach (selling its own products and third-party products) and its interests are clearly aligned with those of its clients (through co-investment). The fees accrued by the bank are therefore twofold: implicit (or indirect fees) on execution services and specific advisory services, and explicit (or direct) fees in the case of Discretionary Portfolio Management (DPM). For ongoing advisory services, fees are both explicit and implicit.

The Private Banking and Wealth Management business posted double-digit growth in business volume (+13.8%), customers (+17.9%), off-balance sheet assets (+10.1%) and customer funds (+13.6%).

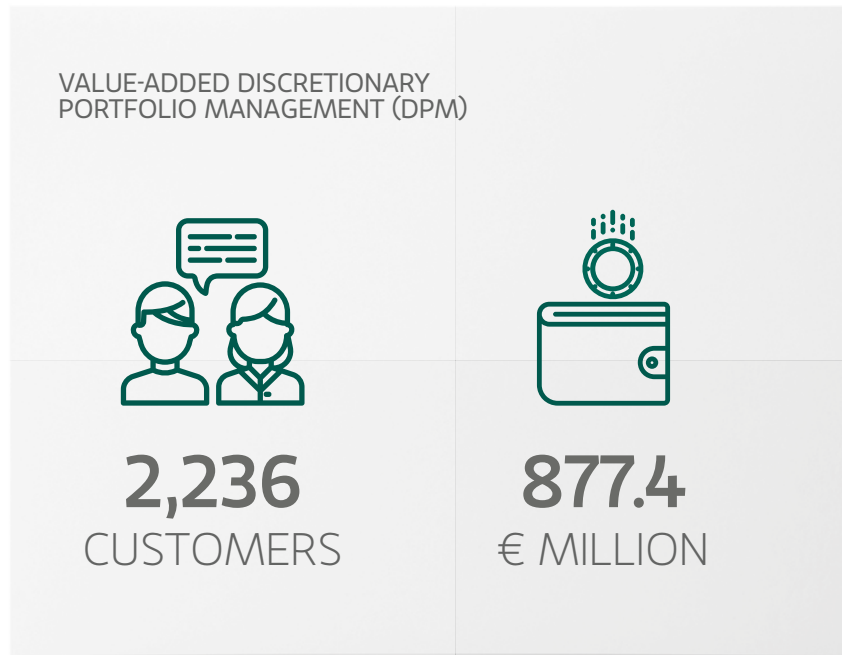
In the most challenging landscape for wealth management in recent memory, Banca March has demonstrated its capacity to adapt, offering a range of profitable, innovative products despite the backdrop of low interest rates. In the last two years, the bank has launched the following products to offer its customers alternatives to holding cash –which can now actually cost them money– and to the negligible returns currently offered by fixed income:

1. Value-added **Discretionary Portfolio Management (DPM)**. Banca March has over 2,236 DPM customers and 877.4 million euros under management. Within the DPM segment, the top performer is Next Generation –so named because it invests in future megatrends– which accounts for 91.9 million euros (700 contracts) of the total assets under management in DPM.
2. **Alternative management**. In the current landscape, with traditional assets –and fixed income in particular– offering limited returns, Banca March is adding a series of hedge funds under the UCITS framework, which benefit from a Europe-wide passport, to its range of investment products. This will help cover the risk-return gap

Banca March demonstrates its ability to adapt with a range of profitable and innovative products.

that currently exists between bonds and equities as a result of interest rate shifts throughout the curve and movements in credit spreads. Banca March clients can now access new markets and exclusive assets under extremely advantageous conditions, expanding the range of opportunities to diversify and add value to their investment portfolios:

- Advisory agreement with US alternative management boutique **K2 Advisors** (owned by Franklin Templeton), offering Banca March's customers access to investment solutions through a broad selection of funds which, until now, were only available to institutional investors.
- Agreement with the Swiss bank **Banque Syz**. This is a UCITS fund of funds that invests in a range of alternative strategies with risk and return targets stipulated by Banca March.





Always by our customers' side

In 2019, we held over 100 events with Wealth Management, Private Banking and Corporate Banking customers.

The different types of events held can be broken down into:

- **Market Strategy Presentations.**
At these meetings, held early on in the year, we give clients an overview of Banca March's strategic outlook for the economic and market landscape.
- **Institutional SICAV monitoring meetings.**
The managers of Banca March's institutional SICAVs give a first-hand account of results and performance to the clients who co-invest with Banca March through these vehicles.
- **New product and service launches.**
When we roll out new products and services, we hold launch events to give our customers a first-hand insight into our latest developments.
- **Investment forums.**
At these events, Banca March invites three international asset managers to take part in a debate, moderated by a Banca March executive, on the current market scenario and investment opportunities. These debates are a clear demonstration of Banca March's open architecture approach.
- **Tax meetings.**
Banca March holds regular meetings with its customers to inform them of all tax-related developments that could impact the management of their assets. The bank has a specific tax department comprising a team of top-level professionals.
- **Events in partnership with the Juan March Foundation.**
Every year, the Juan March Foundation offers Banca March's customers access to previews and private viewings of the main exhibitions inaugurated at the Foundation's headquarters in Madrid.
- **Meetings with business leaders and family business associations.**
These meetings are held to discuss specific issues of interest to business leaders, and family business leaders in particular, and to monitor the performance of certain investment products, among other topics.
- **Branch openings.**
As the renovation works undertaken to renew our corporate image come to completion, we organise inauguration events for the new facilities. We invite our customers to these events to showcase these new spaces, which allow us to provide them with enhanced services and an excellent customer experience.
- **Sports and leisure events.**
Banca March has organised several golf tournaments at various courses, in which our customers were invited to take part.

UNIQUE CO-INVESTMENT PRODUCTS

Banca March's co-investment products are unique and inimitable in the Spanish financial sector and virtually unparalleled at the European and global levels, and are a direct result of the bank's distinctive shareholder structure. Through these co-investment products, Banca March offers its customers the chance to invest in the same opportunities as the bank itself. These investments are exclusive to Banca March and come in two possible formats: traditional or listed assets, and unlisted assets.

The **traditional liquid investment option** is provided through the three institutional SICAVs managed by March Asset Management (March AM), one of the hallmarks of Banca March. Torrenova is Spain's largest SICAV, with 1.08 billion euros under management at the end of 2019. It was created over 20 years ago as an investment vehicle for the bank's shareholders; today, more than 5,000 customers hold investments in the fund. Bellver (432 million in AUM and 3,127 shareholders) and LLuc (215 million in AUM and 1,591 shareholders) complete this trio of products. All three products offer a unique SICAV model which is available to any of the bank's customers with a minimum investment of just one share, allowing them to benefit equally from the returns generated by these financial instruments. The three institutional SICAVs registered outstanding returns over the course of the year, especially LLuc, which chalked up gains of 18.04%.

EXCLUSIVE PRODUCTS: CO-INVESTMENT

REAL ECONOMY PROJECTS

Goal:
Invest in real economy¹ opportunities, harnessing the Banca March Group's experience and expertise.

Leading managers in every sector, with extensive experience and proven track records.

These projects diversify customers' financial investments and reduce overall portfolio correlation.

Very low liquidity¹ and a long-term approach.



+€1.9BN
COMMITTED
SINCE 2008

53%
INVESTMENT
BY BANCA MARCH
GROUP

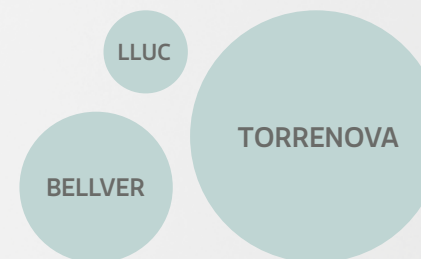
+750
CUSTOMERS

8 YEARS
AVERAGE
INVESTMENT
HORIZON

PROJECTS IN TRADITIONAL MARKETS

€1.73BN
TOTAL ASSETS UNDER
MANAGEMENT IN
INSTITUTIONAL SICAVS

9,732
TOTAL NUMBER OF
SHAREHOLDERS



¹ Except Institutional SICAVs.

The other option is to participate in **illiquid investments**, in which the Group has been investing for almost a century, and which seek to harness the illiquidity premium offered by the unlisted sector. The fact that Banca March is 100% family-owned means it can undertake real economy investment projects that require a medium- to long-term investment commitment. The Group has three separate, independent operations through which to undertake these investments: Banca March, the Juan March Foundation and Corporación Financiera Alba (CFA), one of Spain's largest independent financial holding companies.

These co-investment projects offer Banca March's customers the chance to invest in the same real economy investments as the bank itself. By sacrificing short-term liquidity, we aim to generate stronger returns than the financial markets over the medium and long term.

Since 2008, we have undertaken real economy investment projects totalling 1.99 billion euros, of which 53% was provided by Banca March and the rest was contributed by over 750 Banca March customers. The year 2019 marked the beginning of our second decade of co-investment, and was a milestone year in terms of both the number and diversity of investments underway.

Thanks to the efforts undertaken in the second half of 2018 and throughout 2019, **six co-investment projects** were approved last year, out of over 180 opportunities analysed. These co-investment proposals, which represent a total investment of over 770 million euros –including the investment commitment by the Banca March group, which accounts for 61% of the total– have afforded over 600 customers the opportunity to add diversified real economy exposure to their investment portfolios. Out of the total investment volume committed, 14% is invested in Spain and the rest is allocated to international investments.



The Bank launched six new real economy co-investment projects in 2019. At the end of the year, a total volume of 770 million euros had been raised for investment in a range of fields including logistics, startups, care homes for the elderly and security, among others.

Of the projects undertaken in 2019, two of them –accounting for over 80% of the total volume– are private equity investments in non-listed companies. The private equity category includes the investment in Carlyle Europe Partners V, Carlyle's fifth European private equity fund, which is Banca March's first co-investment initiative in non-listed companies outside Spain and Portugal and will be rolled out over the years ahead with additional strategies in new regions.

We have also stepped up our holdings in the share capital of unlisted companies through a joint investment with CFA in Verisure, the European leader in monitored alarms for households and small businesses.

We also invested in two real estate projects, which accounted for 9% of the total investment volume.

In the logistics sector, we have invested alongside Pavasal in the development of a dozen logistics warehouses of substantial size to respond to existing operators' new needs. These developments, located primarily in Madrid, Barcelona and Valencia, include additional improvements to the access roads and the logistics assets' surroundings, and will create over 500 permanent jobs.

In another real estate investment format, Banca March invests, alongside Azora, in the SOCIMI Adriano Care, which acquires care homes for the elderly and leases them to prestigious operators in Spain's major urban hubs.

In alternative financing, the bank is invested in Oquendo's third investment vehicle, which finances growth projects for Spanish companies via mezzanine debt. This investment accounted for 5% of the total investment volume.

Finally, 4% of the investment volume in 2019 was allocated to the second investment in tech companies through Atómico V, a venture capital fund focused on European companies.



LEADERS IN FINANCING FAMILY BUSINESSES

In 2019, Banca March secured its position as Spain's leading provider of advisory services for family businesses, with a unique business model that adapts to meet its customers' needs. To that end, Corporate Banking is structured into Large Companies units (Balearic Islands, Madrid, Catalonia, Expansion and Levante), which are supported by various specialist business areas, including M&A, Capital Markets, Treasury and Markets, Asset Financing Solutions and March Risk Solutions. This structure allows Banca March to provide comprehensive management and corporate advisory services.

We are always designing and creating new services to ensure we continue to meet our customers' changing needs. In 2019, we created the Leisure and Tourism unit and the Large Companies unit for the Basque Country, Navarre and La Rioja.

The Leisure and Tourism unit falls under the Corporate Banking area but offers a comprehensive outlook and service for the whole Group.

For decades, Banca March has been closely engaged with the development and expansion of tourism companies in the Balearic Islands, which today are lauded as global sector leaders. Thanks to this close relationship, forged and consolidated over many years, Banca March has achieved a sector-leading degree of expertise and knowledge, identifying and understanding the specific needs of tourism sector companies in the region. We decided to harness the opportunity to export our comprehensive advisory model to all the regions in which Banca March operates, helping to attract new customers and further establish our value creation and shared growth

In the Corporate Banking area, Banca March has cemented its strategy as a leader in banking services for family businesses and entrepreneurial families, specialising particularly in alternative financing, direct lending, customised treasury solutions and risk hedging. In Corporate Banking, lending grew by 8.2%, business volume by 8.6% and customer numbers by 10.5%.

business model. Our goal is to position Banca March as a leading advisor to tourism sector players, with a specific value proposition for the sector and a clear focus on specialisation and added value.

The Large Companies unit for the Basque Country, Navarre and La Rioja is based in Bilbao and operates throughout the three regions. This decision is intended to further Banca March's existing strategic commitment to securing growth in these regions.

Last year was another successful year for Banca March's Corporate Banking area. Once again, income from services provided a substantial contribution to the income statement, and at the same time, the segment's client base grew by 8%; this clearly evidences the efficiency of Banca March's strategy in the Large Companies business, operating essentially as advisors to companies –especially family businesses– rather than simply providing financing.

M&A

The M&A unit is one of the bank's specialist areas and falls under the Corporate Banking area, offering a comprehensive outlook and services across the whole Group.

The driving force behind our M&A team's activity is the constant search for solutions to strategic projects underway by businesses and entrepreneurs. We offer customers opportunities to diversify their investments by participating in unique transactions linked to rental assets, primarily office buildings, logistics warehouses and hotels.

- Integration of an investment partner to help finance the business plan and further professionalise the company's management.
- Acquisition-based growth through the acquisition of productive units, businesses or companies, to step up the company's expansion alongside its organic growth.

- Full or partial sales of companies as a solution in the event of the need to replace shareholders, of highly-fragmented shareholdings or when succession is not an option.
- Sales of non-strategic divisions, businesses or assets.
- Management buyouts (MBOs)
- Transactions related to listed companies, working closely with the Capital Markets unit.
- Sales of real estate assets to institutional investors or natural persons.

In 2019, the unit focused primarily on providing advisory services to clients operating in the technology, pharmaceutical, security, hotel and food industries, among others. M&A has advised on the divestment of a range of hotel assets throughout Spain. Our M&A unit advised the family which founded and runs Ice Cream Factory Comaker (ICFC) on the company's acquisition by the Ferrero Group.

Capital Markets and Syndicated Financing

The overarching goal of Banca March's Capital Markets and Syndicated Financing unit is to identify solutions for the financing and capital requirements of the bank's customers, via either traditional lending or institutional investors.

The Capital Markets and Syndicated Financing team operates in the following areas of activity:



Loan origination and distribution: This team undertakes activities related to optimising companies' debt structure, including:

- Advisory services on corporate debt structure.
- Syndicated loans.
- Club loans.
- Private debt placements with institutional investors.
- Debt restructuring.
- Lending agency functions.

In 2019, we created two new units, Leisure and Tourism, and Large Companies for the Basque Country, Navarre and La Rioja.

Banca March participated in more than 20 club or syndicated loan transactions over the course of 2019, totalling over 5.6 billion euros in financing. Banca March's share of the financing stood at over €215 million. These transactions span a range of different sectors, including construction and infrastructure, restaurants and hotels, the industrial sector and retail, among others.

The unit has managed agreements on Banca March's behalf with the European Investment Bank in relation to two initiatives seeking to develop and extend financing for SMEs and medium-sized enterprises. The two initiatives in question are the EIB programmes for SME financing and Risk Sharing. Both initiatives seek to optimise our bank's balance sheet as well as helping channel financing into the mid-sized business landscape in Spain.

Capital markets – Fixed income: Undertakes financing operations executed as fixed income transactions in the form of commercial paper and bonds on domestic and international public markets.

In 2019, Banca March was the most active financial institution in the market in short-term issuances for Spanish corporate issuers. **At the close of 2019, Banca March was either leading or participating in the following MARF and ECP programmes:**

MARF commercial paper issuances:

€m	Amount	Registered advisor	Bookrunner
Company			
Elecnor	300	●	●
Tubacex	150	●	●
Europac	300	●	●
Barceló	200	●	●
Maxam	100	●	●
Gestamp	350	●	●
Fluidra	75	●	●
Sacyr	350	●	●
Ulma	50	●	●
Grupo Siro	50	●	●
Grupo Jorge	75	●	●
IM Fortia	400	●	●
Finycar(Grupo Sorigué)	50	●	●
Coren	50	●	●
Pryconsa	100	●	●
Sidenor	25	●	●
TSK	150	●	●
Cecotec	50	●	●
Ormazabal	50		●
Insur	50		●
Urbaser	200		●

European Commercial Paper Programme:

€m	Amount	Arranger	Dealer
Company			
Cellnex	500	●	●
Cie Automotive	200	●	●
FCC	600	●	●
Abertis	1.000		●
Euskaltel	200		●
Viesgo	300		●
Acciona	1.000		●
Meliá	300		●

Banca March has a market share in MARF issuances –both in relation to limits on commercial paper programmes and to issuance and distribution volumes– of between 40% and 50%, positioning it as the Spanish market leader among qualified investors for this product type.

In 2019, Banca March placed over 5.6 billion euros in short-term financing instruments in the capital markets, outperforming its 2018 issuance volume by over 63%.

We also launched a new MARF commercial paper programme through invoice securitisation for another issuer (Grupo Burán Energy), with the backing of CESCE. This 300 million-euro programme is

already up and running and in use, and thanks to the CESCE guarantee, enjoys an A- Standard & Poor's rating. This is in addition to the 400 million-euro invoice securitisation programme for Fortia, which is also backed by CESCE. These two programmes have positioned Banca March as a leader in these securitisation structures.

There was substantial demand for the commercial paper issued among professional investors, as it represents an alternative to other investment products, given the declining yields on short-term products such as term deposits and government bonds. The risk involved is also very controlled, thanks to the issuers' credit ratings and the short maturities.

Banca March has a market share in MARF issuances of between 40% and 50%, positioning it as the Spanish leader among qualified investors for this product type.

Capital markets – Equities: In 2019, Banca March expanded its equity market activity. This unit's activity is largely focused on two key transaction types:

- ITrading blocks of shares in listed companies.
- IParticipating in IPOs and capital raisings.

Our block trade activities allow us to offer our business, private banking and wealth management customers the chance to buy or sell substantial blocks of shares. In 2019, three mandates were secured and executed for blocks of different underlying equities.

One particularly noteworthy transaction was the sale of a block of shares in Laboratorios Reig Jofré, S.A., representing 10.11% of the company's market cap, which was brokered by Banca March.

As regards IPOs and capital raisings, Banca March acted as bookrunner on the IPO undertaken by the SOCIMI (REIT) Millenium Hoteles, S.A..

Treasury and Markets (T&M)

In 2019, T&M secured even better results than expected, with a significant increase in the number of assigned qualified clients.

Treasury: Manages the bank's liquidity and is responsible for managing and hedging interest rate risk and exchange rate risk on the balance sheet:

- **Liquidity.** The goal is to outperform the market benchmark to ensure that Banca March has an adequate cost of funding. The current backdrop of negative rates, coupled with central bank policy, continues to make this a highly challenging task. The bank has therefore further specialised and expanded its activity in the field of financing and the transfer of assets and securities.
- **Interest rate risk.** The current low interest rates favour fixed rate operations, which obliges us to transform our financing on the same terms, managing the gaps emerging as a result of current operations.
- **Foreign exchange risk.** Banca March has extensive experience in the forex markets, which means it is well-equipped to efficiently manage exposure to this risk.

It also provides products to the Treasury Distribution Desk: fixed income, equities, FX, commodities and any of their derivative products. Banca March also has a Trading Desk which oversees compliance with the bank's obligations under MiFID.

Treasury also prepares and files the bank's various issuance prospectuses, both in Spain (CNMV) and via the issuer MiLUX (Luxembourg).

Distribution: Provides products and services for our customers, striving for excellence and the utmost product suitability.

The team's efforts in distributing fixed income assets –bonds and particularly commercial paper– deserve a special mention; these assets attract significant demand thanks to the characteristics they offer: short maturities and positive yields. The agile placement of commercial paper by the distribution team, as well as Banca March's efficient settlement and custody services and the rigorous selection of issuers undertaken by the bank itself, are a strong guarantee for investors and issuers alike. Coupled with the creation of new programmes, this has allowed us to double our trading volume in these assets versus last year, to a total of 7.1 billion euros.

Asset Financing Solutions

This unit seeks to identify and develop advisory and financing structures that allow for the optimisation of investments in new assets.

The asset financing structures offered by Banca March are grouped as follows:

- Optimisation structures for acquisitions of new assets in strategic sectors, undertaken by structuring regulated investments and through monetisation or subsidies, among other tools.
- Asset financing structures focused on assets which due to their nature –liquidity, value preservation, collateral transfer pricing– are financeable on their own merit, affording optimised financial efficiency for the trader of the asset and an improved credit profile, and thereby creating an opportunity to access a newly-created asset category to build investment diversification.

Banca March is the leading financial institution in structuring and distribution for finance arrangements requiring prudent regulatory analysis. This was a key attribute in allowing us to expand the team and, in 2019, to seize a number of significant opportunities, as well as implementing improvements in terms of the design and monitoring of these structures.

Banca March's asset financing activity is underpinned by a comprehensive model comprising specific scenarios that allow for financial structures which are compatible with disintermediation via the selective distribution of securities to investors.



Our asset financing structures are based on collateral which, due to its nature –liquidity and essentiality to the operator– constitutes ideal backing for investors and allows the asset operators to benefit from the diversification of their financing programmes.

Our in-house advisory, origination, structuring and distribution capabilities in asset financing are deployed across a broad range of underlying assets –aircrafts, ships, railway rolling stock, idiosyncratic assets, technology, energy efficiency and the circular economy– and financial solutions designed to optimise efficiency for our customers and generate investment opportunities for a conservative investment profile.

Banca March is the leading financial institution in structuring and distribution for finance arrangements requiring prudent regulatory analysis.

INSURANCE AREA

Banca March's Insurance Area encompasses the Bancassurance and Retirement Planning unit and the insurance subsidiary March Vida.

Bancassurance and Retirement planning

In 2019, the Bancassurance and Retirement planning area performed well, with a 4.9% year-on-year increase in total revenues to 26.4 million euros.

Savings insurance products did exceptionally well, with an increase of 11.3% underpinned largely by the excellent uptake of the products March Vida Ahorro and Unit Link Multiestructuras.

Broken down by customer segments, there was a sharp upturn in insurance products taken out by private banking clients, up 24.3% year on year.

Two new products were launched in 2019, the ETF Unit Link and the Next Generation Unit Linked Systematic Individual Saving Plan (PIAS), both highly innovative products that harness the Bank's full range of capabilities.



TOTAL INSURANCE AREA

€m	2019	2018	%Change.
Risk	8.1	8.2	-1.1%
Savings	11.0	9.9	11.3%
Retirement	7.3	7.1	3.0%
Total	26.4	25.2	4.9%

€m	RETAIL BANKING			PRIVATE BANKING			CORPORATE BANKING		
	2019	2018	%Change	2019	2018	%Change	2019	2018	%Change
Risk	6.4	6.7	-4.5%	0.5	0.5	-3.9%	0.8	0.7	16.9%
Savings	5.8	5.6	3.6%	4.8	3.8	24.3%	0.07	0.02	246.3%
Retirement	4.6	4.2	9.4%	2.4	2.4	0.7%	0.05	0.05	-1.0%
Total	16.8	16.5	1.8%	7.7	6.7	13.7%	0.8	0.7	17.5%

By regions, the Peninsula reported impressive growth, with a 20.2% increase in savings insurance products. These conservative savings products are now well-established as the perfect complement to the wealth management value proposition Banca March offers its customers.

€m	BALEARIC ISLANDS			CANARY ISLANDS			PENINSULA		
	2019	2018	%Change	2019	2018	%Change	2019	2018	%Change
Risk	5.2	5.2	0.1%	1.4	1.5	-4.7%	1.2	1.2	-0.9%
Savings	7.6	6.8	11.3%	1.2	1.2	6.6%	1.7	1.4	20.2%
Retirement	4.0	3.6	9.7%	0.7	0.7	3.9%	2.1	2.1	2.4%
Total	16.8	15.7	7.2%	3.4	3.4	1.1%	5.1	4.8	7.0%

As regards risk insurance products, the corporate segment posted a significant increase of 16.9% on the back of considerable, targeted efforts to enhance the range of services available to our customers and ensure we are able to respond to the demands of an ever-expanding corporate segment.

The performance of retirement insurance products and pension plans was uneven. In the Balearic Islands particularly, our range of insurance products combined with pension plans continues to enjoy strong success levels in our more traditional customer segment.

2019 was also a big year in terms of product innovation; March Vida launched its ETF Unit Linked product and the Next Generation Unit Linked Systematic Individual Saving Plan (PIAS), both highly innovative products which harness the bank's full range of capabilities.

We also innovated in terms of the channels we use, successfully launching accident insurance sales via telemarketing in the retail segment.

Finally, we innovated in services, launching UNICA Seguros, a tool which allows for the cost of all insurance products to be spread across 12 monthly payments and provides a standardised, orderly overview of each customer's insurance position.

In short, in 2019 the Insurance Area made strong progress towards its strategic objectives, which are as follows:

- Consolidate the current business, rolling out tools to improve sales of these types of products.
- Offer a more comprehensive service, developing specific solutions for the private banking, HNWI and corporate segments.

- Pursue a customer-centric strategy, developing ad hoc solutions.
- Digitalise our insurance offering in line with the bank's broader efforts in digitalisation.
- Grow in products, distribution channels, and services linked to the insurance sphere.

March Vida

March Vida is the Banca March Group's insurance company. March Vida offers savings, unit-linked, retirement, life annuities and life-risk products, with a focus on personal and asset protection. March Vida undertakes its activity via the Banca March network of branches and offices, as a linked bancassurance operator.

At the end of 2019, March Vida's portfolio stood at over 85,000 policies, with balances under management of 1.52 billion euros.

Premium income in 2019 totalled 554.1 million euros, up by 27% year on year. Our guaranteed savings products performed especially well, contributing 219.7 million euros, as did our unit linked products, which contributed total premiums of 209.6 million euros. Life annuities totalled 60.3 million euros, and retirement saving products –insured pension plans (PPA), individual systematic savings plans (PIAS) and long-term individual savings insurance plan (SIALP)– stood at 58.2 million euros. Life-risk products also posted growth versus previous years.

In 2019, March Vida consolidated its position as Banca March's provider of long-term savings products, especially for customers with a conservative investment profile. March Vida also **launched dynamic, innovative products in 2019, such as the PIAS Next Generation Unit Linked Systematic Individual Savings Plan and the March Vida MultiETF**

Premium income in 2019 totalled 554.1 million euros, up by 27% year on year.

Unit Linked, designed for Banca March's Private Banking and Wealth Management areas. The unit also started distributing the accident insurance product Plan de Protección Integral via telemarketing.

March Vida successfully met the targets outlined for 2019, cementing its contribution to Banca March's results. The total contribution to Banca March, defined as the fees paid to Banca March by March Vida plus the profit before tax posted by March Vida, stood at 17.1 million euros.

March Vida has adapted fully to the new regulatory requirements, and continues to have an adequate solvency position.

The business unit's goals for the year ahead are to continue to create new, innovative solutions, make further headway in the digitalisation process and improve risk management and control.

MARCH A.M.

Assets under management by March A.M. stood at 5.87 billion euros at the end of 2019 and the vast majority of our investment products secured extremely positive returns over the year. Some of our products posted their best annual performance since their launch.

March A.M. ranks fourth in the Spanish market by volume of assets under management in SICAVs, with a total of 2.55 billion euros under management in these vehicles at the end of 2019.

In terms of products, 2019 was a milestone year for Banca March, as it witnessed the launch of our first ESG and impact investing product: **March International Mediterranean Fund**. Mediterranean Fund is a themed, socially-responsible fund which seeks to invest in two high-potential trends related to the United Nations' Sustainable Development Goals (SDGs) for 2030: the oceans as a source of wealth and the need for their conservation, and water as a scarce, indispensable resource for life on our planet. The social focus of this new fund is also reflected by the commitment undertaken by March A.M. to allocate 10% of the management fees to projects for the recovery and conservation of marine resources. This allows investors in the Mediterranean Fund to contribute to initiatives to safeguard the marine ecosystem.

At the end of 2019, just over three months after its launch, the fund had over 57 million euros under management, and is transferable and available through the main distribution platforms in Spain.



Another important milestone in 2019 was the launch of a new **fully online customer registration service**, which means any customer can register online through the March A.M. public website, accessible from any electronic device (PC, tablet or mobile), with no need for physical documents or to travel to a branch. Customer registration is undertaken via facial recognition as electronic ID, thanks to the first ever personal ID solution using real time video. This new system avoids long customer registration processes, affording greater speed and efficiency.

2019 was a very strong year in terms of the returns generated by our funds.

Our **equity funds** put in an exceptional performance. **March Global** secured a return of 26.6%, **The Family Businesses Fund** gained 22.1%, the strongest returns since its launch, **March Vini Catena**, now in its tenth year, posted a return of 11.07%, and **March Intl.** **Iberia** returned 16.1%, also registering its best year to date.

Our **Institutional SICAVs** also posted strong returns –**Torrenova** generated 5.7%, **Bellver** 11.2% and **Lluc** 18.0%– with all three products recovering from the negative returns registered the year before.

Our **profiled funds** also posted strong returns. **March Patrimonio Defensivo** returned 2.2%, **March Cartera Conservador** 5.9%, **March Cartera Moderada** 10.1% and **March Cartera Decidida** 14.7%.

As for our **fixed income funds**, despite the challenging market conditions and ongoing unusually low rates, **Fonmarch** gained 2.1%, and **March Renta Fija Corto Plazo** closed the year up 0.8%.

Finally, in line with the performance of our funds and SICAVs, our **pension plans** also registered remarkable gains. **March Acciones** performed particularly well with 28.5% and **March 50/50** returned 14.2%.

March A.M., the Group's asset management business, consolidated its leadership position in themed funds with the launch of Mediterranean Fund, an environmental impact fund that invests in companies with exposure to the oceans economy, as well as water use and treatment.



FUND PERFORMANCES

%	2019	2018	2017	2016
SICAVs				
Torrenova de Inversiones, SICAV	5.7	-4.9	0.9	2.0
Cartera Bellver, SICAV	11.2	-10.1	3.4	5.7
Lluc, SICAV	18.0%	-13.9	8.6	10.3
FIXED INCOME FUNDS				
March Renta Fija Corto Plazo	0.1	-2.1	0.6	0.6
Fonmarch	2.1	-2.1	1.8	3.8
EQUITY FUNDS				
Mediterranean Fund (*)	6.9			
March Intl. The Family Businesses Fund	22.1	-15.2	15.1	8.5
March Global, F.I.	26.6	-17.5	8.6	13.1
March Europa, F.I.	5.2	-20.0	12.7	-0.1
March Intl. Valores Iberian Equity	16.1	-14.6	12.5	7.5
March Intl. March Vini Catena	11.1	-12.8	15.5	5.7
PENSION PLANS				
March Acciones, P.P-	28.5	-16.4	9.0	12.4
RISK-PROFILED FUNDS				
March Patrimonio Defensivo	2.2	-4.5	0.8	0.9
March Cartera Conservadora	5.9	-6.6	3.2	1.4
March Cartera Moderada	10.1	-8.7	5.0	1.8
March Cartera Decidida	14.7	-12.7	10.6	2.5

(*) From launch on 19/09/2019 until 31/12/2019.

MARCH R.S.

March R.S. brokered total insurance premiums in 2019 of 415 million euros, of which 187 million were Non-life products and 228 million were Life insurance products. The company's gross income totalled 22.65 million euros, with operating profit of 6.49 million and profit before tax of 3.97 million euros.

March R.S. saw two major milestones in 2019. Firstly, **Banca March bought back the 25% of March R.S. held by Jardine Thomson**, meaning it now owns 100% of the company. Secondly, the company was renamed and rebranded March Risk Solutions. A new partnership framework has been created with international brokers to build our new global network which, under the name of **MARCH R.S. INTERNATIONAL ALLIANCE**, will enable us to provide optimal services for our customers' international operations with the flexibility afforded by a broad network and the best choice of partner in each area.

The revenues and profit reported by the business were highly satisfactory. **Revenues for 2019 were up 12% year on year** and in line with the budget for the year. **Operating profit for the year grew by 16.4% year on year** and was up 4.6% versus budget. These positive results were thanks to the brokerage's long-standing policy of specialisation and the customer-centric approach. Revenues from the Large Companies unit continued to grow as a proportion of the total, which is coherent with the aforementioned strategy of specialisation.

Successfully attracting talent is one of the cornerstones of the Group's strategy. We focus systematically on reinforcing the various different teams as the key driver behind the best possible services for our customers. Over the course of the year, key HR incorporations



were undertaken in business areas such as Construction, Financial Risks and Employee Benefits. The Markets/ Placement area was reinforced and given greater competencies, as was the Claims area, which plays a crucial role in the strategic plans of the brokerage.

The results broken down by business unit were positive across practically all areas, with particularly strong contributions from Construction, Maritime, Employee Benefits, Leisure and Tourism, and Fleets. The company continued to offer strong growth rates in both customer numbers and cross sales.

The digital transformation continues to be an essential part of the brokerage's strategy. **In 2019, significant progress was made in the digitalisation process at March R.S.; the unit launched its new ERP and introduced the option to work from home for 100% of the workforce.** March R.S. continues to work on digitalisation projects including, among others, data quality and group management.

March R.S. is the largest Spanish capital insurance broker, working with more than 20% of the Ibex companies.

March R.S. is an insurance broker which strives to meet its customers' needs wherever they are. A global brand offering market access and local service networks to ensure its customers receive sector-leading benefits.

BANCO INVERISIS

Banco Inversis provides high added-value solutions aimed at financial institutions and insurance companies for their investment businesses and financial assets through an outsourcing business model.

The comprehensive range of products and services offered by Inversis includes:

- Trading and execution of orders.
- Settlement of transactions and custody of financial assets.
- An integrated platform for the distribution of investment funds.
- More specific services, such as acting as administrator and depository for collective investment schemes and pension plans.

Since its inception, Inversis has invested constantly in cutting-edge technology and innovation to enable it to respond swiftly to the needs of the institutional business.



This extensive range of services is underpinned by a powerful, unique technology platform, which is modular, customisable and tailored to meet the needs of the institutional business, thereby supporting the digital transformation of its end customers.

Inversis' technology allows it to provide services for the end customers of its institutional clients, allowing them to outsource activities and processes to Inversis that do not form part of their business models and thereby enhance their own efficiency.

Inversis offers specialist services, such as those performed by its research and investment fund selection team and the distribution desk, as well as other value-added services.

In 2019, we channelled our efforts into innovating and creating value-added services for our customers. **We developed solutions for Improved Trading through investment funds in line with the regulatory framework and in partnership with specialist partners in these types of solutions, as well as creating the Omnibus Account, a turnkey solution for managers and**

sub-distributors which allows for the distribution of Spanish funds via global accounts, among other services. We also set up new business lines with new market players such as neobanks and e-money institutions.

From a technology perspective, **the hyperconverged infrastructure** implemented last year **allowed us to improve our Business Continuity Plan to a level of excellence** which is in keeping with the growing demands of the regulator and our clients in the area. We also **furthered our digital transformation initiative last year through the innovative Lighthouse project which involves a radical change to the platform and a significant improvement in user experience, the application of services and a reduction in time to market**, among other advantages, enhancing the value of the services we provide our customers.

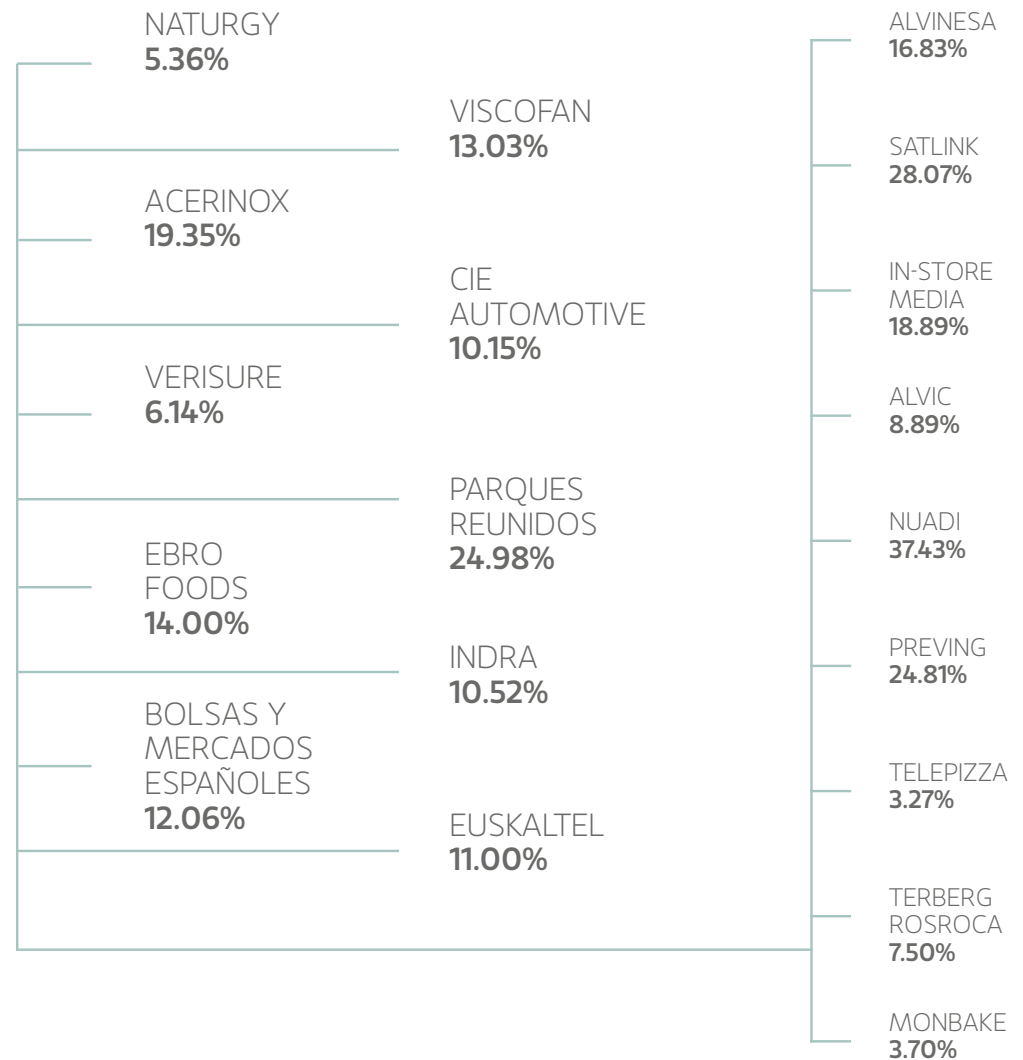
As regards the income statement, **Grupo Inversis closed 2019 with profit after tax of 15.7 million euros, representing an ROE of 11.4% which far outstrips the sector average, and year-on-year EBITDA growth of 6.3%.**

CORPORACIÓN FINANCIERA ALBA: INVESTMENT PORTFOLIO

Structure of the main affiliated
companies in Alba's investment
portfolio (31 December 2019)



OnLine version
INVESTMENT PORTFOLIO



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