



Pillar III Disclosures

WiZink Group

31 December 2020



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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 2020.

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 it was published the update on the regulation (CRR II) which will be fully applicable in June 2021 except for some specific requirements which will have a different entry date.

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 supporting disclosures that are included within the 2020 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

	2020
Common Equity tier 1 (CET1) ratio phase-in	17,17%
Common Equity tier 1 (CET1) fully loaded	13,01%
Leverage ratio phase-in	11,80%
Leverage ratio fully loaded	8,95%
Liquidity Coverage Ratio (LCR)	3617%
Net Stable Funding Ratio (NSFR)	138,85%

In 2020 the Group incurred losses amounting 48M€ due to two one-offs; (i) extraordinary provisions mainly related with the corporate restructuring event in Spain, for an amount of 25M€ and (ii) the increase in the impairment/reversal on financial assets, with an impact of 337M€, mainly driven by the higher impairment of financial assets measured at amortised cost caused by the impact of COVID-19.

On 31 March 2020, the Group's Sole Shareholder, Aneto, agreed to voluntarily increase the Bank's reserves, within the next two months, in an amount equivalent to the interim dividend distributed by the Bank on 6 August 2019 which amounted to €18,500 thousand, corresponding to a dividend of €0.1251 per each one of the 147,862 thousand shares representing the Bank's share capital.

The capital requirement as of 31 December 2020 comprised Pillar I, Pillar II and the capital conservation buffer. The 17,17% is over the Group's regulatory requirement.

The leverage ratio phase-in was 11,85% at the end of the year and the Group's liquidity coverage ratio (LCR) of 3617% both significantly above the regulatory minimum.



All the key ratios above mentioned are within the Group's risk appetite, which is the amount and type of risk that the Group is prepared to seek, accept or tolerate. The Group's strategy is developed in conjunction with risk appetite.

More information and detail may be found on the 2020 WiZink Bank S.A.U. consolidated Annual Accounts.

1.3 Significant events during 2020

During 2020, the Group formed two new securitisation funds to increase its contingent liquidity capabilities:

- On 23 July 2020 the Group launched the Azul Master Credit Cards (hereinafter 'Azul Master Credit Cards' or 'AMC'), DAC Series 2020-1 securitisation. This securitisation is currently retained in full by the Group. The Series 2020-1 notes are collateralised against a pool of credit card receivables originated by Wizink Bank. The securitised portfolio amounted €295 million at closing, consisting of drawings by Spanish residents under revolving credit agreements mainly associated with credit cards using both Visa and Master Card networks. The transaction has been structured as a programme, which allows the issuance of further note series, up to a maximum programme size of €2.0 billion. The senior tranche of this securitisation has been rated as A (sf) by Fitch and A (high) (sf) by DBRS and will convert to approximately €200 million of contingent liquidity if pledged as collateral with the ECB.
- On 28 July 2020 the Group launched the Victoria Finance No. 1 (hereinafter 'Victoria Finance' or 'VF') (notes issued by Tagus SCT, S.A.) class A, B and C notes securitisation. This securitisation is currently retained in full by the Group. Victoria is a cash flow securitisation of a revolving portfolio of credit card receivables originated by Wizink Bank - Sucursal em Portugal (hereinafter, Wizink Portugal), for an initial value of €505 million as of the closing date. Wizink Portugal acts as the portfolio servicer, originator and seller. The senior tranche (class A notes) of this securitization with a nominal value of c.€400 million has been rated as A+ (sf) by Fitch and A (high) (sf) by DBRS and has been converted to approximately €365 million of contingent liquidity pledged as collateral at ECB.



2. Disclosure policy

2.1 Basis of preparation

This document contains the consolidated Pillar III disclosures of the Group as at 31 December 2020, 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.

Pillar III disclosures reflect the Group's adoption of the Standardised Approach to quantify RWAs for credit risk and Operational Risk. 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.

Though the Pillar 3 Disclosures include the whole WiZink Group. The policies are applicable to WiZink Group, although work is being done to adequately integrate the possible specificities of Aplázame; which, nevertheless, is not a material entity from the prudential perspective for the Group.

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.

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 for more detail). The disclosures of risk management objectives and procedures within this Pillar III document are detailed fully within the WiZink Annual Accounts (section 45 risk exposure and management).

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, with these revised standards taking effect from January 2023 (it has been postponed a year due to the COVID situation) and phased 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 2027. The group will take into account 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 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 as it includes the transitional arrangements due to IFRS9 capital impacts according to article 473 bis CRR following the recommendation of ECB and BoS due to the current uncertainty on the macroeconomic scenario. The calendar has been updated in June 2020 by the legislator to be adapted to the current COVID situation.

Since the outbreak of the COVID-19 pandemic and until 31 December 2020, the Group has approved and granted payment moratoria measures to debtors representing a gross carrying amount at the date of concession of c.€100,860 thousand in accordance with either public actions launched by National Governments or voluntary sector-wide moratoria launched by banking associations to which the Group has adhered. These moratoria qualify for flexible treatment under IFRS 9 in accordance with the guidance issued by several regulators and standard setting bodies.

The option to extend the existing moratoria schemes by up to further 3/6 months ending on 31 December 2020 was extended by the EBA during December 2020 and a new moratoria adhesion period was granted until 31 March 2021. However, this extension came with some constraints such as the moratoria period not being able to exceed an overall length of 9 months for those granted after 30 September 2020 and additional information requirements from financial institutions detailing their plans for assessing borrowers' unlikeliness to pay.

the Group's Directors, in accordance with the latest communications from Bank of Spain, has identified certain sectors which are deemed to be more vulnerable to the economic consequences of the COVID-19 pandemic outbreak once the moratoria and the rest of the protective schemes finish. Those sectors have been determined to be hospitality, leisure, tourism, automobile and small self-employed. To this extent the Group's Directors has booked an overlay in order for those 'high risk' sectors to be provided for in a more prudent basis in the midst of this period of uncertainty.

The abovementioned overlays are subject to over-sight and governance by the Group's Directors, they will be reviewed and monitored on a monthly basis during 2021. For further details on the measures related to covid-19, please refer to the 2020 Consolidated Annual Accounts.



3. Scope of consolidation

3.1 Regulatory consolidation

The Group structure, including the composition of the regulatory group, at 31 December 2020 is set out below.

Chart 1: Regulatory Group structure



At this time Aneto S.a.r.l has only one investment which is WIZINK. Therefore, the document is focused in 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	Main activity
Iberalbión A.I.E.	Marketing of its shareholders' products and activities by telephone, electronic telematics and by any other means of communication that does not require physical presence. Carrying out any operational support activities for the shareholders. Auxiliary economic activities of those that its shareholders develop.
WiZink Gestión, A.I.E.	Provide its shareholders with auxiliary services in relation to recoveries and recoveries of assets. Concierge services of shareholders' premises. Support activities in the marketing of shareholders' credit cards through any channel of distribution, including, but not limited to, the telephone, the sale through mobile points of sale, internet or mailing. Advertising campaigns and other forms and promotion of shareholders' credit sales. Generally, operational support and auxiliary tasks of the main activity of its shareholders.
Aplázame S.L.U.	Granting of non-mortgage loans or credits to consumers under the formula of deferred payment, opening of credit or any other equivalent means of financing. Intermediation activities with the aim of concluding non-mortgage loan or credit contracts with consumers, under the deferred payment formula, through the presentation, proposal or performance of preparatory work for the execution of the aforementioned contracts, including the provision of such contracts to consumers for their underwriting. Programming and development of a platform to postpone payment in purchases of goods or services to individuals by on-line stores, as well as the development of software that allows the creation of these, for later exploitation and sale. Aplázame has four subsidiaries with no current activity.
WiZink Bank, S.A.U. – branch in Portugal	It is a monoline bank that provides a simple product set to retail borrowers by means of revolving cards.
WiZink Master Credit Cards (ABS Master Trust Securitisation Vehicle)	Although this is not legally a subsidiary, the Trust is consolidated by WiZink Bank for prudential purposes.
aZul Master Credit Cards, DAC (ABS Master Trust Securitisation Vehicle)	Although this is not legally a subsidiary, the Trust is consolidated by WiZink Bank for prudential purposes.
Victoria Finance (ABS Securitisation Vehicle)	Although this is not legally a subsidiary, the Trust is consolidated by WiZink Bank for prudential purposes.

The Group has established a Master Trust securitization structure to provide recurrent capabilities to generate marketable securities for the bank backed by its credit card portfolio. WiZink retains substantial risk position in the Master Trust as only partial sale of the most senior tranches is made. The Master Trust is mainly used to generate collateral and partially to obtain funding from final investors.

This in substance 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 securitisations and therefore for the purposes of regulatory capital and Pillar III disclosures, the SPVs are consolidated within the bank disclosures.

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 at 31 December 2020.

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

	2020
Eligible elements (thousand €)	
Capital	147.862
Share premium	685.022
Reserves	(121.210)
Profit for the year	(48.032)
Other accumulated grand total	836
(-) Dividends and remunerations	0
Total Equity to public balance	664.478
(-) Adjustments to CET 1 due to prudential filters	(16)
(-) Goodwill	(11.210)
(-) Other intangible assets	(71.973)
(-) Defined-benefit pension fund assets	(293)
(-) Additional Tier 1 deductions surplus regarding to the additional Tier 1	-
(-) Deductible deferred tax assets that rely on the future profitability and arise from temporary differences	(90.946)
Other temporary adjustments of common Equity Tier 1 (*)	111.134
TIER 1	601.174
Generic funds and overprovisions	-
TOTAL REGULATORY CAPITAL	601.174

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



4. Risk management

This section summarises the overall risk management policy of the Group. More detailed analyses of individual risks (credit risk, market risk, operational risk 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.

The mission of WiZink is to be the most flexible, suitable and simple payment and lending solutions in the market. To achieve this, the Bank 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. The bank 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 bank's customers and shareholders.

Risk, in this context, means the possibility of an outcome or event which may have an adverse impact on the bank's customers, capital, liquidity, profitability, reputation and ultimately its viability. The bank 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 banking activity are handled further to principles of absolute caution, permanently upholding its basic objectives of solvency, return, efficiency and adequate liquidity.

The risk policy outlines strictly professional criteria followed by the bank 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, it aims to minimise all other risks (operational, 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 of the bank's employees. The Board and the Senior Management of the bank actively set, and promote, the risk and compliance culture and values which are be cascaded throughout the bank.

4.3 Risk appetite

The Group has defined a Risk Appetite Framework (RAF) which reflects the appetite levels, risk tolerance and capacity which the bank is prepared to accept.

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. A Risk Appetite Statement (RAS) is approved by the Board with each strategic planning cycle.

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.

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 metric 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 Assets and Liabilities Committee, the Enterprise Risk Management Committee, the Credit Risk Committee and the Internal Control Body.

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 of defence that interact with the overall corporate governance structure to define risk and compliance management. The "three lines of defence" 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/2017/11).

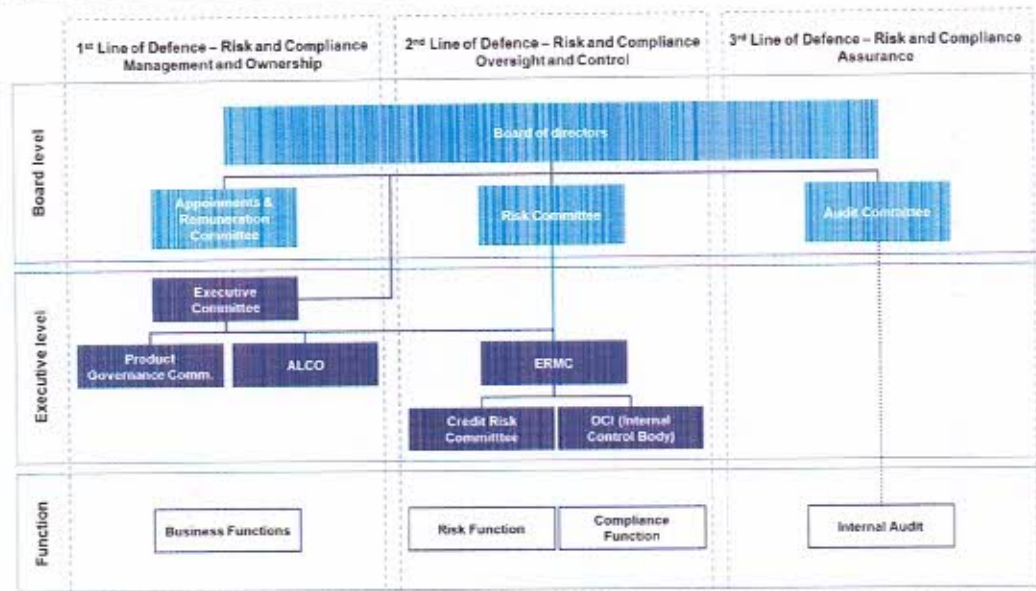
- The **First Line of Defence** consists of the business units and support areas that, as part of its activity, cause the group's risk exposure. These units, as owners of their risks, are responsible for managing, monitoring and properly reporting the generated risk, which must be adjusted to the risk appetite and the approved risk limits.
- The **Second Line of Defence** consists of the Risk Control and Compliance areas which are responsible for the development of the Risk Management Framework and Risk Policies, ensuring its effective implementation across the organization risk in accordance with the defined risk appetite level.
- Internal audit, as the **Third Line of Defence** and as the last level of control, periodically assesses the policies, methods and procedures' adequacy and checks their effective implementation.

The three lines of defence have a sufficient level of separation and independence. At the same time, the structure does not significantly reduce the effectiveness of the general model and act concertedly to maximize their efficiency.

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



Chart 2: Internal Governance Structure



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

The Group has established an enterprise-wide risk management framework that is underpinned by a comprehensive set of policies, 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.

In addition to all the previous, 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 provides an overall assessment per risk type to the Board Risk Committee and Board. The CRO is specifically responsible for controlling financial risks (liquidity, solvency, credit, model and operational among others) and the CCLO is responsible for controlling non-financial risks (legal & regulatory, compliance, 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 of defence model described above with:

- The **First Line of Defence** 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 **2nd line of defence** adopts a risk-based and proportionate approach to the assessment and management of the Bank's risk exposures and compliance matters. Risk and Compliance provide independent oversight, monitoring and challenge to the 1st line of defence.



- The Internal Audit function as **Third Line of Defence** 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 bank.

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.

The CET1 ratio phase-in for the Group was 17,17%% as at 31 December 2020, above regulatory minimum requirements.

Similarly, ratios used to monitor liquidity status are also above requirements (Group LCR at 31.12.2020 was 3617%).



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. CRD IV came into force in the European Union on 1 January 2014. In June 2019 it was published an update of the legislation (CRD V) which should be transposed by the State Members before the end of 2020. The deadline for EEA Members to apply CRV V measures was 28 December 2020, entities such as the Bank of England has already published these new measures in their Policy Statement.

5.1 Regulatory capital

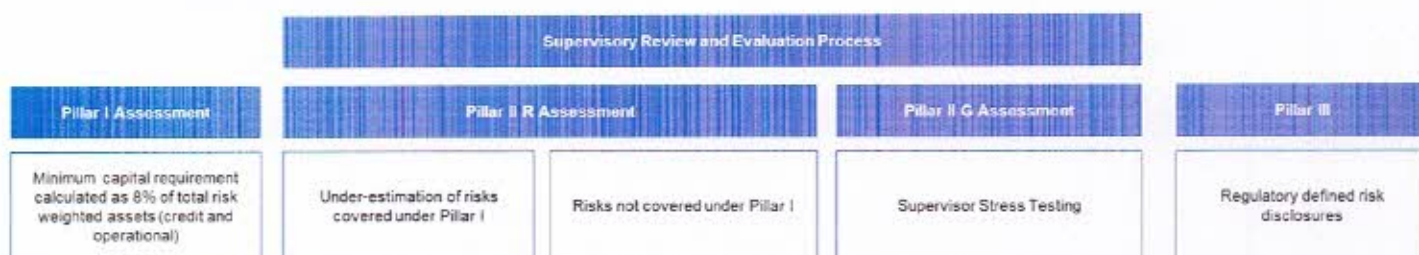
The capital resources of the Group are detailed in Appendix 1. Total capital resources are entirely in the form of CET1 instruments. This represents the strongest form of capital consisting of ordinary share capital, share premium and allowable reserves.

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

5.2 Capital requirements

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

Chart 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 bank has adopted the Standardised Approach, as detailed in CRDIV, to the quantification of Credit Risk and Operational Risk. As of 31.12.2020 the Group has no exposure to Market Risk.

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 utilize external ratings to determine risk weights for rated counterparties.

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.

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.

5.4 Pillar II capital requirements

Pillar II is intended to ensure not only that banks 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 and in the local guidelines from Bank of Spain elaborates annually the Internal Assessment of Capital and Liquidity (IACL). The main content of the report are the following sections:

- Business Model. Brief description of the core business lines, geographies and main products. It also outlines the strategic plan of the group
- Governance structure and risk control and management. 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 of the group. 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 needs the group may need under stressed situations.
- Risk Data aggregation. It reflects the data structure of the group
- Capital Self-Assessment. Once the material risks are identified it is needed an exercise 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

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 capital. Its objective is to conserve a bank's capital. 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 2.

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

Chart 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. CRD IV sets out the minimum disclosures required under Pillar III (See Annex 7 containing the requirements mapping).

5.7 Leverage framework

Under the EBA leverage requirements, 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 regulatory requirement is a 3% minimum leverage ratio from 1 January 2018. The Group leverage ratio phase-in of 11,80% as at 31 December 2020 (fully loaded: 8,95%) exceeds significantly 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 bank 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 bank 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,
- to 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,
- to 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 2020, the Bank has no other form of capital except CET1 which is primarily composed of retained profits ordinary share capital and share premium.

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 submission to the Assets and Liability Committee, the Board Audit and Risk Committee 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

	2020
Eligible elements (thousand €)	
Capital	147.862
Share premium	685.022
Reserves	(121.210)
Profit for the year	(48.032)
Other accumulated grand total	836
(-) Dividends and remunerations	0
Total Equity to public balance	664.478
(-) Adjustments to CET 1 due to prudential filters	(16)
(-) Goodwill	(11.210)
(-) Other intangible assets	(71.973)
(-) Defined-benefit pension fund assets	(293)
(-) Additional Tier 1 deductions surplus regarding to the additional Tier 1	-
(-) Deductible deferred tax assets that rely on the future profitability and arise from temporary differences	(90.946)
Other temporary adjustments of common Equity Tier 1 (*)	111.134
TIER 1	601.174
Generic funds and overprovisions	-
TOTAL REGULATORY CAPITAL	601.174

(*) Since December 2019 is considered the CET1 phase-in as it includes the transitional arrangements due to IFRS9 capital impacts. The add-on is generated as a result of the first impact of IFRS9 in capital and the variation of stage 1 & 2 provisions considering the calendarized factor.

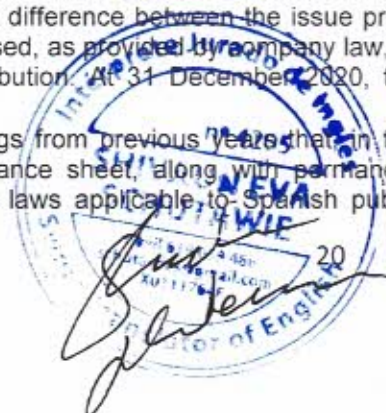
In 2020 the Group incurred losses amounting 48M€ due to two one-offs; (i) extraordinary provisions mainly related with the corporate restructuring event in Spain, for an amount of 25M€ and (ii) the increase in the impairment/reversal on financial assets, with an impact of 337M€, mainly driven by the higher impairment of financial assets measured at amortised cost caused by the impact of COVID-19.

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 2020, 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 2020, the overall share premium amounted to €685,022 thousand.
- **Reserves:** this includes the net amount of cumulative earnings 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 make 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 at 31 December, the figure for reserves and other reserves amounted to €169.242 thousand before considering the year's results.

- **Deductions:** are composed of the part that corresponds to goodwill and other intangible assets recognized on the balance sheet. Intangible assets held by the Group comprise those developed by the Group, such as computer software, as well as those identified in business combinations, such as contractual rights arising from relationships with customers derived from acquired businesses and goodwill.

The goodwill is mainly result of the business combinations acquired during the last years. It is comprised by the result of the acquisition of Citibank Spain's business in 2014 and the purchase of the credit card businesses in Spain and Portugal of Barclays Bank plc

In 2018 there were intangible assets acquired in business combinations due to the Aplázame S.L. acquisition.

In December 2019 there was a write-off on the Goodwill and Other intangible assets of the Group that explains the decrease in these deductions to 136M€ in December 2019.

Since June 2019 there are also deductions due to the DTAs which were noticeable increased as a result of a change in the prudential law (UE 2019/876 – CRR II).

In December 2020 deductions concerning these matters sum up 174M€.

- **Temporary adjustments of common Equity Tier 1:** Since December 2019 is considered the CET1 phase-in as it includes the transitional arrangements due to IFRS9 capital impacts following the recommendation of ECB and BoS due to the current uncertainty on the macroeconomic scenario. As of 31 December 2020, the temporary adjustments of common Equity Tier 1 was 111M€.

Further detail can be found in the Risk Exposure and Management section from 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 2020, the group had no AT1, as it issues 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 2020, the Group had issued no Tier 2 equity instruments and has no other capital qualifying as Tier 2.



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 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

Type of Risk	Risk weighted assets		Pillar I capital requirements	
	2020 thousand €	2019 thousand €	2020 thousand €	2019 thousand €
Credit Risk	2.588.284	2.738.562	207.063	214.122
Market Risk	0	0	0	0
Credit valuation adjustment Risk	0	0	0	0
Operational Risk	907.911	931.272	72.633	70.348
TOTAL	3.496.195	3.669.834	279.696	284.470

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 €207.063 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	148.354
Regional administrations or local authorities	-
Public sector entities	-
Multilateral development banks	-
International organizations	66.979
Entities	25.086
Enterprises	2.040.430
Retail exposures	-
Exposures secured by mortgages on real estate	240.103
Exposures in default	-
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	-
Other	-
TOTAL RISK-WEIGHTED EXPOSURE	2.738.562
TOTAL CREDIT RISK CAPITAL REQUIREMENTS	207.063



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, 2018, 2019 and 2020).

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 2020, the calculation described above yields operational risk own funds minimum requirements of €72.633 thousand.

Table 7: Capital Requirements for operational risk. Standardized approach

TYPE OF RISK	Relevant Revenues			Pillar 1 Capital Requirements
	Year -1 thousand €	Year -2 thousand €	Year -3 thousand €	2020 thousand €
Retail banking - 12%	533.784	643.355	638.683	72.633
Total		643.355	638.683	72.633



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 cards for individuals and has no appetite for lending to SMEs or corporate entities. Balance sheet growth is primarily driven by new-to-bank customers with conservative initial credit lines and controlled exposure during their life cycle. The Group targets non-sub-prime borrowers based on credit score, external data sources and responsible lending criteria.

Risk Appetite is established by reviewing credit risk drivers, establishing metrics and controls to prevent and detect deviations that could lead to higher credit losses than expected as 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.

In doing so, the group recognises that credit risk may increase above the expected level and establishes a risk appetite for an acceptable level of credit losses and related drivers and delinquency metrics. These are articulated as risk appetite metrics.

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. The credit risk exposures of the Group are set out on section 8.7.

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

Credit risk is managed in the following ways:

8.5.1 Credit policy

The credit policies applied in WiZink cover the full product lifecycle (acquisitions, existing customers and collections) and are defined in the Credit Policy Manual separately for Spain and Portugal. Both documents are approved by the Board of Directors on an annual basis.

The policy defines the credit authority, underwriting strategy and process, portfolio maintenance policy, exposure programs criteria and collections strategy. In general, the majority of the credit strategies are performed automatically, based on system decision engines, except the collections strategy which depends on the collections agent assessment and particular underwriting credit decisions that are automatic referred by the system.



8.5.2 Credit underwriting

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

Wizink has developed a strong underwriting and risk management expertise, resulting in well-balanced cost of credit, which is grounded on conservative policies and extensive use of scoring models to predict risk behaviours. This expertise supports the identification and mitigation of emerging credit risks, which is complemented by a collections strategy and operational model, robust collections system with a wide range of functionalities to ensure a deep level of data analysis. This assists in managing the level of customer delinquency and to restore performing status or minimise credit losses where the customer is identified to be in financial distress.

Consequently, the group is able to drive credit portfolio programs and policies based on behavioural 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 balances 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 bank 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 Credit risk exposure by industry or counterparty type

The following table shows, broken down by exposure categories for the standardized approach, the amount of exposure to credit risk after applying valuation adjustments and impairment write downs. In each case, the exposure to SMEs is specified.

Table 8: Credit risk exposures by industry or counterparty type:

Exposure category	Original exposure (thousand €)	Of which SME	Value adjustments and provisions	Exposure net of value adjustments and provisions (thousand €)
Central administration or central banks	1.139.619	-	-	1.139.619
Regional administrations or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organizations	-	-	-	-
Entities	328.030	-	(1.378)	326.651
Enterprises	49.121	-	(2)	49.119
Retail exposures	2.853.576	-	(132.616)	2.720.960
Exposures secured by mortgages on real estate	-	-	-	-
Exposures in default	453.791	-	(235.301)	218.491
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	4.738	-	-	4.738
Other	66.011	-	-	66.011
TOTAL EXPOSURE	4.894.887	-	(369.298)	4.525.589

Exposure to central government and banks represent high quality liquid assets (HQLA) held within the Liquid Asset Buffer for liquidity management purposes. Spanish Government Bonds are held within the LAB and are also used, in part, to collateralize borrowing under the Targeted Long-Term Repo Operations.



LTROs) or other Central Bank Refinancing Operations. Further detail on asset encumbrance is given in Appendix 4

8.8 Credit risk exposure by risk weight

The tables below give details of the Credit risk exposure by risk weight.

For exposures to institutions, the Group uses credit ratings provided by the recognized credit rating agency Fitch.

Table 9: Credit risk exposures by risk weight

EXPOSURE CATEGORY (thousand €)	0%	10%	20%	35%	50%	75%	100%	150%	250%	Other	Total
Central administration or central banks	1.078.413	-	-	-	-	-	3.107	-	58.099	-	1.139.619
Regional administrations or local authorities	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-
Entities	-	-	321.676	-	4.663	-	312	-	-	-	326.651
Enterprises	-	-	-	-	48.066	-	1.053	-	-	-	49.119
Retail exposures	-	-	-	726	-	-	2.720.234	-	-	-	2.720.960
Exposures secured by mortgages on real estate	-	-	-	-	-	-	-	-	-	-	0
Exposures in default	-	-	-	-	-	-	175.267	43.224	-	-	218.491
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	-	-	-	-	-	-	4.738	-	-	-	4.738
Other	-	-	-	-	6.834	-	59.178	-	-	-	66.011
TOTAL EXPOSURE	1.078.413	-	321.676	726	59.562	-	2.963.890	43.224	58.099	-	4.525.589

8.9 Credit risk exposure by geographical area

The tables below give details of the geographical distribution of exposures.

Table 10: Credit risk exposures by geographical area

	Thousand of Euros				
	Total (*)	Spain	Rest EU	America	Rest of World
Central banks and credit institutions	886	868	18	-	-
Public authorities: Central government	365	326	38	-	-
Other financial corporations and sole proprietorships (financial business activity)	186	182	457	4	-
Non-financial corps and sole proprietorships (non-fin. Business activity): SMEs and individual entrepreneurs	1.092	1.092	-	-	-
Other households (by purpose): Consumption	2,847,212	1,807,209	1,039,986	-	-
Other purposes	1,615	1,615	-	-	-
TOTAL	4,285,070	3,184,702	1,096,640	-	-

(*) Includes deposits in central banks, loans and advances, debt securities and equity instruments.



8.10 Credit risk exposure by residual contractual maturity

The table below give details of the maturity profile of exposures based on residual contractual maturity. The book is predominantly composed by credit card exposures to individuals with no defined contractual maturity. The run-off estimate has been based on the historical customer behaviour. The associated weighted average maturity has been determined at ca. 14 months.

Table 11: Credit risk exposures by residual contractual maturity

RESIDUAL MATURITY BREAKDOWN			
Sector	Less than 1 year (in thousand €)	More than 1 year (in thousand €)	Undefined (in thousand €)
Central administration or central banks	1.006.327	272.206	
Regional administrations or local authorities			-
Public sector entities			-
Multilateral Development Banks			
International Organizations			
Entities			185.129
Enterprises		56.271	
Retail exposures	1.005.529	1.416.025	
Exposures secured by mortgages on real estate			
Exposures in default		349.122	
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			4.753
Other			359.470
TOTAL	2.011.856	2.093.624	549.352

8.11 Wholesale credit risk exposures by credit rating

The Group is focused on the retail business and as a consequence the position with wholesale counterparties is not significant. The table below provides detail on the credit grading of the Group's wholesale exposures focusing on the positions with other credit entities. the Group uses credit ratings provided by the recognized credit rating agency Fitch. In addition to that, the Group has a global position of 455.811 thousand € with the Public Administration.

Table 12: Wholesale exposures by credit rating

ENTITY	RATING	EXPOSURE
		AT 31/12/20 Thousand €
BNP Paribas Sec. Services-Suc in Spain	A+	53.426
ING Bank	A+	153.018
ING Bank Cash collateral L/P	A+	4.700
Societe General	A-	21.355
Santander	A-	59.753
BBVA	BBB	7.453
Bankinter	BBB+	1.827
CaixaBank	BBB+	1.847
CaixaBank Cash collateral L/P	BBB+	149
Santander Totta	BBB+	9.864
Elavon Financial Services	AA-	52.942
Novo Banco	B2	312
Banco Sabadell	BBB-	1.940
Barclays Bank	A+	2.295.880
TOTAL		368.586



8.12 Equity exposures not recorded in the trading book

Since the application of IFRS9 the denomination of the classification of the equity has changed:

The table below shows the assets advances classified as not held for trading and mandatorily at fair value through profit or loss.

Table 13: Exposures not held for trading at mandatorily at fair value through profit or loss.

	Thousand of Euros	
	31/12/2020	31/12/2019
Equity instruments:	-	-
Debt securities (*)	318	318
Loans and advances	-	-
	318	318

Equity positions are strategic investments in a small portfolio of non-trading equity securities in clearing houses classified at fair value through other comprehensive income under irrevocable decision as permitted under IFRS 9. As such, changes in the fair value of these strategic investments are recognised in other comprehensive income. The changes in fair value of these securities will no longer be reclassified to profit or loss when they are disposed.

Table 14: Exposures in Equities

	Thousand of Euros 31/12/2020
Equity instruments:	
Investments in resident sectors	569
Investments in no resident sectors	4.169
	4.757

8.13 Credit risk impairments

During 2018, exercise IFRS9 is introduced, modifying the methodology to recognize the impairment on the financial assets. IFRS 9 introduces an expected credit loss impairment model which is significantly different from the IAS 39 incurred loss model.

IFRS 9 impairment requirements are not triggered when a credit event has already had an impact on the expected future cash flows from a financial instrument but, instead, the expected credit losses are required to be recognised from origination of the financial asset and reassessed for changes at each reporting date to reflect potential changes in credit deterioration since initial recognition.

The impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity investments that are irrevocably designated as at FVOCI, which are not subject to an impairment assessment.

The Expected Credit Loss is measured on either a 12-month or a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be impaired. Expected credit losses will be measured in accordance with a three-stage expected credit loss impairment model:

-Stage 1 – Current non-deteriorated book. From initial recognition of a financial asset before the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a 12 months expected credit loss allowance is recognised.

-Stage 2 – Exposures where significant increase in credit risk has been observed since initial recognition. For these exposures, a lifetime expected credit loss allowance is recognised.



-Stage 3 – Credit impaired exposures. When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognised. Interest revenue is calculated based on the net carrying amount of the asset, adjusted for the loss allowance, rather than on its gross carrying amount as for Stage 1 and Stage 2. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

Changes in the expected credit loss allowance are recognised in profit or loss as exposures move between stages. Because migration between stages follows the general pattern of credit deterioration and the forward economic guidance also drives stage allocation, impairment charges are expected to be pro-cyclical and volatile.

The categorisation of credit risk is detailed in the table below. Note that all credit risk exposures and associated impairments, provisions, past due items and credit adjustments relate to exposures in Spain and Portugal and relate to retail lending exposures. There are no impairments in respect of exposures in any other geography or industry sector.

Table 15: credit risk exposures by impairment level

	Carrying amount (thousand €)	Performing			No performing			
		Not past due or past due <= 30 days	Past due > 30 days <= 90 days	Unlikely to pay that are not past due or past due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 5 years	Past due > 5 years
Debt securities at amortised cost	353.642	353.642	-	-	-	-	-	-
Loans and advances at amortised cost	3.644.479	3.208.342	87.011	67.104	83.495	140.243	58.283	-
Debt instruments at fair value through other comprehensive income or through equity subject to impairment	-	-	-	-	-	-	-	-
Debt instruments at strict locom, or fair value, through profit or loss or through equity not subject to impairment	318	318	-	-	-	-	-	-
Debt instruments other than held for trading or trading	-	-	-	-	-	-	-	-

8.14 Impairment provisioning

The Group's impairment provisions are calculated in line with IFRS 9 which provides for expected credit losses based on the credit risk categorisation of the exposure. Full details are provided in the consolidated Annual Accounts. Following the adoption of IFRS 9 all provisions have been classed as specific credit risk adjustments.



Table 16: Analysis of movements in impairment provisions

	Portfolio		Continuing Operations		TOTAL
	Stage at 31/12/2020	Standard monitoring	Special monitoring	Default	
IFSR9 Loss allowance as of 31/12/20	51.303	92.290	232.091	375.684	
Transfer from Stage 1 to Stage 2	(7.408)	51.567	-	44.159	
Transfer from Stage 1 to Stage 3(*)	(4.759)	-	86.047	81.288	
Transfer from Stage 2 to Stage 1	2.712	(8.520)	-	(5.808)	
Transfer from Stage 2 to Stage 3	-	(32.316)	88.948	56.632	
Transfer from Stage 3 to Stage 2	-	(6.467)	(15.529)	(21.996)	
Financial assets derecognised during the period other than write-offs	-	-	-	0	
New financial assets originated or purchased	17.453	29.047	32.392	78.892	
Changes in PDs/LGDs/EADs	52.202	10.849	2.117	65.168	
Closed accounts	(18.673)	(13.154)	(48.318)	(80.145)	
Write-offs	(85)	(2.123)	(142.761)	(144.969)	
Others	44	-	(540)	(496)	
IFSR9 Loss allowance as of 31/12/20	92.789	130.742	234.447	457.978	
Off-balance provision at 31/12/2020	15.522	2.568	451	18.541	
Provision for credit institutions at 31/12/20	1.117	-	-	1.117	
Provision for financial instruments other than credit cards at 31/12/20	2.720	-	-	2.720	
Total Loss allowance at 31/12/20	112.148	133.310	234.898	480.356	

8.15 Exposure to securitization

This information is required for institutions calculating risk weighted exposure amounts in accordance with part 3, title II, chapter 5, or own funds requirements in accordance with articles 337 or 338. The Group does not have securitization exposures requiring own funds and therefore is exempt of this obligation.



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.

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 risk related that could adversely impact on the execution of WiZink's Business and Strategy. It is performed annually.
- **Manager's Control Assessment (MCA):** All Business Units must complete internal control testing in line with the testing methodology provided by the Second Line of Defence 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 Acceptance.
- **Operational Incidents Management:** designed to support the reduction of financial and non-financial impacts across the bank 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:

- IT systems and resilience risk arising from failure to develop, deliver and maintain effective 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 via technology, networks and systems;
- service disruption;
- failure of a third-party corporate partner or strategic supplier; and
- 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 Risk Management Policy establish, 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. To that end, improvements in operational processes and reinforcement of operational controls have been implemented. There are two categories of operational losses: (i) losses related to external fraud and (ii) ordinary losses, which are all the other losses the group might experience that are not related to fraud.

The group has developed a specific management tool to handle both operational losses related to fraud and ordinary operational losses. Regarding fraud, the aforementioned management framework includes provisions to reduce, mitigate and recover losses. The aim is to reduce fraud and ordinary operational losses and to achieve an adequate level of recovery.

9.6 Monitoring

Monitoring and reporting of operational risk is undertaken at Board and Board delegated committees, Executive Committee and the ERM. 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.

At 31 December 2020, as a result of this approach, the Group Pillar I capital requirement for operational risk was 72,633 thousand € (2019: 74,502 thousand €) represented by risk-weighted assets of 907,911 thousand € (2019: 931,272 thousand €)



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 bank 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 vast majority of the group's assets (including credit cards, cash, intangible assets, goodwill and other assets), and a proportion of liabilities (TLTRO and Equity) 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 a shift to interest rates using stress scenarios. These scenarios examine the interest rate re-pricing gaps, asset and liability interest rate bases and product optionality.

The Group maintains IRRBB management practices in line with applicable regulatory expectations.

Interest rate risk exposure is measured as follows:

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

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.
- 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 75-80% Term Deposits. This provides insulation 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 the Master Trust securitisation SPV.
- Ensuring that there is a limit on the amount of Term Deposits that re-price over a short (3 month) period to provide insulation against a rapid rise in funding costs.

Currently the bank does not enter into derivative transactions to hedge any assets or liabilities or otherwise take any proprietary or directional positions.

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 31.12.2020

Table 17: Economic Value of Equity and NII sensitivity

	200 b.p rise	200 b.p drop
Change in net interest income to +200 or -200 pb movement / Net interest Estimated	-1,77%	-0,38%
Economic Value of Equity (EVE)	-1,49%	0,25%



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 is able to 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 and market wide stresses.
- The group maintains a sufficient stock of Contingent Liquidity in the form of cash and 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 on a daily basis 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 an early warning indicator 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 on a frequent basis 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 18: Liquidity and Funding Ratios (as of 31st of Dec 2020)

	Thousand of €
Liquidity Buffer	957.160
Total Net cash outflows	26.462
Liquidity Coverage Ratio	3617%



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 19: Own funds disclosure template

	2020
Common Equity TIER 1 Capital (thousand €) - PHASE IN	
Capital instruments and the related share premium	832.884
Retained Earnings	(169.242)
Other reserves	836
Common Equity TIER 1 (CET 1) capital before regulatory adjustments	664.478
Common Equity TIER 1 (CET 1) capital: regulatory adjustments	
(-) Goodwill	(11.210)
(-) Other intangible assets	(71.973)
(-) Defined-benefit pension fund assets	(293)
(-) Adjustments to CET1 due to prudential filters	(16)
(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	(90.946)
Other temporary adjustments of common Equity TIER 1	111.134
(-) Total common equity TIER 1 (CET 1) capital regulatory adjustments	(63.304)
Common Equity TIER 1 (CET 1) capital	601.174
Additional TIER 1 (AT1) capital: instruments	
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)	601.174
TIER 2 (T2) capital: instruments and provisions	
Credit risk adjustments	-
TIER 2 (T2) capital before regulatory adjustments	-
TIER 2 (T2) capital: regulatory adjustments	
TIER 2 capital	-
Total capital (TC=T1 + T2)	601.174
Total risk weighted assets	3.496.195
Capital ratios and buffers	
Common Equity TIER 1 (as a % of risk exposure amount)	17,2%
TIER 1 (as a % of risk exposure amount)	17,2%
Total capital (as a % of risk exposure amount)	17,2%
Common Equity TIER 1 available to meet additional capital requirements and buffers	9,2%
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)	58.099
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: 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.

The table below summarises the group's total exposures based on country of economic operation of the customer. Where applicable, a countercyclical capital buffer rate would be applied to the own funds requirement for the geographic region to capture an additional countercyclical requirement.

Table 20: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer – consolidated group

ASSETS	Thousand Euros			
	Spain	Portugal	Intra-segment eliminations	Total
Cash and Cash balances at central banks and other demand deposits	1.371.784	15.237	(654.347)	732.674
Financial assets not held for trading and mandatorily at fair value through profit or loss	318	-	-	318
Financial assets at fair value through other comprehensive income	15.305	467	-	15.772
Amortised cost financial assets	2.968.537	1.042.881	(475.112)	3.536.306
Tangible assets	19.067	825	-	19.892
Intangible assets	65.859	45.273	-	111.132
Tax assets	207.467	12.072	-	219.539
Other assets	11.965	7.233	-	19.198
TOTAL ASSETS	4.660.302	1.123.988	(1.129.459)	4.654.831



Appendix 3: Analysis of the leverage ratio

Part seven of Regulation 575/2013 lays down the rules for determining the leverage ratio of institutions, which is calculated as the Group's Tier 1 capital divided by the measure of exposure for purposes of that ratio, expressed as a percentage.

Tier 1 capital: the breakdown of the qualifying capital may be consulted in table 1 from the point 5 of this document, which has been calculated according to the CRR criteria.

Exposure: as provided in article 429 of the CRR, exposure is measured, in general terms, according to the carrying value, with the following considerations:

Non-derivative exposures on the balance sheet are included net of provisions and of accounting valuation adjustments.

The measure of the bank's total exposure is obtained by adding up the following items based on the regulatory balance sheet:

1. Positions on the balance sheet (excluding derivatives and repos, which are considered afterwards): the accounting balance of the assets per the financial statements is included, leaving out the aforesaid items.
2. Exposures in derivatives: there is included the exposure referred to the EAD used in measuring capital charges for counterparty risk, which includes both the exposure (net of offsets and guarantees) and the add-one adjustment for potential future risk.
3. Securities financial transactions (SFT): there is included the EAD adjusted for the value of the collateral and other haircuts as provided in article 220 of the CRR.
4. Off-balance sheet items: these are contingent risks and commitments primarily associated with guarantees and undrawn facilities. A floor of 10% is applied to the conversion factors (CCFs) in line with what is provided in Article 429(10)(a) of the CRR.
5. Tier I deductions: all asset amounts that have been deducted when determining Tier1 capital are deducted from the exposure in order to avoid redundant exposures. In this respect, the main deductions are intangible assets, tax loss carryforwards and others defined in article 36 of the CRR.
6. Equity investments in bank, financial, insurance and commercial entities not included within the scope of prudential consolidation (if applicable), as provided in article 429.4.

The following tables show the Group leverage ratio disclosures made in accordance with the Commission Implementing Regulation (EU) 2016/200. Any blank cells in the template have been removed from this disclosure.

Table 21: Calculation of leverage ratio

Leverage Ratio Calculation	Amount (Thousands of euros)
Tier 1 capital phase-	601.17
Total Exposures phase-in	5.093.25
Leverage Ratio phase-in	11,80%



Leverage Ratio Calculation	Amount (Thousands of
Tier 1 capital fully loaded	444.565
Total Exposures fully loaded	4.965.835
Leverage Ratio fully loaded	8,95%

The following table shows the total exposures and a reconciliation with the accounting information in the financial statements

Table 22: Leverage ratio exposures:

Leverage ratio exposure (thousand of €)	
On-balance sheet items (excluding derivatives, SFTs, fiduciary assets, but including collateral)	4.654.831
(Asset amounts deducted in determining Tier 1 capital phase-in)	-83.491
Total on-balance sheet exposures (excluding derivatives, SFs T and fiduciary assets) phase-in	4.571.340
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
Add-on amount for PFE associated with all derivatives transactions (market to market method)	-
Total derivatives exposures	-
Total SFT exposures	-
Off balance sheet exposures at gross notional amount	5.738.004
(adjustments for conversion to credit equivalent amounts)	-5.216.091
Other off-balance sheet exposures	521.913
Leverage ratio exposure phase-in	5.093.253

Table 23: Summary reconciliation of accounting assets and leverage ratio exposure

Summary reconciliation of account assets and leverage ratio exposures (thousand of €)		
Total Assets per published financial statements	4.654.831	
Adjustments for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	521.913	Off balance sheet exposures, net of provisions once the CCF correspondent to the exposure have been applied.
Adjustments for derivative financial instruments	-	
Asset deductions according to articles 429(4)(a) and 499(1)(b) of the CRR	-83.491	Tier 1 capital deductions
Leverage ratio exposure phase-in	5.093.253	



Appendix 4: Analysis of encumbered assets

The following tables show the Group analysis of encumbered assets in accordance with the EBA Guidelines on disclosure of encumbered and unencumbered assets (Delegated Regulation (EU) 2017/2295).

Table 24: Asset encumbrance – encumbered and unencumbered assets

	Carrying amount encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible Central Banks		of which notionally eligible Central Banks		of which notionally eligible		of which notionally eligible Central Banks
Assets of the reporting institution (thousand €)	948.046	854.839			3.915.183	259.241		
Equity Instruments	0	0			4.808	0		
Debt Securities	111.826	111.826			259.559	259.241	259.559	259.559
Covered bonds	0	0						
ABS	0	0						
Government	111.826	111.826			259.241	259.241	259.241	259.241
Financial Corps	0	0			318	0	318	0
non-financial corps	0	0			0	0		
Other assets	817.647	723.772			3.649.369	662.804		

Asset encumbrance – sources of encumbrance

Table 25: Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities (thousand €)	751.061	854.839
Deposits	400.800	454.538
Debt Instruments	350.261	402.463
Other sources	0	93.876

The same regulatory consolidation scope is applicable to asset encumbrance and liquidity disclosures. Further detail on the regulatory consolidation scope is given in section 3. Asset values reported in the tables above are based on the median of the end of period values for each of the four quarters in the year. An asset is treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

The principal sources of encumbrance for the group include assets pledged as collateral for securitisation and the T-LTRO II. In addition, encumbrance arises from collateral requirements for central bank operations and on cash reserves and securities supporting secured funding structures.



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.

Over-collateralisation plays a key role among the credit enhancement actions. At 31 December 2020, 191,860 thousand € of assets are encumbered to back the notes issued to external noteholders (150,000 thousand of senior notes + 31,000 thousand € of junior retained notes + a 6% of over-collateralisation). The Group does not have any significant foreign currency exposures.

"Other assets" mainly comprises loans and advances to customers. Certain assets included in the "Other Assets" category, although classed as unencumbered, are deemed not available for encumbrance in the normal course of business due to the nature of these assets. These include tangible assets, intangible assets, deferred tax assets and other non-financial assets.

At 31 December 2020, the Group has retained asset-backed securities with nominal value of €1,660,500 thousand (€1,167,500 thousand of which are eligible as collateral at the ECB), and €306,259 thousand have been encumbered in order to access TLTRO funding.



Appendix 5. Group remuneration disclosures

Appointments and Remuneration Committee

The current remuneration policy 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 inform all terms of that policy.

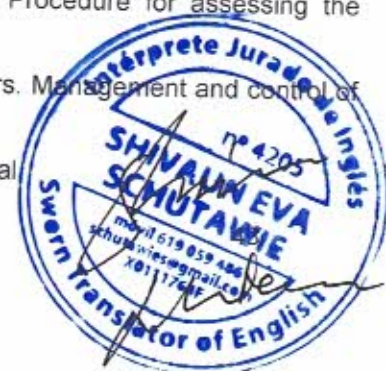
The Group Appointments and Remuneration Committee at 31 December 2020 was composed of the following members:

- **Chair:** Mr. Peter Ronald Herbert (Independent Director)
- **Members:**
 - Ms. Anna Gatti (Independent Director)
 - Mr. Krzysztof Drozd (Proprietary Director)
- **Secretary:** Ms. Blanca Rivilla Calle (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 Bank 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 Managing Director 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 Bank).
- 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 Bank to the Board of Directors. Management and control of the gender diversity policy.
- Report the policy to determine the identify 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 Bank'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 Bank'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 Bank'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 Bank, including the remuneration policy of the identified staff, and procedure for the application of the malus and clawback clauses.
- Asses 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 monitors 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 the malus and clawback clauses.

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

As at 31 December 2020 100% of 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 bank'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.

The General Shareholders Meeting, recommended by the Board of directors, has decided to increase the maximum ratio between fixed and variable remuneration to 1:2.

Staff with variable pay of more than €50,000 per year defer 50% of the amount over 3 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, for a period of at least 3 months within the same financial year, in accordance with the provisions of section 89 of the EBA Guide, including the Board of Directors. The Group "Identified staff" consists of the following positions:

- Chief Executive Officer
- Internal Audit Director
- Chief Commercial Officer
- Chief Digital Businesses Officer & Aplazame
- Chief Risk Officer
- Chief Legal & Compliance Officer
- Chief Operations & IT Officer
- Chief People Officer
- Chief Financial Officer
- Chief Data Officer
- Head of Compliance
- Head of Financial Control
- Head of Treasury & Capital Markets
- Head of Commercial Portugal
- The members of the Board of Directors

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

The following tables show information on current total remuneration as at 31 December 2020 for the single business area that exists in the Group:

Table 26: Total Remuneration of "Identified staff"

Business Area	Number of people	Total remuneration (thousand €)
Consumer banking*	14	5.206
Independent board members		642
Total		5.848

*Includes cash and "remuneration in kind" amounts declared as compensation for payroll purposes, for Identified Staff active as of Dec 31st.

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 at 31 December 2020, divided into fixed and variable remuneration, broken down into monetary remuneration, shares and deferred shares, as well as the number of beneficiaries.



Table 27: Total Fixed and Variable Remuneration

Number of beneficiaries	Fixed Remuneration (thousands of €)	Variable Remuneration (thousands of €)				
		Pecuniary	Deferred pecuniary	Shares	Deferred shares	Others
14	3.839	477	239	359	1.097	1.140
		3.312				

The deferred remuneration pending payment in cash amounts to 53 thousand € and pending payment in shares (number) of 5.894,88 units (includes pending variable remuneration at 31 Dec. 2020 from 2016 to 2020 for current ID Staff, without considering deferred payments from 2020 severances).

Table 28: Severance payments

During 2020 there were two severance payments for 162 thousand € on the Identified Staff.

Number of beneficiaries	Severance payments (thousands of €)	Deferred severance payments (thousand €)		
		Deferred Pecuniary	Shares	Deferred shares
2	161	30	44	30
		266		

Table 29. Remunerations up to 1M

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

ID Staff total Rem. Up to 1M	
€ M	2020
3,0-3,5	1



Appendix 6: Corporate governance

The following table shows the composition of the Board of Directors at 31.12.2020

Table 29: Board Members Directorships

Board of Directors	Identification
Mr. José Luis del Valle Doblado	Chair. Independent director
Ms. Elena Lieskovska	Vicechair. Proprietary director
Mr. Miguel Ángel Rodríguez Sola	Chief Executive director
Mr. Peter Ronald Herbert	Independent director
Ms. Geeta Gopalan	Independent director
Mr. Krzysztof Drozd	Proprietary director
Mr. Joaquim Josep Saurina Maspoch	Independent director
Ms. Anna Gatti	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 has delegated some of its functions in three committees: 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. Due to the total volume of assets, the Appointments & Remuneration Committee has not been divided into two

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. Joaquim Josep Saurina Maspoch (Independent director)
- **Members:**
 - Ms. Geeta Gopalan (Independent director)
 - Mr. Krzysztof Drozd (Proprietary 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:** Mr. Peter Ronald Herbert (Independent director)
- **Members:**
 - Ms. Anna Gatti (Independent director)
 - Mr. Krzysztof Drozd (Proprietary 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:** Ms. Geeta Gopalan (Independent director)
- **Members:**



- Mr. Peter Ronald Herbert (Independent director)
- Mr. Joaquim Josep Saurina Maspoeh (Independent director)
- Ms. Anna Gatti (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 charged with initial evaluation and continuous monitoring of the suitability of people in key positions in the group, with 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 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 bank encourages it amongst all its teams. This includes all dimensions such as age, nationality, experience or varying knowledge.

One of the bank's highlights is a balanced representation of gender on its executive team. Half of the members of the Executive Committee are women (50%).

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

WiZink Bank has various Equality Programmes in place which will be aligned in a near future. Similarly, Iberalbión is finalising negotiations for a new Equality Programme with its workers representatives that has been put in place in 2019. 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).

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.

CRR Ref	High Level Summary	Compliance Reference
Scope of disclosure requirements		
431 (1)	Requirement to publish Pillar III disclosures	WiZink publishes Pillar III reports
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	Not applicable – WiZink adopts the Standard Approach
431 (3)	Institution must have a policy covering frequency of disclosures, their verification, comprehensiveness and appropriateness Institution must also have policies for assessing whether their disclosures convey their risk profile comprehensively to market participants	Section 2 – Disclosure Policy
431 (4)	Explanation of ratings decisions on request	Not applicable
Non-material, proprietary and confidential information		
432 (1)	Institutions may omit information that is not material if certain conditions are respected	Section 2.1 – Basis of Preparation
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are met	Section 2.1 – Basis of Preparation
432 (3)	Where 432(2) applies this must be stated in the disclosures, and more general information must be disclosed	Not applicable
432 (4)	Use of 431(1), (2) or (3) is without prejudice to scope of liability for failure to disclose material information	Section 2.1 – Basis of Preparation
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum and more frequently if necessary	Section 2.2 – Frequency, media and location
Means of disclosure		
434 (1)	To include all disclosures in one appropriate medium, or provide clear cross-references	All required disclosures are published on the WiZink website. This table provides clear cross referencing to all disclosures
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar III if appropriate	All cross references to the consolidated financial statements are given in this table and throughout the document
Risk management objectives and policies		
435 (1)	Disclose information on:	
435 (1)(a)	The strategies and processes to manage risks	Section 4 – Risk Management
435 (1)(b)	Structure and organization of the risk management function	Section 4 – Risk Management
435 (1)(c)	Risk reporting and measurement systems	Section 4 – Risk Management
435 (1)(d)	Hedging and mitigating risk – policies and processes	Sections 8 to 10 according to main risks.
435 (1)(e)	A declaration of adequacy of risk management arrangements approved by the Board	Section 4.9 – Risk Disclosure Statement
435 (1)(f)	Concise risk statement approved by the Board	Section 1.2 – Key Ratios
435 (2)	Disclose information on:	
435 (2)(a)	Number of directorships held by Board members	Appendix 6
435 (2)(b)	Recruitment policy for selection of Board members, their actual knowledge, skills and expertise	Appendix 6
435 (2)(c)	Policy on diversity of Board membership and results against targets	Appendix 6
435 (2)(d)	Disclosure of whether a dedicated risk committee is in place and number of meetings in the year	Appendix 6
435 (2)(e)	Description of information flow on risk to Board	Section 4.7
Scope of Application		
436(a)	Name of institution	Section 1
436(b)	Difference in basis of consolidation for accounting and prudential purposes, describing entities that are fully consolidated, proportionally consolidated, deducted from own funds or neither consolidated nor deducted.	Section 3.1 Consolidation
436(c)	Impediments to transfer of own funds between subsidiaries	Section 3.1 Consolidation
436(d)	Capital shortfalls in any subsidiaries outside the scope of	Not applicable



	consolidation	
436(e)	Making use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries or entities	Not applicable
Own Funds		
437 (1)	Disclose the following information regarding own funds:	
437 (1)(a)	A full reconciliation of CET1 items, AT1 items, Tier 2 items and filters and deductions applied to own funds of the institution and the balance sheet in the audited financial statements of the institution	Section 6.4 – Analysis of capital resources
437 (1)(b)	A description of the main features of the CET1, AT1 and Tier 2 instruments issued by the institution	Section 6.5 – Description of main features, terms and conditions of capital instruments
437 (1)(c)	The full terms and conditions of all CET1, AT1 and Tier 2 instruments	The group has only CET1. CET1 is described in Section 6.5 – Description of main features, terms and conditions of capital instruments
437 (1)(d)	Disclosure of the nature and amounts of the following:	Section 6.4 – Analysis of capital resources
437 (1)(d)(I)	Each prudential filter applied pursuant to Articles 32 to 35;	Section 6.4 – Analysis of capital resources
437 (1)(d)(II)	Each deduction made pursuant to Articles 36, 56 and 66;	Section 6.4 – Analysis of capital resources
437 (1)(d)(III)	Items not deducted in accordance with Articles 47, 51, 56, 66 and 79.	Section 6.4 – Analysis of capital resources
437 (1)(e)	A description of all restrictions applied to the calculation of own funds in accordance with this regulation and the instruments, prudential filters and deductions to which those restrictions apply	Not applicable
437 (1)(f)	An explanation where institutions disclose capital ratios calculated using elements of own funds determined on a different basis	Not applicable
437 (2)	EBA shall develop draft implementing technical standards to specify uniform templates for disclosure	Not applicable
Capital requirements		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	Section 6 – Capital Management
438 (b)	Result of ICAAP on demand from authorities	Not applicable
438 (c)	Capital requirements for each standardised approach credit risk exposure class	Section 8.7 – Table 8
438 (d)	Capital requirements for each IRB approach credit risk exposure class	Not applicable
438 (e)	Capital requirements for market risk or settlement risk	Not applicable
438 (f)	Capital requirements for operational risk	Section 9.7 – Operational Risk Capital Requirement
438 (end note)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Not applicable
Exposure to counterparty credit risk (CRR)		
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	Not applicable
439 (b)	Discussion of policies for securing collateral and establishing credit reserves	Not applicable
439 (c)	Discussion of management or wrong-way risk exposures	Not applicable
439 (d)	Discussion of collateral to be provided (outflows) in the event of a ratings downgrade	Not applicable
439 (e)	Derivation of net derivative credit exposure Pillar III	Not applicable
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	Not applicable
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	Not applicable
439 (h)	Notional value of credit derivative transactions	Not applicable
439 (i)	Estimate of alpha, if applicable	Not applicable
Capital buffers		
440 (1)(a)	Geographical distribution of relevant credit exposures for calculation of countercyclical buffer	Appendix 2
440 (1)(b)	Amount of the institution specific countercyclical capital buffer	Appendix 2
Indicators of global systemic importance		
441 (1)	Disclosures of the indicators of global systemic importance	Not applicable
Credit risk adjustments		



442 (a)	Disclosure of institution's definitions of past due and impaired	Section 8.13
442 (b)	Approaches for calculating specific and general credit risk adjustments	Section 8.13 – Impairment Provisioning
442 (c)	Disclosure of pre-CRM EAD by exposure class	Section 8.7 – Credit Risk Exposure by Exposure Class, Table 8
442 (d)	Disclosure of pre-CRM EAD by geography and exposure class	Section 8.9 – Credit Risk exposures by geographical area, Table 10
442 (e)	Disclosure of pre-CRM EAD by industry and exposure class	Section 8.7 – Credit Risk exposures by industry, Table 8
442 (f)	Disclosure of pre-CRM EAD by residual maturity and exposure class	Section 8.10 – Credit Risk exposure by residual contractual maturity, Table 11
442 (g)	Breakdown of impaired, past due, specific and general credit risk adjustments and impairment charges for the period	Section 8.13 – Credit Risk impairments, Table 15
442 (h)	Impaired, past due exposures, by geographical area and amounts of specific and general impairment for each geographical area	Section 8.14
442 (i)	Reconciliation of changes in specific and general credit risk adjustments for impaired exposures	Section 8.14 – Impairment Provisioning, Table 16
442 (end note)	Specific credit risk adjustments recorded to income statement are disclosed separately	All specific credit risk adjustments are recorded to the income statement
Unencumbered assets		
443	Disclosures on unencumbered assets	Appendix 4
Use of ECAIs		
444 (a)	Names of the ECAIs used in the calculation of standardised approach risk-weighted assets and reasons for any changes	Section 8.11 – Wholesale Credit Risk Exposures by Credit Rating, Table 12
444 (b)	Exposure classes associated with each ECAI	Section 8.11 – Wholesale Credit Risk Exposures by Credit Rating, Table 12
444 (c)	Description of the process used to transfer credit assessments to non-trading book items	Not applicable
444 (d)	Mapping of external rating to CQS	Not applicable – the Group complies with the standard association published on the EBA website
444 (e)	Exposure value pre and post-credit risk mitigation by CQS	Not applicable
Exposure to Market Risk		
445	Disclosure of position risk, large exposures exceeding limits, FX settlement and commodities risk	Not applicable
Operational Risk		
446	Scope of approaches used to calculate operational risk	Section 9.7 – Operational Risk Capital Requirement
Exposure in equities not included in the trading book		
447 (a)	Differentiation of exposures based on objectives and an overview of accounting techniques and valuation methodologies	Section 8.12 – Equity exposures not recorded in banking book
447 (b)	The balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the market value	Section 8.12 – Equity exposures not recorded in banking book, Table 13 and 14
447 (c)	The types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios and other exposures	Not applicable
447 (d)	Realised gains or losses arising from sales and liquidations in the period	Not applicable
447 (e)	Total unrealised gains or losses, the total latent revaluation gains or losses and any of those amounts included in the original or additional own funds	Not applicable
Exposure to interest rate risk on positions not included in the trading book		
448 (a)	Nature of the interest rate risk and the key assumptions and frequency of measurement of the interest rate risk	Section 10 – Exposure to interest rate risk on positions not included in the trading book
448 (b)	Variation in earnings, or economic value or other measures used by the institution from upward and downward rate shocks, by currency	Section 10 – Exposure to interest rate risk on positions not included in the trading book, Table 17
Exposure to securitization positions		
449 (a)	Objectives in relation to securitisation activity	Section 8.15. Exposure to securitization
449 (b)	Nature of other risks in securitised assets, including liquidity	Not applicable
449 (c)	Risks in re-securitisation activity stemming from seniority of underlying securitisations and ultimate underlying assets	Not applicable
449 (d)	The roles played by the institution in the securitisation process	Not applicable
449 (e)	Indication of the extent of involvement in roles	Not applicable
449 (f)	Processes in place to monitor changes in credit and market risks of securitisation exposures and how the processes differ for re-securitisation exposures	Not applicable



449 (g)	Description of the institution's policies on hedging and unfunded protection and identification of material hedge counterparties	Not applicable
449 (h)	Approaches to the calculation of risk-weighted assets for securitisations mapped to types of exposures	Not applicable
449 (i)	Types of securitisation special purchase entities used to securitise third-party exposures as a sponsor	Not applicable
449 (j)	Summary of accounting policies for securitisations, including:	
449 (j)(i)	Whether the transactions are treated as sales or financings	Not applicable
449 (j)(ii)	The recognition of gains on sales	Not applicable
449 (j)(iii)	Methods, key assumptions, inputs and changes from the previous period in valuing securitisation positions	Not applicable
449 (j)(iv)	The treatment of synthetic securitisations	Not applicable
449 (j)(v)	How assets awaiting securitisation are valued, and whether they are recorded as trading or non-trading	Not applicable
449 (j)(vi)	Policies for recognising liabilities on the balance sheet for arrangements that could require the institution to provide financial support	Not applicable
449 (k)	Names of ECAs used for securitisation and type	Not applicable
449 (l)	Full description of Internal Assessment Approach	Not applicable
449 (m)	Explanation of significant changes in quantitative disclosure	Not applicable
449 (n)	As appropriate, separately for the banking and trading book securitisation exposures:	
449 (n)(i)	Amount of outstanding exposures securitised	Not applicable
449 (n)(ii)	On balance sheet securitisation retained or purchased, and off balance sheet exposures	Not applicable
449 (n)(iii)	Amount of assets awaiting securitisation	Not applicable
449 (n)(iv)	Early amortisation treatment, aggregate drawn exposures, capital requirements	Not applicable
449 (n)(v)	Deducted or 1,250%-weighted securitisation positions	Not applicable
449 (n)(vi)	Securitisation activity including the amount of exposures securitised and recognised gains or losses on sales	Not applicable
449 (o)	Banking and trading book securitisations	Not applicable
449 (o)(i)	Retained and purchased positions and associated capital requirements, broken down by risk weight bands	Not applicable
449 (o)(ii)	Retained and purchased re-securitisation positions before and after hedging and insurance, exposure to financial guarantors broken down by guarantor creditworthiness	Not applicable
449 (p)	Impaired assets and recognised losses related to banking book securitisations by exposure type	Not applicable
449 (q)	Exposure and capital requirements for trading book securitisations	Not applicable
449 (r)	Whether the institution has provided non-contractual financial support to securitisation vehicles	Not applicable
Remuneration disclosures		
450	Remuneration	Appendix 5
Leverage		
451 (1)(a)	Leverage ratio and breakdown of total exposure measure including reconciliation to financial statements and derecognised fiduciary items	Appendix 3
451 (1)(b)		
451 (1)(c)		
451 (1)(d)	Description of the processes used to manage the risk of excessive leverage and factors that impacted the leverage ratio during the year	Appendix 3
451 (1)(e)		
451 (2)		
Use of the IRB approach to credit risk		
452	IRB Approach	Not applicable
452 (a)	Permission for use of the IRB approach from the competent authority.	Not applicable
452 (b)	Explanation and review of:	Not applicable
452 (b)(I)	Structure of internal rating systems and relation between internal and external ratings;	Not applicable
452 (b)(II)	Use of internal ratings for purposes other than capital requirement calculations;	Not applicable
452 (b)(III)	Management and recognition of credit risk mitigation process;	Not applicable
452 (b)(IV)	Controls mechanisms for rating systems;	Not applicable
452 (c)(I-V)	Description of ratings processes for each IRB asset class, provided separately.	Not applicable
452 (d)	Exposure values by IRB exposure class, separately for Advanced and Foundation IRB.	Not applicable
452 (e)(I-III)	For each exposure class, disclosed separately by obligor grade, institutions shall disclose: total exposure, separating loans and undrawn exposures where applicable, and exposure weighted average risk weight.	Not applicable



452 (f)	For the retail exposure class, the disclosures outlined in article 452.e, to allow for a meaningful differentiation of credit risk on a pooled basis.	Not applicable
452 (g)	Actual specific risk adjustments for the period and explanation of changes.	Not applicable
452 (h)	Description of the factors that impacted on the loss experience in the preceding period.	Not applicable
452 (i)	Analysis of the historical estimates of losses against actual losses in each exposure, to help assess the performance of the rating system over a sufficient period.	Not applicable
452 (j)(I-II)	For all IRB exposure classes: where applicable, PD and LGD by each country where the bank operates.	Not applicable
Use of credit risk mitigation techniques		
453 (a)	Use of on and off-balance sheet netting	Not applicable
453 (b)	How collateral valuation is managed	Not applicable
453 (c)	Description of types of collateral used	Not applicable
453 (d)	Types of guarantor and credit derivative counterparty and their creditworthiness	Not applicable
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	Not applicable
453 (f)	For exposures under either the standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	Not applicable
453 (g)	Exposures covered by guarantees or credit derivatives	Not applicable
Use of the Advanced Measurement Approach to Operational Risk		
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	Not applicable
Use of Internal Market Risk Models		
455	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the following information:	Not applicable
455 (a)	For each sub-portfolio covered:	Not applicable
455 (a)(I)	Disclosure of the characteristics of the market risk models used;	Not applicable
455 (a)(II)	Disclosure of the methodologies used to measure incremental default and migration risk;	Not applicable
455 (a)(III)	Descriptions of stress tests applied to the	Not applicable
455 (a)(IV)	Methodology for back-testing and validating the models.	Not applicable
455 (b)	Scope of permission for use of the models.	Not applicable
455 (c)	Policies and processes to determine trading book classification, and to comply with prudential valuation requirements.	Not applicable
455 (d)(I-III)	High/Low/Mean values over the year of VaR, SVaR and incremental risk charge.	Not applicable
455 (e)	The elements of the own fund calculation.	Not applicable
455 (f)	Weighted average liquidity horizons for each subportfolio covered by internal models.	Not applicable
455 (g)	Comparison of end-of-day value-at-risk (VaR) measures compared with one-day changes in the portfolio's value.	Not applicable



Glossary

Advanced Internal Rating Based (AIRB) approach	A CRD IV approach for measuring exposure to retail credit risks. The method of calculating credit risk capital requirements uses internal PD, LGD and EAD models. AIRB approaches may only be used with Bank of Spain permission.
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 .
Business risk	Any risk to a firm arising from changes in its business, including the risk that the firm may not be able to execute its business plan and strategy. It also includes risk arising from a firm's remuneration policy.
Conduct risk	The risk that the Group's operating model, culture or actions result in unfair outcomes for customers.
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.
Earnings at Risk (EaR)	Approach set out for the quantification of interest rate risk expressed as the impact to forecast net interest income under interest rate sensitivity analysis.
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. and Aneto S.a.r.l 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 capital adequacy assessment process (ICAAP)	The part of the Pillar II assessment to be undertaken by an institution. The ICAAP allows institutions to assess the level of capital that adequately supports all relevant current and future risks in their business. In undertaking an ICAAP, 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 assets 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 CRD IV 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 II	The part of CRD IV that sets out the information institutions must disclose in relation to their risks, the amount of capital required to absorb them, and their approach to risk management. The aim is to strengthen market discipline.
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. It comprises eligible collective assessed impairment allowances under CRD IV.



Charts and Tables

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Table 26: Total Remuneration of "Identified staff"

Table 27: Total Fixed and Variable Remuneration

Table 28: Severance payments

Table 29: Board Members Directorships

Charts

Chart 1: Regulatory Group structure

Chart 2: Internal Governance Structure

Chart 3: Summary of CRR requirements

Chart 4: Summary of minimum regulatory capital requirements

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In Madrid, on... 24th March 20.21...

Signed: Shivaun Schutawie

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