

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.

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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.

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