WiZink

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Infinitas posibilidades

Pillar III Disclosures

WiZink Group

31 December 2023

Intérprete Jurado de Inglés
nº 4205
SHIVAUN EVA SCHUTAWIE
schutawies@gmail.com
X0111764F
Sworn Translator of English

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1. Executive Summary

1.1 Introduction

This document presents the consolidated Pillar III disclosures of WiZink Bank S.A.U. (the Group) as of 31 December 2023.

Pillar III requirements are set out under the Capital Requirements Regulation (CRR) and are designed to promote market discipline through the disclosure of key information around capital, risk exposures and risk management. Those requirements are similarly adopted by Bank of Spain in the Law 10/2014. In June 2019 the update on the regulation (CRR II) was published and it is fully applicable since June 2021.

The implementation of Basel IV through the update of the CRR is expected to enter into force in January 2025 (even though some requirements will have a phase-in calendar). Following the CRDVI/CRR3, the EBA will be asked to work on the layer of the regulatory products that ensures a technical implementation of the prudential framework, including amendments to the disclosure requirements.

Following the application of the proportionality principle, the regulation (art 4 CRR) classifies the entities in three categories:

i. Large institutions
ii. Small and non-complex institutions
iii. Other institutions

According to Bank of Spain consideration WiZink Bank should be considered into the category of “other institutions” and taking into account that it is not listed, the disclosure of information will follow the art 433c.2 CRR.

WiZink Group declares it has not omitted required information for reasons of confidentiality or because the information is reserved.

A table setting out how the Group complies with the CRR disclosure requirements is shown in Appendix 7.

Where appropriate, cross references have been made to additional supporting disclosures that are included within the 2023 WiZink Bank S.A.U. consolidated Annual Accounts. As such, these disclosures should be read in conjunction with that document.

1.2 Key ratios

The key regulatory ratios of the Group are shown below:

Table 1: Key ratios

	31/12/2023
Total Own Funds (phase-in) (m€)	421
Total Risk Exposure amount (phase-in) (mRWAs)	2.665
Own Funds Requirement (m€)	213
Additional Own Funds Requirement (m€)	88
Combined Buffer Requirement (m€)	67
Total Capital ratio phase-in	15,81%
Total Capital ratio fully loaded	15,22%
Common Equity tier 1 (CET1) ratio phase-in	14,87%
Common Equity tier 1 (CET1) fully loaded	14,29%
Leverage ratio phase-in	9,57%
Total Exposure Measure (phase-in) (m€)	4.141
Leverage ratio fully loaded	9,19%
Liquidity Coverage Ratio (LCR)	6005%
Net Stable Funding Ratio (NSFR)	139,92%

All the key ratios above mentioned (table 1) were within the Group's risk appetite, which is the amount and type of risk that the Group is prepared to seek, accept or tolerate as at 31 December 2023. The Group's strategy is developed in conjunction with its risk appetite.

More detail on the composition of own funds, own funds requirements and risk exposure amount can be found in "Section 6. Capital Management" and "Section 7. Pillar I capital requirements overview".

More detail on the composition of the Liquidity Coverage Ratio and Net Stable Funding Requirement can be found in "Section 11. Funding and liquidity risk"

More information and detail may be found in the 2023 WiZink Bank S.A.U. Consolidated Annual Accounts.

1.3 Significant events during 2023

There were no business combinations in 2023.

In February 2023 the Supreme Court issued a ruling which confirmed the doctrine already set in the 2020 and 2022 rulings regarding usury:

- The reference for determining whether a revolving credit facility is usurious has to be the price of the most specific category (i.e. revolving credit facilities) and not the price of consumer credit in general;
- The price with which the analysis should be performed is the APR and not the Narrowly Defined Effective Rate (hereinafter 'NDER') (i.e. the indicator published by Bank of Spain from June 2010 onwards); and
- In order to determine whether the APR of a given revolving credit card is 'notably higher' than the average market price and, thus, usurious, the Supreme Court ruled that if the particular APR of a facility is 6 percentage points higher than the average market APR for these facilities, then it is usurious.

The above provides a basis for the Group to consider that it is more likely than not that the number of favourable rulings in lower Courts (success rate) should continue increasing.

On September 2023 the Group launched Vasco class A to F, R and X (Notes were issued by Tagus) to reinforce both the Group's Liquidity and Capital positions. All Notes are currently placed in the market except for tranches R and X which have been retained by the Group. From a prudential perspective, the exposures are excluded from the Risk Weight Assets consideration.

During 2023, the remaining outstanding series included in the Wizink Master Credit Cards program have been fully amortised, hence the program has been liquidated.

The Group has four structured entities as of 31 December 2023: Azul Master Credit Cards, Victoria Finance No. 1, Viriato Finance No. 1 and Vasco Finance No. 1.

On February 1st, 2023, Mr. José Luis del Valle Doblado and Mr. Miguel Ángel Rodríguez Sola resigned from their position as WiZink Directors.

Likewise, on such date Mr. Joaquim Saurina Maspoch was appointed as Chair of the Board of Directors and was granted with executive powers to ensure the management of the Company. In order to counterbalance the power of the Chair, the Board appointed Mrs Anna Gatti to act as Lead Independent Director. Moreover, on April 4th, 2023 and April 28th, 2023, Mr. Antonio Greño Hidalgo and Mr. Ricky John Noel respectively joined the Board of Directors once Bank of Spain had concluded the relevant suitability assessment processes.

In June 2023 Iheb Nafaa was appointed as Chief Executive Officer, pending approval by Bank of Spain. In September 2023, following approval by Bank of Spain, he officially joined Wizink as the CEO and at that moment Mr. Saurina left his executive powers granted to remain as non-executive Chair of the Board of Directors.

The new structure fulfils the requirements of honourability and will ensure the sound and prudent management of the Bank.

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2. Disclosure policy

2.1 Basis of preparation

This document contains the consolidated Pillar III disclosures of the Group as of 31 December 2023, prepared in accordance with the requirements of Part Eight of the Capital Requirements Regulation (EU Regulation 575/2013, the CRR). It is also consistent with the requirements outlined in Law 10/2014 for the local framework and the requirements established in EBA/GL/2018/10 and EBA/GL/2020/12.

Pillar III disclosures reflect the Group's adoption of the Standardised Approach to quantify RWAs for Credit Risk, Operational Risk and Credit Valuation Adjustment (CVA). The Group does not use any Internal Ratings Based or advanced approaches for the quantification of RWAs for Pillar I requirements.

The information disclosed is focused on the aspects considered as relevant for an adequate understanding of the risk profile of the Group, its exposure to risks and its management structure.

2.2 Frequency, media and location

The Group's policy is to publish the required disclosures on an annual basis. The Pillar III disclosures are published in the company's website www.wizink.es.

The frequency of disclosure will be reviewed should there be a material change in any approach used for the calculation of capital, the business structure or regulatory requirements in case it affects the prudential risk profile.

Verification

The Group's Pillar III disclosures have been reviewed through the internal governance procedures applicable to all external reporting, including review by Internal Audit and the Audit Committee and approval by the Board of Directors.

2.3 Risk profile disclosure

In accordance with Part Eight of the CRR, the Group is required to assess whether its external disclosures portray its risk profile comprehensively (see sections 4, and 8 onwards for more detail). The disclosures of risk management objectives and procedures within this Pillar III document are detailed fully within the WiZink Consolidated Annual Accounts (Note 41. Risk exposure and management).

Since November 2018 Aneto has owned 100% of the Group. Therefore, the entities controlled directly or indirectly by funds managed by Värde Partners and the key staff of the Board of Directors, including direct family members, have been identified as related parties.

All the outstanding balances and transactions with related parties arose in the ordinary course of business and were entered into under terms equivalent to those prevailing in arm's-length transactions and are detailed in the Consolidated Annual Accounts (Note 40. Information on related parties).

2.4 Current developments

Phase 1 of the revised Pillar III framework of the Basel Committee on Banking Supervision (BCBS) was addressed by the EBA in guidelines implemented in December 2017. The guidelines introduced more specific guidance and prescribed tables and templates, regarded by the regulators as a significant step towards enhancing the consistency and comparability of banks' regulatory disclosures.

The BCBS released 'Basel III: Finalising post-crisis reforms to the Basel III framework' in December 2017. In November 2021 the proposal for a regulation of the European Parliament and of the Council was published to adapt the CRR and CRD to the updated Basel Framework. The proposal (currently drafted and pending to be voted in the European plenary) establishes an entry into force in January 2025, and phase-in over five years.

The changes include the following elements: revisions to the Standardised and Internal Ratings Based approach for credit risk, revisions to the Credit Valuation Adjustment (CVA) framework, a revised Standardised Approach for operational risk, revisions to the leverage ratio and leverage buffer and an aggregate output floor to ensure banks' Risk Weighted Assets (RWAs) calculated by internal models are not lower than 72.5% of RWAs calculated on the Standardised Approach by 2030. The Group is considering its requirements in its future plans.

The Group is fully compliant with CRR Part Eight and continues to consider the EBA guidelines when preparing Pillar III disclosures to increase transparency and ensure that it follows best practice. In this regard, Appendix 7 shows the mapping of the disclosure requirements of CRR Part Eight to the relevant pages and tables within this Pillar III document.

During 2018 the Group adopted IFRS 9 as issued by the IASB in July 2014, consequently endorsed by the European Union, with a transition date of 1 January 2018. This resulted in changes to accounting policies and adjustments to the amounts previously recognised in financial statements that were explained in detail in the 2018 Consolidated Annual Accounts.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

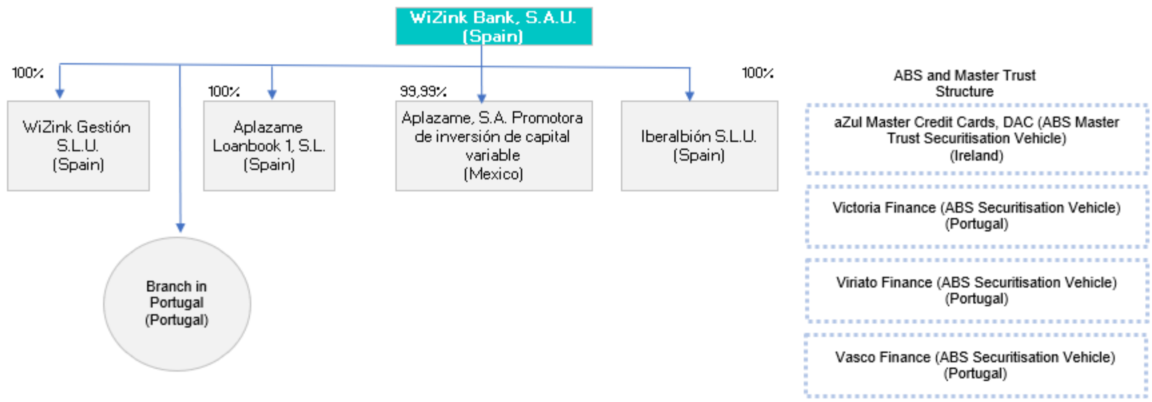
Since December 2019 CET1 phase-in is considered and it includes the transitional arrangements due to IFRS9 capital impacts according to article 473 bis CRR following the recommendation of ECB and Bank of Spain due to the uncertainty on the macroeconomic scenario. The calendar has been updated in June 2020 by the legislator to be adapted to the COVID situation.

3. Scope of consolidation

3.1 Regulatory consolidation

The Group structure, including the composition of the regulatory Group, at 31 December 2023 is set out below.

Figure 1: Regulatory Group Structure



At this time, Aneto S.a.r.l has only one investment which is WiZink. Therefore, the document is focused on WiZink Bank and its subsidiaries.

There are no legal or regulatory impediments to the capability for the prompt transfer of surplus capital resources over and above regulatory requirements (including individual capital guidance provided by Bank of Spain) or repayment of liabilities when due throughout the Group. There are no current or foreseen material practical impediments to the prompt transfer of own funds or repayment of liabilities among the Group companies.

The Group is not considered an institution of Globally Systemic Importance within the meaning of Article 131 of CRD IV.

3.2 Subsidiary disclosures

The following table describes the main activities of the subsidiaries:

Table 2: WiZink subsidiaries

Subsidiary/branch	Main Activity
Iberalbión, S.L.	Provide third-party entities with auxiliary services in relation to customer debt recovery and collection activities, as well as customer service and sale of said entities through any channel of distribution, including, but not limited to, the telephone, the sale through mobile points of sale, internet or mailing. Carry out auxiliary technical support tasks for users of computer equipment from third-party entities through telephone service, internet tools or in person. In February 2024, Iberalbión outsourced the client contact center activities to Zelenza CEX, an external supplier. This strategic decision seeks to enhance the level of services rendered to clients while maximizing efficiency. Iberalbión will keep rendering services to the Group in certain other areas such as Operations, Frauds and Collections.
WiZink Gestión, S.L.	Provide third-party entities with auxiliary services in relation to customer debt recovery and collection activities, as well as customer service and sale of said entities through any channel of distribution, including, but not limited to, the telephone, the sale through mobile points of sale, internet or mailing. Carry out auxiliary technical support tasks for users of computer equipment from third-party entities through telephone service, internet tools or in person.
Aplázame LoanBook 1, S.L.	Non-mortgage loans and credits provision with deferred payment formula, open-end credit line or any other equivalent financing form. With a balance size of 0.3k€ (total assets), we consider it not material and is not contemplated in any analysis. It is planned to start the liquidation process of the company.
Aplazame Sociedad Anónima Promotora de Inversión de Capital Variable	All sorts of loans and credits provision. Currently this Company is in the process of liquidation. With a balance size of 27k€ (total assets), we consider it not material and is not contemplated in any analysis.

The Group has established a Master Trust securitization structure (Azul Master Credit Cards) to provide recurrent capabilities to generate marketable securities for the bank backed by its credit card portfolio.

In these operations WiZink retains substantial risk position in the Master Trust. The Master Trust is then mainly used to generate eligible collateral to be pledged at the Central Bank and could potentially be used to obtain funding from final investors.

In addition, the Group has also established an ABS (Asset Backed Securities) Securitisation Vehicle (without master trust structure), called “Victoria Finance No.1”, which currently is retained in full by the Group. This means the Group is exposed to rights of variable returns from its involvement in the SPVs and has the ability to affect those returns through its power over the entities.

There is no risk transfer associated with the abovementioned securitisations and therefore for the purposes of regulatory capital and Pillar III disclosures, the SPVs are consolidated within the Group’s disclosures.

On September 2021 the Group launched Viriato Finance (ABS Securitisation Vehicle) to reinforce both the Group’s Liquidity and Capital positions. All notes are currently placed in the market except for tranches R and X which have been retained by the Group. From a prudential perspective, the securitisation follows art. 244.1.b) CRR and therefore the Group is allowed to exclude the underlying exposures from the calculation of risk-weighted exposure amounts as long as it applies a 1,250% risk weight to the securitisation positions held or deducts those from CET1.

As noted before, in September 2023 the Group launched Vasco Finance which, from a prudential perspective, follows the same considerations as Viriato.

WiZink acts as servicer, originator and seller to all securitisation funds.

3.3 Group balance sheet under regulatory consolidation

The table below provides a reconciliation of the Group’s balance sheet on an accounting consolidation basis (which includes all Group companies) to the Group’s balance sheet under the regulatory consolidation basis as of 31 December 2023.

Due to the Group structure, there is no difference on the consolidated perimeter for accounting and prudential purposes and therefore the differences are only due to regulatory definitions on capital instruments.

Table 3: Capital reconciliation

Eligible elements (thousand €)	31/12/2023
Capital	147.862
Share premium	685.022
Reserves	-309.498
Profit for the year	-48.396
Other accumulated grand total	-5.247
(-) Dividends and remunerations (*)	-
Total Equity to public balance	**469.743**
(-)Adjustments to CET 1 due to prudential filters	53
(-) Goodwill	-14.332
(-) Other intangible assets	-28.197
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0
(-) Defined-benefit pension fund assets	-321
(-) Additional Tier 1 deductions surplus regarding to the additional Tier 1	-
(-) Securitization positions which can be alternatively be subject to a 1250% risk weight	-3.182
(-) Deductible deferred tax assets that rely on the future profitability and arise from temporary differences	-42.977
(-) Insufficient coverage for non-performing exposures	-64
Other temporary adjustments of common Equity Tier 1 (**)	15.607
TIER 1	**396.330**
Generic funds and overprovisions	
TIER 2 CAPITAL	**25.000**
TOTAL REGULATORY CAPITAL	**421.330**

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4. Risk management

This section summarises the overall risk management policy of the Group. More detailed analyses of individual risks (credit risk, operational risk, IRRBB and funding and liquidity risk) are set out in later sections. Further detail including a statement on the Group’s overall risk exposure and management can be found in the consolidated Annual Accounts.

4.1 The Group’s approach to risk management

Risk management is at the heart of the Group’s strategy to enable profitable, long-term growth. This is achieved through a clearly defined risk appetite and informed risk decision-making, supported by a consistent risk-focused culture across the Group.

WiZink is a digital bank expert in consumer finance in Spain and Portugal. It offers its clients a wide range of personalized, simple, transparent, and digital financing solutions, as well as savings products that seek to boost people's financial potential in a sustainable, responsible and realistic way. To achieve this, the Group assumes a certain level of risk as an inherent part of its business model and operations, and in serving its chosen sectors, primarily the credit cards and savings markets, online point-of-sale financing business, personal loans and auto loans. The Group aims to effectively manage and control these risks and recognizes that excessive risk taking, and poorly managed risks can lead to losses and reputational damage increasing the risk to the Group’s customers and shareholders.

Risk, in this context, means the possibility of an outcome or event which may have an adverse impact on the Group’s customers, capital, liquidity, profitability, reputation and ultimately its viability. The Group is subject to a range of legal and regulatory requirements with which it aims to remain compliant at all times in pursuit of its business strategy and when undertaking day-to-day business operations.

The various risks inherent to WiZink’s activity are handled further to principles of caution, permanently upholding its basic objectives of solvency, return, efficiency, and adequate liquidity.

The risk policies outline strictly professional criteria followed by the Group to assess, evaluate, undertake and supervise risks, with the view of enhancing the risk/return relationship in relation to credit risk. At the same time, they aim to minimise all other risks (operational, ICT, model, liquidity, interest, market, business, conduct and reputational risks, amongst other).

4.2 Risk culture and values

Risk and Compliance culture are established and maintained through a set of common values, principles and behaviours that are adopted and embraced by all Group’s employees. The Board and the Senior Management of the Group actively set, and promote, the risk and compliance culture and values which are cascaded throughout the Group.

4.3 Risk appetite

The process of managing risk appetite is an integral part of the Group’s annual management and control cycle. It is a powerful strategic tool for achieving the ultimate goal of creating long-term and sustainable value.

Risk management and compliance is applied at the board level when determining the overall business strategy and objectives, and at the operational level in the execution of day-to-day business activities.

The Board of Directors approves an annual RAF, which is the set of principles that gives us a full view of our risk appetite levels, risk tolerance and capacity and compares these with the risk profile. The

RAF comprises the general approach -including policies, processes, controls and systems- through which risk appetite is identified, measured, communicated, monitored and controlled. It includes the internal communication model of risk appetite, risk limits, and a summary of the roles and responsibilities of those that supervise the implementation and monitoring of the framework. The RAF contemplates the most significant risks to which the Group is exposed, particularly the risks identified as material by the Company's material risk identification process.

The corporate principles that WiZink defined in relation to the risk appetite framework have been collected into three main ideas, providing guidance to the governing bodies and organizational areas involved in the process of risk and capital management, as required by international regulation:

- Holistic and dynamic vision
- Integration in management and decision-making processes
- High level of involvement of the governing bodies

In addition to the RAF, the Board also approves an annual RAS. The RAS describes the level of risk the Group is willing to accept in order to achieve its business objectives. The RAS is the link between the overall business strategy and the risk management framework. The RAS also includes the primary and complementary metrics used to monitor adherence to risk appetite as well as the associated quantitative levels for each metric.

In addition, the Board has instituted corporate risk policies that describe the minimum activities, controls and tools that must be in place within all Group companies. It is management's responsibility to ensure that personnel are informed of the strategies and policies relevant to them and that they are compliant with them.

Risk management responsibilities are managed by the Board, the Board Risk Committee, the Board Audit Committee, the Executive Committee, the Management Committee, the Assets and Liabilities Committee, the Enterprise Risk Management Committee, the Product Governance Committee and the Crisis Committee.

4.4 Governance and control

Delegation of authority from the Board to Executive Committees and Senior Management establishes governance and control. Issues are escalated promptly, and remediation plans are initiated where required.

4.5 Accountability

The Group follows a risk management and control model based on three lines that interact with the overall corporate governance structure to define risk and compliance management. The "three lines" model ensures a clear delineation of responsibilities between ownership and management, oversight and control, and independent assurance. The model provides clarity on the key risk and compliance roles, responsibilities and accountabilities and is a core component of the risk management policy. The model follows the guidelines published by the Basel Committee on Banking Supervision in July 2015 titled "Corporate governance principles for banks". The Group also follows and is compliant with the EBA guidelines on internal governance (EBA/GL/2021/05).

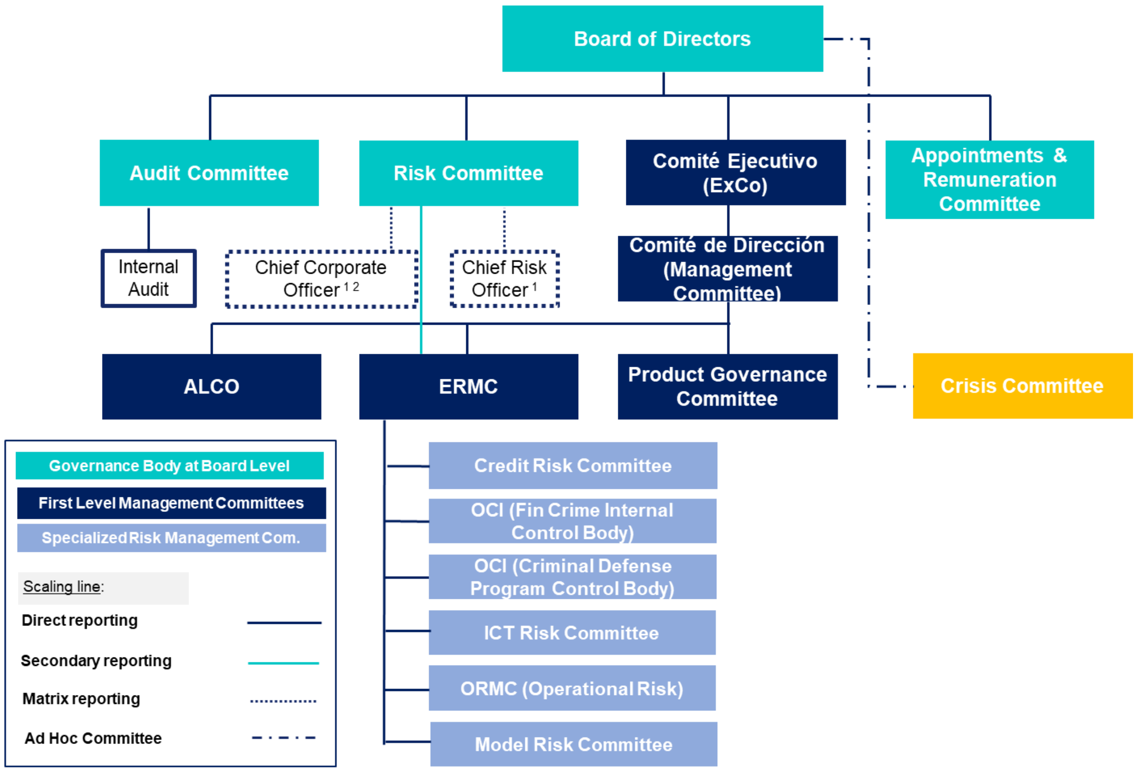
- The **First Line** consists of the business units and support areas that, as part of their activity, cause the Group's risk exposure. These units, as owners of their risks, are responsible for managing, monitoring and properly reporting the generated risk, which must be adjusted to the risk appetite and the approved risk limits. For the performance of its function, the First Line must count on resources to identify, manage and properly report generated risks.
- The **Second Line** consists of the Risk and Compliance areas. This second line ensures an effective risk control and its management in accordance with the defined risk appetite level.

- Internal audit, as the **Third Line** and as the last level of control, periodically assesses the policies, methods and procedures' adequacy and checks their effective implementation.

The three lines have a sufficient level of separation and independence. At the same time, the structure allows the effectiveness of the general model and act concertedly to maximize their efficiency.

In addition to the three lines, the Board of Directors, the Board Audit Committee and Board Risk Committee are responsible for the proper management and control of risks from the highest level of the organization.

Figure 2: Internal Governance Structure at 31.12.23



[1] *Member of the Executive Committee*
[2] *Compliance function reports to the Chief Corporate Officer*

Compliance Function reports regularly to the Board, BRC, ExCo and the ERMC on the Bank's compliance and other relevant risk exposures.

Risk management is central to the business, consistent with a commitment to protect our customers and our reputation, ensuring sufficient liquidity and solvency and complying with applicable regulations.

The Group has established an enterprise-wide risk management framework that is underpinned by a comprehensive set of policies, standards, operational procedures and governance structures and is supported by systems that enable business to be conducted in accordance with applicable regulations.

This risk management strategy is to ensure that all relevant risks are appropriately identified, measured, monitored and controlled. The Group aims to have adequate human resources, information systems and tools that ensure the maintenance of a prudent risk profile consistent with the appetite established and strong controls over risks.

Furthermore, the external auditors review the financial statements and the internal controls ensuring the company's accounts give a true and fair view of the financial situation of the Group.

4.6 Risk decision-making and reporting

The CRO and Compliance Director provide an overall assessment per risk type to the Board Risk Committee and the Board. The CRO is specifically responsible for controlling financial risks (liquidity, solvency, credit, ICT, model and operational among others) and the Compliance Director is responsible for controlling non-financial risks (legal & regulatory, data privacy, conduct and reputational among others). This assessment takes into account not only the quantitative results on the metrics but also latest trends and outlook to provide a qualitative view of the risk profile against the Risk Appetite.

4.7 Flow of risk information to the management body

The flow of risk information follows the internal governance structure and three lines model described above with:

- The **First Line** is responsible for day-to-day risk and compliance management and ensuring it is integrated into business management and processes. It monitors and properly reports the generated risk and preparing risk data and reports for communication through the second line and the committee structure illustrated above.
- The **Second Line** adopts a risk-based and proportionate approach to the assessment and management of the Group's risk exposures and compliance matters. Risk and Compliance provide independent oversight, monitoring and challenge to the 1st line.
- The Internal Audit function as **Third Line** performs an independent and objective advisory and assurance function designed to add value and improve the operations of WiZink and its subsidiaries and branches. It helps them to meet their objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.8 Stress testing

Stress testing is an essential tool to identify, measure and manage risks that examines the sensitivities of the strategic plan and business model. Under a defined Internal Assessment of Capital and Liquidity (IACL), the Group periodically performs extensive stress testing to calibrate the assessment of capital and liquidity adequacy, and to inform the risk appetite of the Group.

4.9 Risk disclosure statement

The Board is responsible for reviewing the effectiveness of the Group's risk management and systems of financial and internal controls.

The Board ensures the alignment of business development and planning with risk appetite. A well-defined risk appetite assists the Group in maintaining a high-quality capital base, in excess of regulatory minimum and which provides for continued investment in the business.

Capital is actively managed within regulatory ratios, with capital targets established in reference to extensive stress testing and annual capital adequacy assessment.

5. Regulatory capital framework

This section contains an outline of the capital regulations which define a framework of regulatory capital resources and requirements applicable to the Group. The minimum capital and liquidity requirements are defined in the Regulation (EU) 575/2013 (CRR) and Directive 2013/36 (CRD IV) which came into force in the European Union on 1 January 2014. In June 2019 an update of both regulations was published.

5.1 Regulatory capital

The capital resources of the Group are detailed in Appendix 1. Total capital resources are formed of CET1 and TIER2 as of the reference date.

CET1 capital is stated after deducting regulatory adjustments and foreseeable distributions of current profits not accrued in the balance sheet, where applicable.

In order to reinforce the Group's capital position, on 29 September 2021, the Group issued €25,000 thousand of Tier 2 capital in the form of subordinated debt, accruing yield of 6% p.a., payable quarterly. and maturing on 28 September 2029. The Notes were fully subscribed by Aneto.

On 22 December 2023, Aneto, agreed to make a cash contribution to the reserves of the Bank amounting to €14,000 thousand to partially offset the amount of losses recognised in previous years. This contribution was fully disbursed on the abovementioned date.

Aneto is just a holding company that owns 100% of WiZink and does not have any other investments. There is an approximately 50bp difference between the Total Capital Ratios of WiZink and Aneto, which remains fairly stable over time.

Since December 2019 CET1 phase-in is considered as it includes the transitional arrangements due to IFRS9 capital impacts.

5.2 Capital requirements

The capital and prudential requirements included within the CRR are categorised under three pillars as illustrated below. Each element is described in further detail in this section.

Figure 3: Summary of CRR requirements

5.3 Pillar I capital requirements

Pillar I of the regulatory framework focuses on the determination of risk-weighted assets in respect of the firm's exposure to credit, counterparty credit, operational and market risks.

The regulatory minimum amount of total capital is determined as 8% of the aggregate risk-weighted assets and the Pillar I capital requirements referenced in this document are calculated using this regulatory minimum value.

The Group has adopted the Standardised Approach, as detailed in CRR, to the quantification of Credit Risk and Operational Risk. The Group does not have any market risk requirement following the article 94 of the CRR and therefore, that risk is not considered.

In 2023 the Group has continued booking derivatives for which it has CVA capital requirements even though they are immaterial (less than 0,01% of total requirements).

5.3.1 Credit risk

The Group is exposed to credit risk primarily through its customer lending and treasury assets held in the Liquid Asset Buffer and for operational purposes.

The Group has adopted the Standardised Approach for all credit risk exposures. The Standardised Approach applies a specified set of risk weights to exposures. Under this approach banks can utilise external ratings to determine risk weights for rated counterparties. Performing assets are given a risk weight of 75%, and non-performing loans are given a risk weight of 100% or 150%, depending on whether their coverage levels are above or below 20% of the exposure.

Further qualitative and quantitative disclosures on credit risk are provided in Section 8.

5.3.2 Operational risk

The Standardised Approach measures the capital requirement as a percentage of the Total Net Revenues. This requires a firm’s activities to be split into a number of defined business lines with a specific percentage applied to the income of each business line. The Group adopts this approach, deriving the requirement from the three-year average of the aggregate income of the business.

The methodology is consistent with the approach to identifying material risks and is aligned with the *‘2023 EBA EU-Wide Stress Test Methodology’*. The Group considers operational risk losses since 2016, as the business changed in 2015 and, thus, the available and comparable data is limited to 2016.

Further qualitative and quantitative disclosures on operational risk are provided in section 9.

5.3.3 Market risk

The Standardised Approach for market risk applies mainly to trading book positions of institutions. As the Group has no trading activities these are not applicable; therefore, there are no requirements in this regard.

5.3.4 Credit Valuation Adjustment Risk

The purpose of this requirement is to improve the bank’s resilience to potential mark-to-market losses associated with impairment of counterparties in derivatives transactions. The Group applies the standardized approach for the calculation of its capital requirements.

Further information is provided in section 7.5.

5.4 Pillar II capital requirements

Pillar II is intended to ensure that banks not only have adequate capital to support all the risks in their business, but also to encourage banks to develop and use better risk management techniques in monitoring and managing these risks.

Banks should have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels and supervisors should review and evaluate banks' internal capital adequacy assessments and strategies, as well as their ability to monitor and ensure their compliance with regulatory capital ratios.

The supervisory review process, together with Pillar III (market discipline), complements Pillar I (minimum capital requirements) in achieving a level of capital commensurate with a bank's overall risk profile.

The Group, following the conditions required in the CRD IV and in the local guidelines from Bank of Spain, elaborates annually the Internal Assessment of Capital and Liquidity (IACL). The main contents of the report are the following sections:

- Business Model Analysis and Strategy. Brief description of the core business lines, geographies and main products. It also outlines the strategic plan of the Group.
- Governance framework, risk management and control. Qualitative assessment of the internal governance reviewing policies, tools and controls used for risk management. It also analyses the Internal Audit and Compliance function.
- Risk Appetite Framework. Description of the document, the risks identified, and the metrics monitored.
- Risk profile. It identifies the material risks the Group faces on its business and how they are controlled, defining the residual risk based on the inherent risk and the risk control for each of them.
- Stress Test. The aim is to determine the possible capital or liquidity needs the Group may face under stressed situations.
- Information on data risk and governance. It reflects the data structure of the Group.
- Capital Self-Assessment. Once the material risks are identified an exercise is performed to assess how much internal capital is needed to cover the residual risk during a specific timeframe.
- Liquidity Self-Assessment. It includes the description of the liquidity policy, metrics and a contingency liquidity plan.
- Future Action Program. As a result of all the previous analysis all the areas identify the weak points and plan remediation actions.

5.5 Regulatory capital buffers

Capital buffer requirements are included in CRD IV. The requirement to maintain a capital conservation buffer (CCB) of up to 2.5% was introduced on 1 January 2016.

This buffer needs to be met with an additional amount of Common Equity Tier 1 capital. The buffer sits on top of the 4.5% minimum requirement for Common Equity Tier 1 (CET1) and Pillar 2 Requirements in terms of CET1. In the current case of the Group, there is TIER2 available to cover partially the P2R requirements (25%). The rest (P1, 75% of P2R and the capital buffers) are covered with CET1. When a bank breaches the buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make.

Besides this buffer, the CRD IV allows National Competent Authorities to define the Countercyclical buffer, designed to help counter pro-cyclicality in the financial system. Currently the requirement applicable to the Group is 0%. See more details in Appendix 3.

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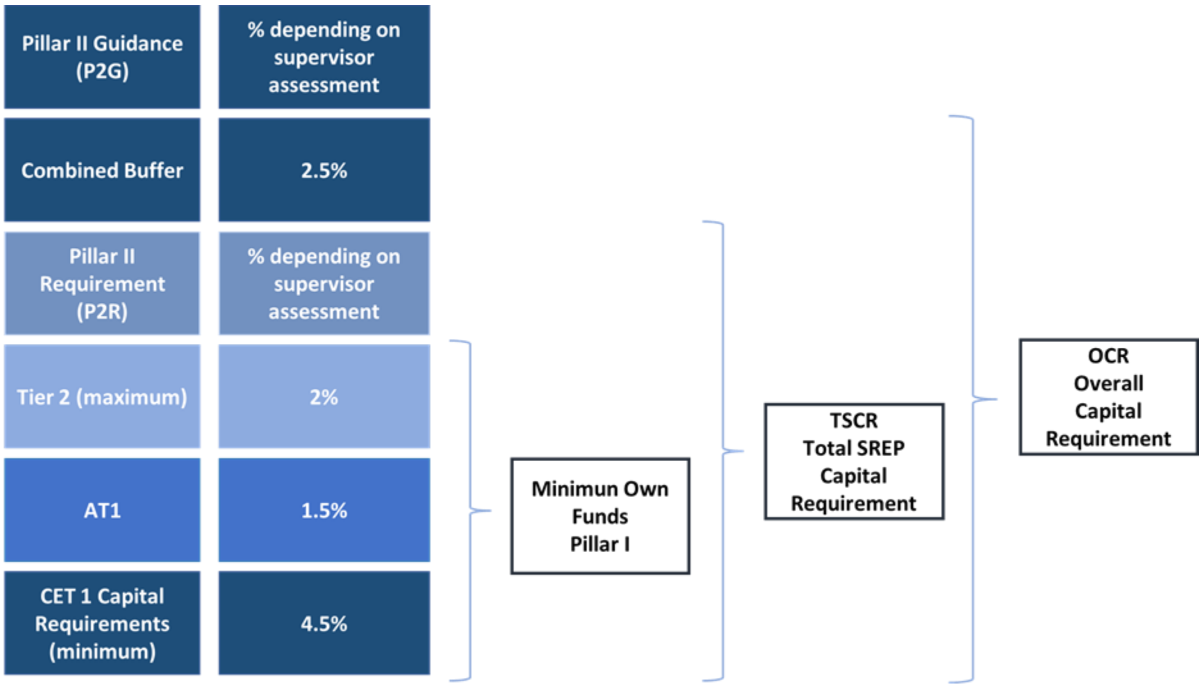
The following table summarises all regulatory capital requirements for the Group:

Figure 4: Summary of minimum regulatory capital requirements



5.6 Pillar III

Pillar III aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. CRR sets out the minimum disclosures required under Pillar III (See Annex 7 containing the requirements mapping).

5.7 Leverage framework

Regulation 876/2019 introduced the leverage ratio as a regulatory requirement. The leverage ratio is calculated by dividing Tier 1 capital resources by a defined measure of on-balance sheet assets and off-balance sheet items. The 3.0% leverage ratio regulatory requirement became binding on 28 June 2021 and banks are already required to disclose their current leverage ratio. The Group leverage ratio phase-in of 9.57% as of 31 December 2023 significatively exceeds the minimum amount.

6. Capital management

6.1 Risk appetite

Capital Adequacy of the Group is assessed under the IACL. Under this framework WiZink stress tests the impact on the balance sheet and profit / loss generation over the forecast period based on macroeconomic and idiosyncratic stress factors to model the adherence, or otherwise, to both regulatory and internal capital targets. This assessment covers all material risks to which the Group is exposed.

Included in this assessment is the ability to meet the required capital levels and the potential for dividend payments during periods of stress. In formulating this assessment, WiZink also compiles a Capital Contingency Plan that details potential actions the Group would take to maintain, or restore, capital at/to required levels should a stress period evolve and deviate from the base case forecast trajectory.

WiZink aims to:

- Maintain CET1 above the regulatory minimums required at all times (Pillar I and Pillar II) and to be aligned with both market requirements and common best practices ensuring the financial flexibility to continue developing its activities.
- Maintain a level considered sufficient to withstand a range of severe, but plausible, stress conditions.
- Ensure there is a defined Capital Contingency Plan to protect and restore capital to this level in the unforeseeable event that CET1 has, or has potential to, drop below this ratio.
- Ensure there is a defined Recovery Plan, which establishes recovery options to be implemented by the Group, with a view to restoring its financial (capital and/or liquidity) position after a significant deterioration.
- Ensure all material (and non-material) risks are identified, measured, monitored and managed appropriately to mitigate the risk of capital depletion below the targeted level.

6.2 Mitigation

The Group has capital management procedures that are designed to ensure compliance with risk appetite and regulatory requirements and are positioned to meet anticipated future changes to capital requirements.

The Group is able to accumulate additional capital through profit retention, by raising equity, and by raising Additional Tier 1 and Tier 2 capital. The cost and availability of additional capital would be dependent on market conditions. As of 31 December, 2023, the Group's main form of capital is CET1 which is primarily composed of ordinary share capital and share premium. The Group also counts with Tier 2 instruments.

The Group is also able to manage the demand for capital through management actions including adjusting lending strategy, including limiting business growth and through business and asset disposals.

6.3 Monitoring

Capital is actively managed with regulatory ratios being a key factor in the Group's planning processes and stress analysis.

Each year the Group produces a strategic plan upon which a forecast of capital and capital requirements is made to inform the capital strategy. Shorter term forecasts and assessment of compliance with internally set risk appetite metrics are more frequently undertaken to understand and respond to variations in the Group's actual performance against the plan. The Group performs an

Internal Capital and Liquidity Adequacy Assessment (IACL) on an annual basis, incorporating material risk identification, measurement and extensive stress testing to assess capital adequacy levels and establish the capital risk appetite.

Regular reporting of actual and projected ratios is undertaken, including submissions to the Asset and Liability Committee, the Board Audit and Risk Committees and the Board.

6.4 Analysis of capital resources

The following table sets out the capital resources of the Group.

Table 4: Group capital resources

	31/12/2023
Eligible elements (thousand €)	
Capital	147.862
Share premium	685.022
Reserves	-309.498
Profit for the year	-48.396
Other accumulated grand total	-5.247
(-) Dividends and remunerations (*)	-
Total Equity to public balance	**469.743**
(-)Adjustments to CET 1 due to prudential filters	53
(-) Goodwill	-14.332
(-) Other intangible assets	-28.197
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0
(-) Defined-benefit pension fund assets	-321
(-) Additional Tier 1 deductions surplus regarding to the additional Tier 1	-
(-) Securitization positions which can be alternatively be subject to a 1250% risk weight	-3.182
(-) Deductible deferred tax assets that rely on the future profitability and arise from temporary differences	-42.977
(-) Insufficient coverage for non-performing exposures	-64
Other temporary adjustments of common Equity Tier 1 (**)	15.607
TIER 1	**396.330**
Generic funds and overprovisions	
TIER 2 CAPITAL	**25.000**
TOTAL REGULATORY CAPITAL	**421.330**

6.5 Description of main features, terms and conditions of capital instruments

CET1 includes all Common Equity Tier 1 capital items, after applying prudential filters, making the CET1 deductions and applying exemptions subject to the limits set out in the CRR.

Below there is a description of the Group's CET1 components:

- **Capital:** includes the full amount of capital fully subscribed and paid up. At 31 December 2023, share capital consisted of 147,862 thousand shares, each with a par value of €1. The Group´s shares are not publicly traded.
- **Share Premium:** the share issue premium arises in capital increases and is calculated as the product of the number of shares issued in the increase by the difference between the issue price

and the par value of each share. This issue premium may be used, as provided by company law, to increase capital and is subject to no restrictions on its distribution. At 31 December 2023, the overall share premium amounted to €685,022 thousand.

- **Reserves:** these include the net amount of cumulative earnings/(deficit) from previous years that, in the distribution of profits, are allocated to strengthening the balance sheet, along with permanent adjustments and issue expenses of capital instruments. The laws applicable to Spanish public limited companies (*sociedades anónimas*) provide that companies generating profit must set aside 10% of that profit to the “legal” reserve, until it reaches 20% of capital. The legal reserve may be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it may be used only to offset losses, provided sufficient other reserves are not available for that purpose. Spanish company law also requires entities to set aside restricted reserves for transactions involving treasury shares or the shares of their parent company, in amounts equal to the respective carrying amounts of treasury shares or assets (loans for the acquisition of, or secured by, the shares). These reserves are restricted until the circumstances giving rise to their recognition cease to exist. As of 31 December 2023, reserves amounted to -€309.5 thousand before considering the year’s results.
- **Prudential Filters:** Beside the deductions the regulation requires other adjustments when calculating the CET1: (i) to adjust a “prudential valuation” of the assets in the trading and fair value portfolios, (ii) to exclude any increase derived from securitized assets and (iii) to exclude any impacts from cash flow hedges.
- **Deductions:** primarily relate to goodwill, other intangible assets, securitization positions from the bonds retained and deferred tax assets recognized on the balance sheet with the thresholds and criteria established by the prudential regulations.
- **Temporary adjustments of common Equity Tier 1:** Since December 2019, CET1 phase-in is considered, and it includes the transitional arrangements due to IFRS9 capital impacts following the recommendation of ECB and BoS due to the uncertainty on the macroeconomic scenario. As of 31 December 2023, the temporary adjustments of common Equity Tier 1 were €15.6 million.

Further detail can be found in the Risk Exposure and Management section (Note 41) of the consolidated Annual Accounts.

Tier 1 Capital includes CET1 Capital plus Additional Tier 1 Capital (AT1). AT1 is composed of issues of qualifying hybrid instruments net of the AT1 deductions. At 31 December 2023, the Group had no AT1, as it issued no such instruments. As a result, the CET1 and Tier 1 Capital figures are the same.

Tier 2 Capital is characterized by a lower degree of permanence and stability than Tier 1 capital. As at 31 December 2023, the Group had issued €25 million Tier 2 instruments.

7. Pillar I capital requirements overview

7.1 Group risk-weighted assets and Pillar I capital requirements

The Pillar I capital requirements of the Group are primarily composed of credit risk and operational risk.

The following table sets out the risk-weighted assets and Pillar I capital requirements of the Group.

Table 5: Risk-weighted assets and capital requirements

	Risk weighted assets		Pillar I capital requirements	
Type of Risk	**2023 (thousand €)**	**2022 (thousand €)**	**2023 (thousand €)**	**2022 (thousand €)**
Credit Risk	2.088.800	2.299.053	167.104	183.924
Market Risk	0	0	0	0
Credit valuation adjustment Risk	160	410	13	33
Operational Risk	576.197	679.147	46.096	54.332
TOTAL	**2.665.157**	**2.978.610**	**213.213**	**238.289**

7.2 Minimum own funds requirements for credit risk

WiZink Group applies the standardized approach to calculate its capital requirements for credit risk. The amount is shown below, rounded to thousands of euros, and represents 8% of risk-weighted exposures. The requirement thus obtained is €167,104 thousand. The following table gives a breakdown of those requirements by exposure category.

Table 6: Capital requirements for credit risk. Standardized approach

Exposure category	Amount (thousand €)
Central administration or central banks	105.925
Regional administrations or local authorities	-
Public sector entities	-
Multilateral development banks	-
International organizations	-
Entities	29.703
Enterprises	24.128
Retail exposures	1.698.360
Exposures secured by mortgages on real estate	-
Exposures in default	165.232
Entries associated with particularly high risks	-
Covered bonds	-
Exposures to institutions and companies with short-term credit assessment	-
Participations or shares in collective investment	-
Equity exposures	2.676
Other	62.776
Securitization positions	-
TOTAL RISK-WEIGHTED EXPOSURE	**2.088.800**
TOTAL CREDIT RISK CAPITAL REQUIREMENTS	**167.104**

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7.3 Minimum own funds requirements for market risk

The Group does not have a trading book and is therefore not subject to capital requirements for this risk.

7.4 Minimum own funds requirements for operational risk

WiZink Group applies the standardized approach to calculate its minimum own funds requirements for operational risk, having complied with the requisite formalities to request use of that approach. That approach involves determining capital requirements based on average relevant revenues for the last three financial (3) years (in this case, 2021, 2022 and 2023).

Relevant revenues are allocated to the business lines stipulated by the standards, and the relevant weighting factors are then applied, to determine the own fund requirements for this risk.

At 31 December 2023, the calculation described above yields operational risk own funds minimum requirements of €46,096 thousand.

Table 7: Capital Requirements for operational risk. Standardized approach

	Relevant revenues			Pillar I capital requirements
Type of risk	**Year -1 thousand €**	**Year -2 thousand €**	**Year -3 thousand €**	**2023 thousand €**
Retail banking -12%	328.595	376.585	447.215	46.096
Total	**328.595**	**376.585**	**447.215**	**46.096**

7.5 Minimum own funds requirements for Credit Valuation Adjustment Risk (CVA)

WiZink Group applies the standardized approach to calculate its minimum own funds requirements for CVA risk. That approach involves a capital requirement of €160 thousand which is not significant in relation to the total capital requirement of the Group. These requirements arise from derivatives classified as accounting hedges and other economic hedging derivatives.

Further information is provided in the Consolidated Annual Accounts.

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8. Pillar I capital requirements - credit risk

8.1 Definition

Credit risk is defined as the risk that a borrower or counterparty fails to pay the interest or the capital due on a loan or other financial instrument (both on and off-balance sheet).

8.2 Risk appetite

The Group targets a strong risk culture, supported by policies, procedures, and controls to mitigate credit risk. WiZink credit risk exposure is focussed on credit consumer products for individuals and has no appetite for lending to SMEs or corporate entities. The Group targets non-sub-prime borrowers based on credit score, external data sources and responsible lending criteria, assuming for new-to-bank customers conservative initial credit lines and controlled exposure during their life cycle.

The Group assumes a certain level of credit risk as an inherent part of its business model and actively ensures that the balance between the level of risk and the reward are consistent with its aim of establishing safe and sustainable returns. The Risk Appetite defines the desired level of credit losses and related drivers of delinquency by establishing metrics and controls to prevent and detect deviations that could lead to higher credit losses than expected.

8.3 Exposures

The principal sources of credit risk arise from loans and advances to customers and loans and advances to banks and government bonds held in the Liquid Asset Buffer.

Credit risk in the wholesale portfolio arises from loans and advances to banks and investments in government bonds.

8.4 Measurement

The Group has adopted the Standardized Approach to the quantification of capital requirements across all portfolios in the bank, using external ratings for wholesale counterparties to determine the risk weightings, where applicable.

8.5 Mitigation

The process of Credit Risk identification, assessment and mitigation complies with WiZink's risk management and control frameworks at the organization level.

Credit risk is managed in the following ways:

8.5.1 Credit policy

The Credit Risk Management Policy ("CRMP") sets out the standards, guidelines and high-level requirements for managing all stages of the credit risk management lifecycle covering product definition; application and channels; underwriting process; portfolio maintenance; collections strategy (including NPE management); customer services; and employee's policy. The CRMP also sets out the overarching structure for effectively managing credit risk including risk appetite, governance, and key responsibilities.

The CRMP is supported by a series of credit risk standards for each stage of the lifecycle, setting out the specific criteria and requirements under which to operate, as well as the detailed processes and methodologies for assessing, monitoring and reporting on credit risk exposures.

The policy applies across all product lifecycle (acquisitions, existing customers and collections). It was last approved by the Board of Directors in September 2023 and is reviewed every two years.

8.5.2 Credit underwriting

WiZink has developed a strong underwriting and risk management expertise, which is grounded on conservative policies and an extensive use of scoring models to predict risk behaviours. This expertise allows identifying and mitigating emerging credit risks, which is complemented by a collections strategy and operational model, supported by a robust collections system with wide range of functionalities and deep level of data analysis, in order to bring the delinquency customers into performing status or minimise credit losses where the customer is identified in financial distress.

Consequently, the bank is able to drive credit portfolio programs and policies based on behaviour scores and segmentations avoiding concentration; applying continuous champion/challenger testing to find optimal risk reward trade-offs, limited by the total portfolio losses and doubtful %ENR defined in the credit risk appetite.

8.6 Monitoring

The Group produces regular monitoring reports for review by Senior Management and the Board of Directors as well as the Board Risk Committee. A robust review discipline has been established to track the delinquency metrics, in both coincident and lagged view, characteristic analysis, portfolio distribution by customer profile, score distribution, demographics, etc. allowing the Group to identify and anticipate problematic situations in the credit portfolio behaviour to enable an agile response related to credit policies changes and/or collections efforts.

8.7 General credit risk information

According to EBA GL/2018/10 amended by EBA/GL/2022/13 institutions should disclose information about non-performing exposures (NPEs), forborne exposures (FBEs) and foreclosed assets. The information is presented below following the format set out in these guidelines as at 31.12.2023:

Template 1: Credit quality of forborne exposures

€ thousand	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne	*Of which: defaulted*	*Of which: impaired*	On performing forborne exposures	On non-performing forborne exposures		*Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures*
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**116.224**	**82.798**	***82.773***	***82.798***	**(18.172)**	**(48.112)**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-
Households	116.224	82.798	*82.773*	*82.798*	(18.172)	(48.112)	-	-
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**2.483**	**377**	***-***	***377***	**56**	**42**	**-**	**-**
Total	**118.707**	**83.176**	***82.773***	***83.176***	**(18.228)**	**(48.155)**	**-**	**-**

Template 3: Credit quality of non-performing exposures by past due days

€ thousand	Performing exposures			Non-performing exposures								
	Total	Not past due or Past due < 30 days	Past due > 30 days < 90 days	Total	Unlikely to pay that are not past-due or past-due < = 90	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**491.206**	**491.206**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2.891.823**	**2.831.911**	**59.912**	**252.850**	**55.622**	**61.847**	**95.144**	**40.184**	**54**	**-**	**-**	**252.584**
Central banks	5.000	5.000	-	-	-	-	-	-	-	-	-	-
General governments	10.180	10.180	-	-	-	-	-	-	-	-	-	-
Credit institutions	92.815	92.815	-	-	-	-	-	-	-	-	-	-
Other financial corporations	46.434	46.434	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	3.077	3.077	-	102	-	102	-	-	-	-	-	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	2.734.317	2.674.405	59.912	252.748	55.622	61.745	95.144	40.184	54	-	-	252.584
Debt Securities	**546.202**	**546.202**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	546.202	546.202	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**4.781.889**	**-**	**-**	**542**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**542**
Central banks	-			-								-
General governments	-			-								-
Credit institutions	-			-								-
Other financial corporations	-			-								-
Non-financial corporations	-			-								-
Households	4.781.889			542								542
Total	**8.711.120**	**3.869.319**	**59.912**	**253.392**	**55.622**	**61.847**	**95.144**	**40.184**	**54**	**-**	**-**	**253.126**

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Template 4: Performing and nonperforming exposures and related provisions

€ thousand	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		of which: stage 1	*of which: stage 2*		*of which: stage 2*	*of which: stage 3*		*of which: stage 1*	*of which: stage 2*		*of which: stage 2*	*of which: stage 3*		On perfoming exposures	On non-performing exposures
Cash balances at central banks and other demand deposits	**491.206**	***491.206***	**-**	**-**	**-**	**-**	**(7)**	***(7)***	**-**	**-**	**-**	**-**	-	**-**	**-**
Loans and advances	**2.891.823**	***2.621.316***	***270.507***	**252.850**	**-**	***252.850***	**(106.485)**	***(47.360)***	***(59.125)***	**(173.692)**	**-**	***(173.692)***		**4.607**	**46**
Central banks	5.000	*5.000*	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	10.180	*10.180*	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	92.815	*92.815*	-	-	-	-	(62)	*(62)*	-	-	-	-	-	-	-
Other financial corporations	46.434	*46.434*	-	-	-	-	(17)	*(17)*	-	-	-	-	-	-	-
Non-financial corporations	3.077	*3.077*	-	102	-	*102*	(29)	*(29)*	-	(102)	-	*(102)*	-	-	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	2.734.317	*2.463.810*	*270.507*	252.748	-	*252.748*	(106.377)	*(47.252)*	*(59.125)*	(173.590)	-	*(173.590)*	-	4.607	46
Debt Securities	**546.202**	***498.862***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	546.202	*498.862*	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**4.781.889**	***4.169.506***	***18.162***	**542**	**-**	***542***	**5.856**	***5.178***	***678***	**100**	**-**	***100***	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Households	*4.781.889*	*4.169.506*	*18.162*	542	-	*542*	5.856	*5.178*	*678*	100	-	*100*		-	-
Total	**8.711.120**	**7.780.891**	**288.669**	**253.392**	**-**	**253.392**	**(112.341)**	**(52.538)**	**(59.803)**	**(173.792)**	**-**	**(173.792)**	**-**	**4.607**	**46**

Template 9: Collateral obtained by taking possession and execution processes

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	**-**	**-**
Other than PP&E	**-**	**-**
Residential immovable property	-	-
Commercial Immovable property	-	-
Movable property (auto, shipping, etc.)	-	-
Equity and debt instruments	-	-
Other collateral	-	-
Total	**-**	**-**

9. Pillar I capital requirements - operational risk

9.1 Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

The main sources of operational risk may include fraud, the reliability of systems, human error, supplier failures, IT security, business continuity, the management of change, the outsourcing of operations and non-compliance with legal and regulatory requirements and claims. It includes also the management of usury claims maintaining a robust operational risk management.

9.2 Risk appetite

The Group targets a strong risk culture, supported by policies, procedures and controls to mitigate operational risks. WiZink aims to mitigate operational losses and to achieve an adequate level of recovery in the event they materialize, particularly fraud.

Risk Appetite is established for a detailed review of all potential causes of operational risk events, ensuring there are controls in place to prevent and detect incidents, and an appropriate framework that guarantees there is a consistent and continuous management of operational risk across WiZink. In doing so, the Group recognises that operational risk events do occur and establishes a risk appetite for an acceptable level of events and losses. Follow up of this appetite is performed via risk appetite metrics.

9.3 Exposures

The following control procedures are executed to identify potential sources of operational risk and to measure and monitor any events which arise:

- **Risk and Control Assessment (RCA):** It is the primary approach for the identification, assessment and reporting of Operational Risks and other related risks that could adversely impact on the execution of WiZink's Business and Strategy. It is performed biennially.
- **Manager's Control Assessment (MCA):** All Business Units must complete internal control testing in line with the testing methodology provided by the Second Line Operational Risk Function to ensure controls are designed and continue to operate effectively.
- **Issue and Risk Acceptance Management:** provides guidelines on how to identify, evaluate and manage Issues, Action Plans and Risk Acceptances.
- **Operational Incidents Management:** designed to support the reduction of financial and non-financial impacts across the Group due to operational incidents and prevent reoccurrence.
- **Quality Review Execution and Management:** establishes the guidelines to be followed by the Operational Risk Function for planning and executing the MCA Quality Assurance Reviews.
- **Key Risk Indicators (KRIs) Management:** describes the role and purpose of risk indicators, the elements of an effective risk indicator framework and some important practical considerations.
- **Risk & Control Environment Evaluation:** provides the guidelines on how to assess the risk and control environment-

The principal operational risks to the Group are:

- Claims regarding usury, transparency and damage to honor.
- IT systems availability and resilience risk arising from failure or disruption on effective IT services.
- IT change arising from errors to develop, deliver and/or update IT solutions.
- Information security risk arising from information leakage, loss or theft.

- External fraud arising from an act of deception or omission.
- Cyber risk arising from malicious attacks on the Group using technology, networks and systems;
- Failure or service disruption of a corporate partner or critical outsourcing provider.
- Normal business operational risk including transaction processing, information capture and implementation of change.

9.4 Measurement

A variety of measures is used such as scoring of potential risks, considering impact and likelihood, assessing the effectiveness of controls, monitoring of events and losses by size, functional area and internal risk categories. The Group maintains a formal approach to operational risk event escalation.

Material events are identified, captured and escalated. The root causes of events are determined, and action plans put in place to ensure an optimum level of control. This ensures the Group keeps customers and the business safe, reduces costs, and improves efficiency.

9.5 Mitigation

The WiZink Operational Risk Management Policy and the ICT and Security Risk Management Policy comply with regulatory requirements and follows industry best practices, establishing, amongst others, clear and concise principles and requirements, which the business must satisfy in order to capture, collect and to carry out an appropriate analysis on internal incidents.

The Operational Incidents Management procedure presents a consistent approach and sets the minimum standards to comply with the principles and requirements stated in the Operational Risk Management Policy and to fulfil Regulatory requirements for Bank of Spain and Basel II Directive. It contains the requirements to manage Operational Incidents within a common frame so that they can be identified, measured and reported effectively, efficiently and in a consistent way across the entire Organization.

The Group's control environment is regularly reviewed. Reporting on material risks is discussed monthly by Senior Management. Risks are managed through a range of strategies.

The operational risk management strategy is to identify the events that cause operational losses and control those events in order to minimize their possible negative impacts. Improvements in operational processes and reinforcement of operational controls are continuously being considered in order to find efficiencies. The aim is to reduce operational losses and to achieve an adequate level of recovery.

9.6 Monitoring

Monitoring and reporting of operational risk are undertaken at Board and Board delegated committees, Executive Committee, Management Committee and the ERMC. A combination of systems, monthly reports, oversight and challenge from the Risk function, Internal Audit and assurance teams ensures that key risks are regularly presented and considered by Senior Management.

9.7 Operational risk capital requirement

The standardised approach measures the capital requirement as a percentage of the total net revenue. The Group adopts this approach, deriving from the three-year average of the aggregate risk-weighted income of the underlying business. This requires a firm's activities to be split into a number of defined business lines with a specific risk weight applied to the income of each business line.

10. Exposure to Interest Rate Risk in positions not included in the trading book

10.1 Definition

Structural interest rate risk or Interest Rate Risk of the Banking Book (IRRBB) is defined as the Group's exposure to changes in market interest rates as a result of the timing mismatch between maturities and repricing of assets and liabilities on its balance sheet.

10.2 Risk Appetite

The risk appetite is based on the sensitivity of Earnings and Market Value to standard rate shocks. The overall strategic objective for WiZink is to ensure the Group manages its interest rate, valuation, and risk positions within acceptable tolerance to earnings / value impacts from rate shocks.

WiZink performs the management of the IRRBB supported by a set of limits whose objective is to minimise the impact of adverse interest rate movements on the earnings and on the computable own funds. The main purpose of such management is to optimise the net interest margin and to obtain results that are stable and sustainable over time.

10.3 Capital requirement

There is no defined Pillar I calculation in respect to IRRBB therefore there is no regulatory capital requirement. However, the Group identifies capital in respect of IRRBB under Pillar II and internally allocates a prudent sum to cover the potential for adverse movements.

The majority of the Group’s assets (including credit cards and consumer loans, intangible assets, goodwill, and other assets), and a proportion of liabilities (retail funding, taxes and other liabilities) do not move in line with market rates.

10.4 Measurement

Measuring, monitoring, and managing IRRBB depends on a detailed knowledge, and planning, of:

- The run-off profile of assets and liabilities, especially where there is no contractual maturity.
- The price impact of a change in interest rates where there is no contractual link to market indices.
- Customer behaviours.

The Group quantifies the impact to economic value and earnings arising from an adverse shift in interest rates using all BCBS regulatory scenarios (parallel and non-parallel). These scenarios evaluate the interest rate re-pricing gaps, asset and liability interest rate bases and product behaviours (optionality risk and run-off assumptions for non-maturing items of the banking book).

The Group monitors historical results regularly in all regulatory scenarios and defines on a yearly basis its risk appetite indicators, using the worst interest rate scenario as base of its official risk appetite metrics. Hence, interest rate risk exposure is measured as follows:

- Change in Net interest income to the worst BCBS interest rate shock scenario (parallel shift in the rate curve of +/-200 bps over a 12-month period).
- Change in Economic Value of Equity (EVE) to the worst BCBS interest rate shock scenario over the run-off balance sheet horizon.

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10.5 Mitigation

IRRBB is governed and operated under a specific standard, the Non-Traded Risk Management Standard. This standard defines the framework for management of Interest Rate Risk in the Banking Book (IRRBB).

This standard includes the measurement and management of IRRBB including:

- The limit setting process,
- Metric and scenario definition,
- Allowable instruments to be used to hedge IRRBB.
- Update of behavioural parameters for non-maturing products and optionality risk
- FX Risk

IRRBB risk mitigation and current strategy is based on the following key principles:

- Maintaining a mix of retail funding in the region of 70-80%. This provides mitigation against rate rises but is not as flexible in a rate reduction scenario.
- Ensuring access to longer term fixed and floating rate funding is maintained via securitisations.
- Ensuring that there is a limit on the amount of Term Deposits to be refinanced over a short (3 month) period to provide insulation against a rapid rise in funding costs.
- Execution of interest rate swaps to hedge interest rate risk in the banking book.

10.6 Monitoring

Interest rate risk is monitored centrally using the measures described above. The Asset and Liability Committee regularly reviews market risk exposure as part of the wider risk management framework. The Asset and Liability Committee reviews and approves strategies to manage IRRBB.

The following table shows the Economic Value of Equity and NII Sensitivity at 31.12.2023

*Table 8: Economic value of equity and NII sensitivity**

		Dec'23	
Supervisory shock scenarios		Changes of the economic value of Equity	Changes of the net interest income
1	Parallel up	-4.65%	-3.57%
2	Parallel down	5.06%	2.16%
3	Steepener	1.96%	
4	Flattener	-2.69%	
5	Short rates up	-3.90%	
6	Short rates down	4.22%	

(*) values are measured as the risk exposure considered in relation to CET1 and Base Net Interest Income at the reference date.

11. Funding and liquidity Risk

11.1 Definition

Funding risk is defined as the inability to raise and maintain sufficient cost-effective funding in quality and quantity to support the delivery of the business plan.

Liquidity risk is defined as the inability to accommodate liability maturities and withdrawals, fund asset growth and otherwise meet contractual obligations to make payments as they fall due.

11.2 Risk appetite

The objective is to maintain a liquidity and funding structure that allows the Group to meet the liquidity obligations under both normal and stressed market conditions. The aim is to maintain stable and diversified funding and ensure that the Group can rebuild liquidity levels quickly under stress scenarios without jeopardizing the business.

11.3 Measurement

The Group adopts a range of metrics to measure and monitor both short and long-term liquidity requirements, including ratios, cash outflow triggers, wholesale and retail funding maturity profile, early warning indicators and stress test survival periods.

The liquidity risk appetite is articulated as a suite of metrics, quantified daily, which monitor the liquidity and funding position both at a point in time and on a forward-looking basis. Strict criteria and limits are in place to ensure sufficient highly liquid assets, such as cash or marketable securities are available as part of the Liquid Asset Buffer. Investments held within the LAB are also subject to strict criteria.

The measurement framework incorporates:

- Daily quantification of the volume and quality of the Group's LAB, defined through a series of stress tests across a range of time horizons and stress conditions. The Group ensures a liquidity surplus is held during normal market conditions above liquidity stress outflow requirements. Stress cash outflow assumptions have been established for individual liquidity risk drivers across idiosyncratic, systemic and market wide stresses.

- The Group maintains a sufficient stock of Contingent Liquidity in the form of retained notes issued by securitization vehicles, which can be readily converted into cash through sale, repo, or by pledge at ECB. The level of contingent liquidity requirement is also quantified daily on a forward-looking basis over both short- and longer-term survival periods.

The Group maintains a Liquidity Contingency Plan which is designed to provide a set of early warning indicators for liquidity concerns and a list of potential actions to address a deterioration in liquidity conditions or actual position. As a result, mitigating actions can be taken to avoid a more serious situation developing.

11.4 Monitoring

Liquidity is actively monitored by the Group. Reporting is conducted through the Asset and Liability Committee and the Board of Directors. In a stress situation the level of monitoring and reporting is increased commensurate with the nature of the stress event, as detailed in the LCP.

Daily monitoring and control processes are in place to address internal and regulatory liquidity requirements. The Group monitors a range of market and internal early warning indicators daily for early signs of liquidity risk in the market or specific to the Group. These are a mixture of quantitative and qualitative measures including daily variation of customer balances, cash outflows, changes in primary liquidity portfolio, and changing funding costs.

Table 9: Information on Liquidity Coverage Ratio

	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Average of Total Liquid Assets	634,158	778,526	877,828	843,417
Average of Liquidity Outflows	89,002	73,752	64,787	54,661
Average of Liquidity Inflows	120,720	99,063	90,515	89,725
Average of Net Liquidity Outflows	18,071	18,438	16,197	13,665
Average LCR	**2861%**	**4248%**	**5489%**	**6173%**

Table 10: Information on Net Stable Funding Ratio

	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Required Stable Funding	2,797,620	2,647,587	2,617,339	2,436,914
Available Stable Funding	3,331,926	3,686,110	3,716,220	3,409,660
NSFR Ratio	**119%**	**139%**	**142%**	**140%**

Appendix 1: EBA own funds template

The following table shows the composition of own funds of the Group in the format prescribed in Regulation (EU) 1423/2013. Any blank cells in the template have been removed from this disclosure.

Table 11: Own funds disclosure template

	31/12/2023
Common Equity TIER 1 Capital (thousand €) - PHASE IN	
Capital instruments and the related share premium	832.884
Retained Earnings	-357.894
Other reserves	-5.247
Common Equity TIER 1 (CET 1) capital before regulatory adjustments	**469.743**
Common Equity TIER 1 (CET 1) capital: regulatory adjustments	
(-) Goodwill	-14.332
(-) Other intangible assets	-28.197
(-) Defined-benefit pension fund assets	-321
(-) Adjustments to CET1 due to prudential filters	53
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0
(-) Securitization positions which can be alternatively be subject to a 1250% risk weight	-3.182
(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	-42.977
(-) Insufficient coverage for non-performing exposures	-64
Other temporary adjustments of common Equity TIER 1	15.607
(-) Total common equity TIER 1 (CET 1) capital regulatory adjustments	**-73.413**
Common Equity TIER 1 (CET 1) capital	**396.330**
Additional TIER 1 (AT1) capital: intruments	
Additional TIER 1 (AT1) capital before regulatory adjustments	-
Additional TIER 1 (AT1) capital: regulatory adjustments	
Additional TIER 1 (AT1) capital	-
TIER 1 capital (T1=CET1 + AT1)	**396.330**
TIER 2 (T2)capital: instruments and provisions	
Credit risk adjustments	-
TIER 2 (T2) capital before regulatory adjustments	25.000
TIER 2 (T2) capital: regulatory adjustments	
TIER 2 capital	25.000
Total capital (TC=T1 + T2)	**421.330**
Total risk weighted assets	**2.665.157**
Capital ratios and buffers	
Common Equity TIER 1 (as a % of risk exposure amount)	14,87%
TIER 1 (as a % of risk exposure amount)	14,87%
Total capital (as a % of risk exposure amount)	15,81%
Common Equity TIER 1 available to meet additional capital requirements and buffers	10,37%
Amounts below the thresholds for deduction (before risk weighting)	
Deferred tax assets arising from temporary differences (amount below 10% threshold and net of eligible short positions)	42.370
Applicable caps on the inclusion of provisions in TIER 2	
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
Capital instruments subject to phase-out arrangements	
Does not apply	-

Appendix 2: EBA IFRS9 template

The following table shows the composition of own funds of the Group in the format prescribed in the EBAGL/2020/12.

Table 12: IFRS9 disclosure

€ thousand	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
Total Capital					
Common Equity Tier 1 Capital (CET1)	396.330	395.236	400.384	404.259	436.346
Common Equity Tier 1 (CET1) if the transitional provisions of IFRS 9 or similar ECL had not been applied	380.723	379.628	384.777	388.652	385.730
Common Equity Tier 1 (CET1) if the transitional treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) had not been applied					
Tier 1 capital (T1)	396.330	395.236	400.384	404.259	436.346
Tier 1 capital (T1) if the transitional provisions of IFRS 9 or similar ECL had not been applied	380.723	379.628	384.777	388.652	385.730
Tier 1 (T1) capital if the transitional treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) had not been applied					
Total capital	421.330	420.236	425.384	429.259	461.346
Total capital if the transitional provisions of IFRS 9 or similar ECL had not been applied	405.723	404.628	409.777	413.652	410.730
Total capital if the transitional treatment of unrealized gains and losses measured at fair value with changes in OCI had not been applied (other comprehensive income)					
Risk-weighted assets					
Total risk-weighted assets	2.665.157	2.788.818	2.941.334	2.952.017	2.978.610
Total risk-weighted assets had the transitional provisions of IFRS 9 or similar ECL not been applied	2.665.157	2.788.818	2.941.334	2.952.017	2.964.880
Total risk-weighted assets if the transitional treatment of unrealised gains and losses measured at fair value through OCI had not been applied (other comprehensive income)					
Capital ratios					
Common Equity Tier 1 (CET1) (as a percentage of the risk exposure amount)	14,87%	14,17%	13,61%	13,69%	14,65%
Common Equity Tier 1 (CET1) (as a percentage of the risk exposure amount) if the transitional provisions of IFRS 9 or similar ECL had not been applied	14,29%	13,61%	13,08%	13,17%	13,01%
Common Equity Tier 1 (CET1) (as a percentage of the risk exposure amount) if the transitional treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) had not been applied					
Tier 1 capital (T1) (as a percentage of the amount of the exposure)	14,87%	14,17%	13,61%	13,69%	14,65%
Tier 1 capital (T1) (as a percentage of the exposure amount) if the transitional provisions of IFRS 9 or similar ECL had not been applied	14,29%	13,61%	13,08%	13,17%	13,01%
Tier 1 (T1) capital (as a percentage of the exposure amount) if the transitional treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) had not been applied					
Total capital (as a percentage of the amount of the exposure)	15,81%	15,07%	14,46%	14,54%	15,49%
Total capital (as a percentage of the amount of the exposure) if the transitional provisions of IFRS 9 or similar ECL had not been applied	15,22%	14,51%	13,93%	14,01%	13,85%
Total capital (as a percentage of the amount of the risk exposure) if the transitional treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) had not been applied					
Leverage ratio					
Measurement of total exposure corresponding to the leverage ratio	4.141.495	4.426.682	4.615.417	4.410.183	4.450.015
Leverage ratio	9,57%	8,93%	8,67%	9,17%	9,81%
Leverage ratio if the transitional provisions of IFRS 9 or similar ECL had not been applied	9,19%	8,58%	8,34%	8,81%	8,70%
Leverage ratio if the transitional treatment of unrealized gains and losses measured at fair value through OCI (other comprehensive income) had not been applied					

Appendix 3: Disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical buffer

As part of the banking reforms introduced by Basel III, a countercyclical capital buffer is required to ensure banks take account of the macro-financial environment when assessing adequate capital requirements. The buffer is to help protect banks during periods of excess aggregate credit growth that have often been associated with the build-up of system wide risk. This regime is intended to help reduce the risk that the supply of credit will be constrained during a period of economic downturn which in turn could undermine the performance of the real economy and consequently result in additional credit losses in the banking system.

The Group's operating performance is monitored and assessed based on two geographical segments - Spain and Portugal, which the Group's management considers to be an adequate representation of its activities.

Bank of Spain has decided to maintain at 0% the countercyclical capital buffer (CCB) rate applicable to credit exposures located in Spain. The analysis of cyclical systemic risk warning indicators does not reveal widespread excessive credit growth in Spain, so this assessment is consistent with maintaining the CCB rate at 0% in the current situation.

Similarly, the Bank of Portugal is responsible for setting and disclosing, on a quarterly basis, the countercyclical buffer rate that applies to all credit institutions and investment firms with credit exposures to the domestic private non-financial sector. It has also decided to apply a 0% buffer.

Appendix 4: Analysis of encumbered assets

The principal sources of encumbrance for the Group include assets pledged as collateral for securitisation, the TLTRO, Repo and other guarantees. Encumbrance arises from collateral requirements for central bank operations, cash reserves and securities supporting secured funding transactions.

Any collateral excess provided above the minimum collateral required is deemed unencumbered unless it cannot be freely withdrawn. No assets are encumbered through transactions between entities of the Group.

On 31 December 2023, €301,413 thousand of assets are encumbered to back the notes issued to external noteholders in Portugal (without over-collateralisation).

The Group has, on 31 December 2023, two types of securities pledged at Central Bank, 425,321 thousand of Government Bonds from both Spain and Portugal jurisdictions (€72.692 thousand encumbered for TLTRO funding and €125,000 thousand encumbered for Repo) and retained eligible asset-backed securities with nominal value of €624,100 thousand (with a nominal encumbered for TLTRO funding of €119,220 thousand).

Additionally, the group has pledged cash collateral as guarantee for the clearing processes associated with the bank's operations.

Appendix 5. Group remuneration disclosures

Appointments and Remuneration Committee

The current remuneration policy, approved by the Board of Directors on October 27th, 2022 aims to align staff efforts with company performance and provides a competitive compensation package to attract employees and keep them committed to the Group, with a strong focus on ethical behaviour and effectiveness.

Transparency and compliance with the law are the principles that informs all terms of that policy.

The Group Appointments and Remuneration Committee held 9 meetings in 2023 and at 31 December 2023 was composed of the following members:

- **Chair:** Ms. Anna Gatti (Independent Director)
- **Members:**
  - Mr. Krzysztof Drozd (Proprietary Director)
  - Mr. François Miqueu (Independent Director)
- **Secretary:** Mr. Diego Calleja de Pinedo (Non-Director)

The tasks of this committee are described below.

Appointments

- Identify and recommend, with a view for approval by the Board of Directors or the General Shareholders' Meeting, candidates to cover vacancies in the Board of Directors.
- Assess the balance of knowledge, capacity, diversity and experience in the Board of Directors, and prepare a description of the duties and skills needed for a specific appointment, valuing the dedication needed in terms of time to hold the position.
- Evaluate periodically and at least once a year the suitability of the members of the Board of Directors and of the Board of Directors as a whole and report the conclusions to the Board of Directors.
- Evaluate periodically that the composition and operation of the Board prevents that the resolutions taken by the Board of Directors are not dominated by one individual or small Group of individuals, so that they harm the interests of the Group as a whole.
- Submitting proposals to the Board of Directors for the appointment, re-election, and of members to form part of each of the Board's Committees.
- Reporting proposals for appointments and removal of the Board Secretary and Vice Secretary.
- Submitting to the Board of Directors reports on selection, appointment, suitability and, if applicable, removal of the CEO as well as effective supervision thereof through oversight of the management activity and continued evaluation of such officers.
- Submitting to the Board of Directors reports on the design and supervision of the selection and appointment policy of the other members of the identified staff (members of the executive committee and similar officers, including key positions at the Group).
- Assess the suitability of key position candidates according to the Procedure for assessing the suitability of directors and key personnel.

- Report the gender diversity policy of the Group to the Board of Directors. Management and control of the gender diversity policy.
- Report the policy to determine the identified staff to the Board for approval.
- Annual determination of the positions to be included in the list of Identified Staff.

Remuneration

- Prepare the decisions to be adopted by the Board of Directors relating to remuneration, including those that impact the Group's risk and risk management.
- Report the general remuneration policy of the members of the Board of Directors, as well as the individual remuneration and other contractual conditions of the members of the Board of Directors who perform executive functions, and, as the case may be, of the Managing Director or similar, and ensure these conditions are observed.
- Submitting to the Board of Directors reports on the definition of the basic conditions of senior management contracts, as well as approval of the remuneration, including the annual supervision of the application of the Remuneration Policy for employees who, although not part of senior management, assume risks or are assigned to the Group's internal control functions (i.e., internal audit, risk management or compliance) or receive remuneration that takes them on the same remuneration bracket as senior managers and risk takers and whose professional activities have a material impact on the Group's risk profile (all of whom comprise, together with senior management and the Group's Board of Directors, the "Identified Staff", which will be defined at any given time in accordance with applicable regulations).
- Report the general remuneration policy of the Group, including the remuneration policy of the identified staff, and procedure for the application of the malus and clawback clauses.
- Assess the application of the remuneration policy and practices of the institution, ensuring that they are subject to a central and independent internal review at least annually, and monitor the elimination of any gaps identified in the central and independent review for compliance.
- Ensure that the variable remuneration policy of the identified staff and the payout process for variable remuneration of certain members of the identified staff is fully compliant at any time.
- Collaborate in the determination of the existence of any set of circumstances that might result in the application of the malus and clawback clauses.

For the performance of its functions, the Group Appointments and Remuneration Committee has had the advice of the internal services of the entity, as well as first-level legal and consulting advice when it was needed.

Information on the linkage between remuneration and performance: main features of the remuneration system

As at 31 December 2023 the majority (>95%) of WiZink employees were covered by variable compensation plans that link their remuneration to individual, departmental and corporate goals. The most common formula involves measuring and paying the variable sums at the beginning of the following year. All of the variable remuneration plans link accrual of this compensation to standards of quality and to strict fulfilment of internal rules.

For staff in central services, the variable remuneration consists of an amount based on a budget linked to the Group´s earnings and is approved by the Board of Directors. That amount is distributed according to an objective formula that interrelates personal performance at an employee level, fixed remuneration and evaluation of performance by the area manager.

Following the recommendation of the Board of Directors, the General Shareholders Meeting approved a maximum level of variable remuneration of up to 200% of the fixed component of remuneration for certain executives.

Identified Staff with variable pay of more than €50,000 thousand per year defer at least 40% of the amount over 4 years. Both deferred and cash payments are subject to retention or refund clauses in relation to actions that have entailed unauthorized risk for the company.

Disclosure of criteria for measuring the performance on which entitlement to shares, options or variable remuneration components are based

Group policy on discretionary variable remuneration (annual bonus) is pegged to the Group´s performance as measured by comparing the business results obtained with the initially budgeted targets, as well as on achievement of the main objectives for business development initiatives and meeting the stipulated customer satisfaction thresholds.

The formula-based remuneration policy, in turn, involves incentive plans and is based on achievement of targets for revenue, number of card applications, cost control per account and on quality and control factors.

Determination of “identified staff”.

“Identified staff” consists of all persons whose work has significant implications for the Group´s risk profile in accordance with the provisions of section 89 of the EBA GL/2015/22[1], including the Board of Directors. The Group “Identified staff” consists of the following positions as of December 2023:

- Board members
- Chief Executive Officer
- Chief Audit Executive
- Chief Financial Officer
- Chief Risk Officer
- Chief Business Officer
- Chief Corporate Officer
- Chief People Officer
- Head of Portugal
- Head of Financial Control
- Head of Treasury
- Head of Compliance

Quantitative information on remuneration of “Identified staff” broken down by business area

The following tables show information on current total remuneration received for the year ended 31 December 2023 for the single business area that exists in the Group:

[1] EBA GL/2015/22 Guidelines on Sound Remuneration Policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

Table 13: Total remuneration of "Identified staff"

Business Area	Number of people	Total remuneration (thousand €)
Consumer banking[2]	16	5,619
Independent board members	5[3]	757
Total	**21**	**6,376**

With respect to the breakdown of remuneration information by type of office, the Group does not have staff contracted as senior management within the meaning of employment law regulations.

The following table shows the amounts of remunerations accrued at 31 December 2023, divided into fixed and variable remuneration, broken down into monetary remuneration, shares and deferred shares (phantom shares in both cases)[4], as well as the number of beneficiaries.

Table 14: Total fixed and variable remuneration

Number of beneficiaries	Fixed Remuneration [5](thousands of €)	Variable Remuneration[6] (thousands of €)			
		Pecuniary	Deferred pecuniary	Shares	Deferred shares
16	5,046	408	238	358	238
		1,242			

As of December 2023, the deferred remuneration for active Identified Staff pending payment in cash amounts to €386 thousand (of which €72 thousand vests in 2024) and pending payment in shares (number) of 392,159 units (includes pending variable remuneration at 31 December 2023 from 2020 to 2023 for individuals included in ID Staff during 2023, without considering deferred payments from severances). Of the 392,159 pending shares, 13,623 vests in 2024.

Payments were also made in 2023 for amounts deferred from previous years whose payment corresponded in said financial year.

Severance payments were awarded to Identified Staff during 2023 financial year for the amount of 87.257€. The entity applies the exceptions stablished in the art 94.3 from the directive 2013/36/UE for those staff members whose annual variable remuneration does not exceed EUR 50 000 and no guaranteed variable remuneration has been granted during the financial year.

The following table shows the number of individuals being remunerated EUR 1 million or more per financial year, in accordance with CRR art. 450.1.(i)

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[2] Includes cash and "remuneration in kind" amounts declared as compensation for payroll purposes, as of Dec 31st, for 2023 financial year Identified Staff

[3] Number of independent directors during 2023. As of 31.12.2023 the number of independent directors is 3.

[4] Phantom shares are calculated with equivalent market value as WiZink is not currently listed on a stock market.

[5] Fixed remuneration received in 2023, both in cash and in kind, except for pension commitments. In the case of Identified Staff, the contributions made by WiZink in 2023 in relation to the pension commitments assumed with regard to social welfare plans (detailed in Note 7 of the Consolidated Financial Statements) were 590 thousand €.

[6] Total variable remuneration corresponding to financial year 2023 except "discretionary pensions benefits" (15% of the annual contribution agreed to cover the retirement contingency of the Chief Executive Officer and considered variable remuneration under applicable regulations). Discretionary pensions benefits awarded by WiZink in 2023 were 10 thousand €.

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Table 15: Remunerations above €1M

ID Staff total Rem. Awarded Above €1 M	
€ M	**2023**
1.0-1.5	0

Appendix 6: Corporate governance

The following table shows the composition of the Board of Directors at 31.12.2023

Table 16: Board Members Directorships

Board of Directors	Identification
Mr. Joaquim Josep Saurina Maspoch	Non-executive Chair
Mr. Iheb Nafaa Ghediri	Chief Executive Officer
Mr. Krzysztof Drozd	Proprietary director
Mr. Ricky John Noel	Proprietary director
Ms. Anna Gatti	Independent director
Mr. François Xavier Marie Miqueu	Independent director
Mr. Antonio Greño Hidalgo	Independent director
Ms. Blanca Rivilla Calle	Secretary (non-director)
Mr. Diego Calleja de Pinedo	Deputy Secretary (non-director)

In line with the regulatory requirements and market best practices, the Board is supported by three committees to perform its duties: Audit Committee, Risk Committee and Appointments & Remuneration Committee. Independent members of the Board chair all these three committees and there must be a majority of independent directors in their compositions.

At 31.12.2023, the composition of those three Committees is as follows:

1. Audit Committee

The Committee shall meet at least four times a year and its members are:

- **Chair**: Mr. Antonio Greño Hidalgo (Independent director)
- **Members**:
  - Mr. Krzysztof Drozd (Proprietary director)
  - Mr. François Xavier Marie Miqueu (Independent director)
- **Secretary**: Ms. Blanca Rivilla Calle (non-director)

2. Appointments & Remuneration Committee

The Committee shall meet at least twice a year and its members are:

- **Chair**: Ms. Anna Gatti (Independent director)
- **Members**:
  - Mr. Krzysztof Drozd (Proprietary director)
  - Mr. François Miqueu (Independent director)
- **Secretary**: Mr. Diego Calleja de Pinedo (non-director)

3. Risk Committee

The Committee shall meet at least four times a year and its members are:

- **Chair**: Mr. François Miqueu (Independent director)
- **Members**:
  - Ms. Anna Gatti (Independent director)
  - Mr. Antonio Greño Hidalgo (Independent director)
- **Secretary**: Ms. Blanca Rivilla Calle (non-director)

Recruitment Policy for selection of Board Members

The approach to selecting members of the Board seeks to ensure the adequacy of the key members as provided in Law 10/2014 of June 2014 and implemented in Royal Decree 84/2015 of 13 February 2015 so that the suitability of the persons who effectively direct the business of the Group is guaranteed.

In particular, the main traits considered in selecting individuals for key positions are their demonstrated integrity, professional background in demanding positions, deep industry knowledge and past successes, along with planning and management skills, the ability to adapt and strategic vision. It is also taken into consideration diversity (including age and nationality) and a healthy gender balance.

The Board of Directors and the Appointments and Remuneration Committee are in charge of the initial evaluation and continuous monitoring of the suitability of people in key positions in the Group, with the support of the Secretary of the Board as well as the support of the structure and organization of the HR Department, as a specialized unit equipped with specific capabilities for selecting personnel and examining professional backgrounds.

Procedure to evaluate the suitability of directors and key staff

WiZink has a procedure in place to evaluate the suitability of members of its Board of Directors and key management personnel.

The assessment of directors and key management personnel is entrusted to the Board of Directors, with assistance from the Appointments & Remuneration Committee, the Secretary of the Board and the Human Resources Department.

Both directors and all key management personnel must meet the suitability standards, as required by regulatory requirements and EBA Guidelines. Furthermore, they must act consistently with WiZink's corporate values. These include amongst others: disclosure, integrity, respect and openness, collaboration, self-achievement and commitment.

In addition to this, they must have a strategic vision (in line with their responsibilities) and bring relevant historical experience in senior positions, thorough knowledge of the sector as well as planning, management and flexibility skills.

Diversity policy in selecting members of the management body

WiZink considers that diversity is a core value of the company that is an instrument of value creation. The Group encourages it amongst all its teams. This includes all dimensions such as age, nationality, experience or varying knowledge.

One of the Group's highlights is a balanced representation of gender on its executive team. As of 31.12.2023, two out of five of the members of the Executive Committee are women.

Furthermore, the company counts with an equality policy and promotes equivalent remuneration between men and women. The salary difference that appears in relation to the salaries of men and women is caused by the diversity of populations and functions in WiZink, as the most operational functions (Collections and Operations), that are subject to lower remunerations, have a majority of female population.

Equality programmes, measures adopted to promote employment, protocols to prevent sexual harassment and sex discrimination.

Although there are various Equality Programmes in place, both WiZink Bank and WiZink Gestión have already started collective negotiation processes with Equality Commissions in order to align Equality measures in place with latest applicable regulations and include trans people in the equality company policies. Similarly, in Iberalbión. Different measures are in place at all levels providing for flexibility and balance of personal and family life, specifically focusing on maternity and paternity leave. Finally, there are Action Protocols in place to cover any potential mobbing (sexual or otherwise).

In addition, the Companies are in the process of initiating negotiations to have a protocol for the prevention of LGTBI harassment, in accordance with the latest applicable regulations.

Appendix 7: CRR mapping

The following table shows how the Group have complied with the disclosure requirements of Part Eight of the CRR this year according to the requirements in Art. 433c.2

CRR Ref	High Level Summary	Compliance Reference
General Principles		
431	Disclosure requirements	Section 2 - Disclosure policy
432	Non-material, proprietary or confidential information	Section 2.1 - Basis of preparation
433	Frequency and scope of disclosures	Section 2.2 - Frequency, media and location
434	Means of disclosures	All required disclosures are published on the WiZink website. This table provides clear cross referencing to all disclosures
Risk management objectives and policies		
435.1	**Disclosure of risk management objectives and policies for each separate category of risk.**	
435.1.a	The strategies and processes to manage those categories of risks;	Section 4 – Risk Management
435.1.e	Declaration approved by the management body on the adequacy of the risk management arrangements	Section 4.9 – Risk Disclosure Statement
435.1.f	A concise risk statement approved by the management body succinctly describing the relevant institution's overall risk profile associated with the business strategy; that statement shall include: (i) key ratios and figures providing external stakeholders a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body; (ii) information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Section 1.2 – Key Ratios Section 2.3 - Risk Profile
435.2	**Disclosure of the following information regarding governance arrangements:**	
435.2.a	the number of directorships held by members of the management body;	Appendix 6
435.2.b	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	Appendix 6
435.2.c	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved;	Appendix 6
Disclosure of own funds		
437.a	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	Section 6.4 – Analysis of capital resources
Disclosure of own funds requirements and risk-weighted exposure amounts		
438.c	on demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	Not applicable

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438.d	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds;	Section 7 - Pillar I Capital Requirements Overview
Disclosure of key metrics		
447	Disclose information on:	
	-the composition of their **own funds** and their own funds requirements as calculated in accordance with Article 92;	Section 6.4 – Analysis of capital resources Section 7. Pillar I capital requirements overview
	-the total **risk exposure amount** as calculated in accordance with Article 92(3);	Section 7 - Pillar I Capital Requirements Overview
	-amount and **composition of additional own funds** which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU	Appendix 1
	-**combined buffer requirement** which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU	Appendix 3
	-**leverage ratio and the total exposure** measure as calculated in accordance with Article 429;	Section 5.7
	-Information in relation to the **liquidity coverage ratio** as calculated in accordance with the delegated act referred to in Article 460(1)	Section 11
	-information in relation to their **net stable funding requirement** as calculated in accordance with Title IV of Part Six	Section 11
	-**own funds and eligible liabilities ratios** and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	Section 7 – Pillar I capital requirements overview
Remuneration policy		
450.1.a	Information concerning the **decision-making process** used for determining the remuneration policy,	Appendix 6
450.1.b	information about the **link between pay** of the staff **and their performance**;	Appendix 6
450.1.c	Design **characteristics of the remuneration system**, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	Appendix 6
450.1.d	**Ratios between fixed and variable remuneration** set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU;	Appendix 6
450.1.h	**Quantitative information on remuneration**, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions	Appendix 6
450.1.i	Number of **individuals** that have been **remunerated EUR 1 million or more** per financial year,	Appendix 6
450.1.j	Upon demand from the relevant Member State or competent authority, the **total remuneration for each member of the management body or senior management**;	Not required
450.1.k	Information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU.	Appendix 5

The following table shows the additional articles in the regulation related to the disclosure of information and which are not applicable to the Group:

CRR Ref	High Level Summary	Compliance Reference
435.1.b	Structure and organisation of the relevant risk management function	Not applicable
435.1.c	Scope and nature of risk reporting and measurement systems	Not applicable
435.1.d	Policies for hedging and mitigating risk	Not applicable
435.2.d	If the institution has set up a separate risk committee and the number of times the risk committee has met	Not applicable

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CRR Ref	High Level Summary	Compliance Reference
435.2.e	Description of the information flow on risk to the management body.	Not applicable
436	Disclosure of the scope of application	Not applicable
437.b	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution	Not applicable
437.c	Full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Not applicable
437.d	Separate disclosure of the nature and amounts of prudential filters, items deducted and items not deducted	Not applicable
437.e	Description of all restrictions applied to the calculation of own funds	Not applicable
437.f	Comprehensive explanation of the basis on which capital ratios are calculated	Not applicable
437a	Disclosure of own funds and eligible liabilities for institutions that are subject to Article 92a or 92b	Not applicable
438.a	Summary of their approach to assessing the adequacy of their internal capital to support current and future activities;	Not applicable
438.b	Amount of the additional own funds' requirements based on the supervisory review process	Not applicable
438.e	The on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending	Not applicable
438.f	Exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds	Not applicable
438.g	Supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC	Not applicable
438.h	Variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models	Not applicable
439	Disclosure of exposures to counterparty credit risk	Not applicable
440	Disclosure of countercyclical capital buffers	Not applicable
441	Disclosure of indicators of global systemic importance	Not applicable
442	Disclosure of exposures to credit and dilution risk	Not applicable
443	Disclosure of encumbered and unencumbered assets	Not applicable
444	Disclosure of the use of Standardised approach	Not applicable
445	Disclosure of exposure to Market Risk	Not applicable
446	Disclosure of Operational Risk Management	Not applicable
448	Disclosure of exposures to interest rate risk on positions not held in the trading book	Not applicable
449	Disclosure of exposures to securitisation positions	Not applicable
449a	Disclosure of environmental social and governance risks (ESG risks)	Not applicable
451	Disclosure of the leverage ratio	Not applicable
451a	Disclosure of liquidity requirements	Not applicable

Appendix 8: EBA/GL/2018/10 mapping

The following table shows how the Group have complied with the disclosure requirements of EBA/GL/2018/10 in accordance with section 6 and section 15 of these Guidelines.

High Level Summary	Compliance Reference
Annex I – Disclosure templates: forbearance	
Template 1: Credit quality of forborne exposures	Section 8.7 - Credit Risk Table:.Credit quality of forborne exposures (EU CQ1)
Template 2: Quality of forbearance	Not applicable
Annex II – Disclosure templates: non-performing exposures	
Template 3: Credit quality of performing and non-performing exposures by past due days	Section 8.7 - Credit Risk Table: Credit quality of performing and non-performing exposures by past due days (EU CQ3)
Template 4: Performing and non-performing exposures and related provisions	Section 8.7 - Credit Risk Table: Performing and non-performing exposures and related provisions (CR1)
Template 5: Quality of non-performing exposures by geography	Not applicable
Template 6: Credit quality of loans and advances by industry	Not applicable
Annex III – Disclosure templates: collateral valuation	
Template 7: Collateral valuation - loans and advances	Not applicable
Annex IV – Disclosure templates: changes in the stock of NPLs	
Template 8: Changes in the stock of non-performing loans and advances	Not applicable
Annex V – Disclosure templates: foreclosed assets	
Template 9: Collateral obtained by taking possession and execution processes	Section 8.7 - Credit Risk Table: Collateral obtained by taking possession and execution processes (EU CQ7)
Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown	Not applicable

Glossary

Additional Tier 1 capital (AT1)	AT1 capital instruments are non-cumulative perpetual securities that contain a specific provision to write down the security or convert it to equity, should the CET1 ratio fall below a specified trigger limit.
Basel III	Global regulatory standard on Bank Capital Adequacy, Stress Testing and Market and Liquidity Risk proposed by the Basel Committee on Banking Supervision in 2010. See also **CRD IV and CRR**.
Conduct risk	The risk that the Group's operating model, culture or actions result in unfair outcomes for customers.
CRO	Chief Risk Officer
Common Equity Tier 1 capital (CET1)	The highest form of regulatory capital under Basel III that comprises common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments.
CET 1 ratio	CET 1 capital expressed as a percentage of total risk-weighted assets.
CRD IV	In June 2013, the European Commission published legislation for a Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) which form the CRD IV package. The package implements the Basel III proposals in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration.
Credit concentration risk	The risk of losses arising, due to concentrations of exposures from imperfect diversification. This imperfect diversification can arise from the small size of a portfolio, a large number of exposures to specific obligors (single name concentration), or from imperfect diversification with respect to economic sectors or geographical regions.
CRR	Capital Requirements Regulation
Funding risk	The inability to raise and maintain sufficient funding in quality and quantity to support the delivery of the business plan.
Group	WiZink Bank S.A.U. prudential consolidation Group
IFRS 9 Stage 1	A loan that is not credit-impaired on initial recognition and has not experienced a significant increase in credit risk.
IFRS 9 Stage 2	If a significant increase in credit risk has occurred since initial recognition, the loan is moved to stage 2, but is not yet deemed to be credit-impaired.
IFRS 9 Stage 3	If the loan is credit-impaired it is moved to stage 3. All expired term, material fraud and operational risk loans are classified as credit-impaired.
Interest rate risk	The risk of a reduction in the present value of the current balance sheet or earnings as a result of an adverse movement in interest rates.
Interest rate risk in the banking book (IRRBB)	The risk of a reduction in the present value of the current balance sheet or earnings as a result of an adverse movement in interest rates arising as a consequence of carrying out and supporting core business activities.
Internal Adequacy Capital and Liquidity (IACL)	The part of the Pillar II assessment to be undertaken by an institution. The IACL allows institutions to assess the level of capital and liquidity that adequately supports all relevant current and future risks in their business. In undertaking an IACL, an institution should be able to ensure that it has appropriate processes in place to ensure compliance with CRD IV.
Leverage ratio	Total Tier 1 capital expressed as a percentage of Total assets (adjusted in accordance with CRD IV).
Liquidity coverage ratio (LCR)	Stock of high quality liquid assets as a percentage of expected net cash outflows over the following 30 days according to CRD IV requirements.
Liquidity risk	The inability to accommodate liability maturities and withdrawals, fund asset growth, and otherwise meet the Group's contractual obligations to make payments as they fall due.
Loss Given Default (LGD)	A parameter used to estimate the difference between EAD and the net amount of the expected recovery expressed as a percentage of EAD.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also includes legal risk.
Pillar I	The part of CRR that sets out the process by which regulatory capital requirements should be calculated for credit, market and operational risk.
Pillar II	The part of CRD IV that ensures institutions hold adequate capital to support the relevant risks in their business. It also encourages institutions to develop and use enhanced risk management techniques in monitoring and managing their risks.
Pillar III	The part of CRR that sets out the information institutions must disclose in relation to their risks, the amount of capital required to absorb them, and their approach

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schutawies@gmail.com
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	to risk management. The aim is to strengthen market discipline.
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
Repurchase Agreements (Repos)	A form of short-term funding where one party sells a financial asset to another party with an agreement to repurchase at a specific price and date. From the seller's perspective such agreements are repurchase agreements (repos) and from the buyer's reverse repurchase agreements (reverse repos).
Risk appetite	The risk appetite sets limits on the amount and type of risk that the Group is willing to accept or tolerate in order to meet its strategic objectives.
Risk-weighted assets (RWAs)	A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with CRR rules and are used to assess capital requirements and adequacy under Pillar I.
Securitisation	Securitisation is a process by which a Group of assets, usually loans, are aggregated into a pool, which is used to back the issuance of new securities through an SPV.
Standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions (ECAI) ratings of obligators (where available) and supervisory risk weights. In relation to operational risk, a method of calculating the operational risk capital requirement by the application of a supervisory defined percentage charge to the gross income of specified business lines.
Tier 1 capital	A measure of institutions' financial strength defined by the ECB (European Central Bank). It captures Common Equity Tier 1 capital plus other Tier 1 securities in issue, but is subject to deductions including in respect of material holdings in financial companies.
Tier 2 capital	A further component of regulatory capital defined by the ECB for the Group mainly subordinated debt.

Tables and charts

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